50 Years 1968 - 2018

CHALLENGE NEW HEIGHTS TOGETHER

ANNUAL REPORT

2018

SCIENTEX BERHAD
(7867-P)

Contents

Corporate Information

Board of Directors

Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim
Chairman & Non-Independent Non-Executive Director

Lim Peng Jin
Managing Director

Lim Peng Cheong
Non-Independent Non-Executive Director

Wong Chin Mun
Independent Non-Executive Director

Dato' Noorizah Binti Hj Abd Hamid
Independent Non-Executive Director

Ang Kim Swee
Independent Non-Executive Director

• Company Secretary •

Tung Wei Yen
(MAICSA 7062671)

• Audit Committee •

Wong Chin Mun
Chairman

Dato' Noorizah Binti Hj Abd Hamid
Member

Ang Kim Swee
Member

• Nomination and Remuneration Committee •

Ang Kim Swee
Chairman

Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim
Member

Wong Chin Mun
Member

• Risk Management Committee •

Dato' Noorizah Binti Hj Abd Hamid
Chairperson

Lim Peng Jin
Member

Ang Kim Swee
Member

• Auditors •

Deloitte PLT
Level 16, Menara LGB, 1, Jalan Wan Kadir
Taman Tun Dr. Ismail, 60000 Kuala Lumpur

• Solicitors •

Koh Kim Leng & Co.
Shearn Delamore & Co.

• Principal Bankers •

HSBC Bank Malaysia Berhad
RHB Bank Berhad
MUFG Bank (Malaysia) Berhad
Standard Chartered Bank Malaysia Berhad
Sumitomo Mitsui Banking Corporation Malaysia Berhad
Hong Leong Bank Berhad
Malayan Banking Berhad

• Registered Office & Principal Place of Business •

No. 9, Persiaran Selangor
Seksyen 15, 40200 Shah Alam, Selangor Darul Ehsan
Tel: 03-5524 8888/03-5519 1325
Fax: 03-5519 1884
Website: www.scientex.com.my

• Stock Exchange Listing •

Main Market of
Bursa Malaysia Securities Berhad
[Stock code: 4731]

• Share Registrar •

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House, Pusat Dagangan Dana 1
Jalan PJU 1A/46, 47301 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-7849 0777 Fax: 03-7841 8151/52
Email: ssr.helpdesk@symphony.com.my
Website: www.symphony.com.my

SCIENTEX®

Scientex Berhad
(Company No. 7867-P)

Manufacturing

Stretch Film

Custom Film

Specialty Products

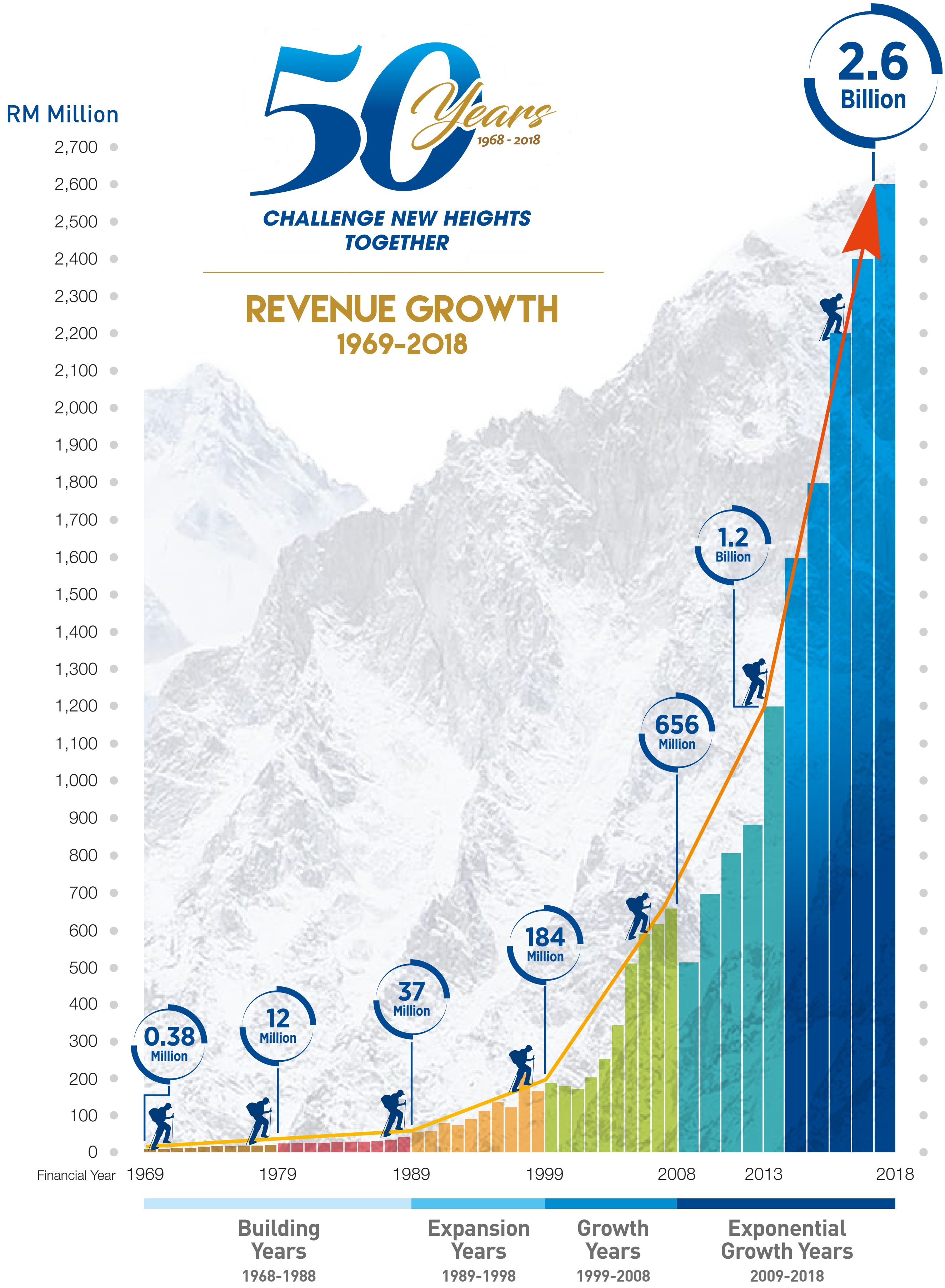
Property

Scientex Johor

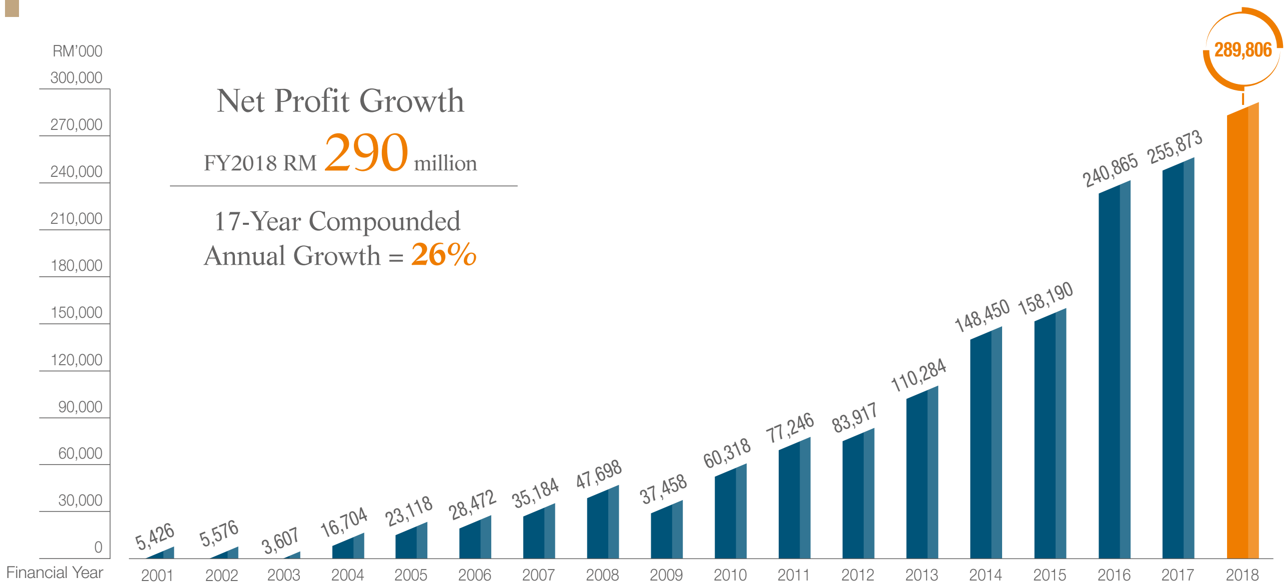
Scientex Melaka

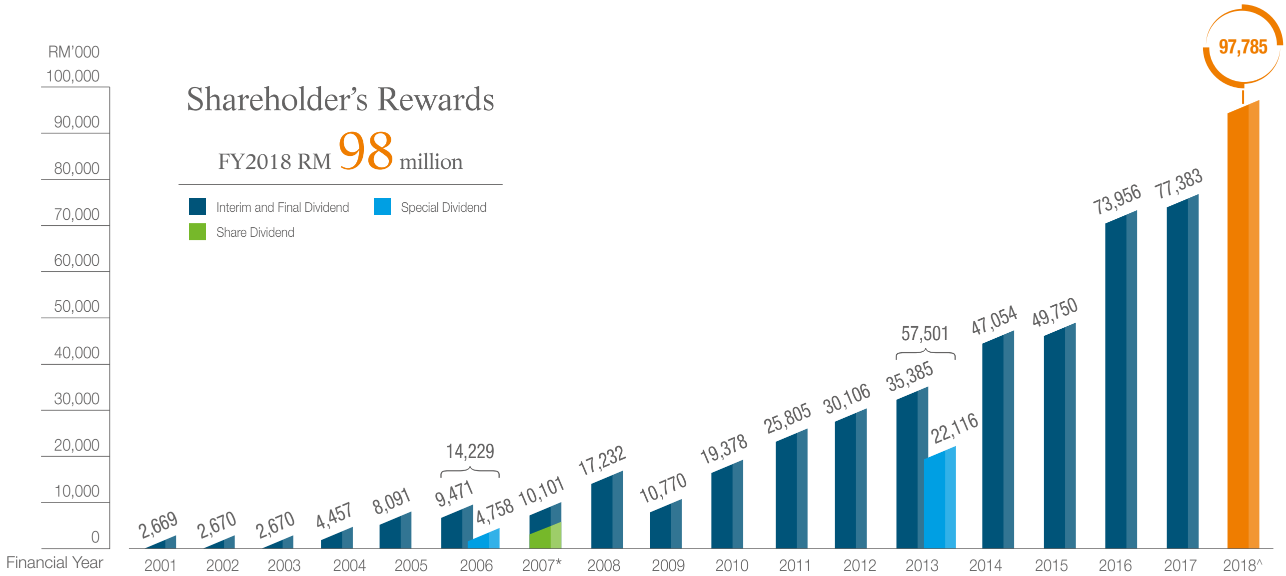
Scientex Perak

Scientex Selangor


50 Years
1968 - 2018
CHALLENGE NEW HEIGHTS TOGETHER
REVENUE GROWTH
1969-2018
RM Million
2,700
2,600
2,500
2,400
2,300
2,200
2,100
2,000
1,900
1,800
1,700
1,600
1,500
1,400
1,300
1,200
1,100
1,000
900
800
700
600
500
400
300
200
100
0
Financial Year
1969
1979
1989
1999
2008
2013
2018
0.38 Million
12 Million
37 Million
184 Million
656 Million
1.2 Billion
2.6 Billion
Building Years
1968-1988
Expansion Years
1989-1998
Growth Years
1999-2008
Exponential Growth Years
2009-2018

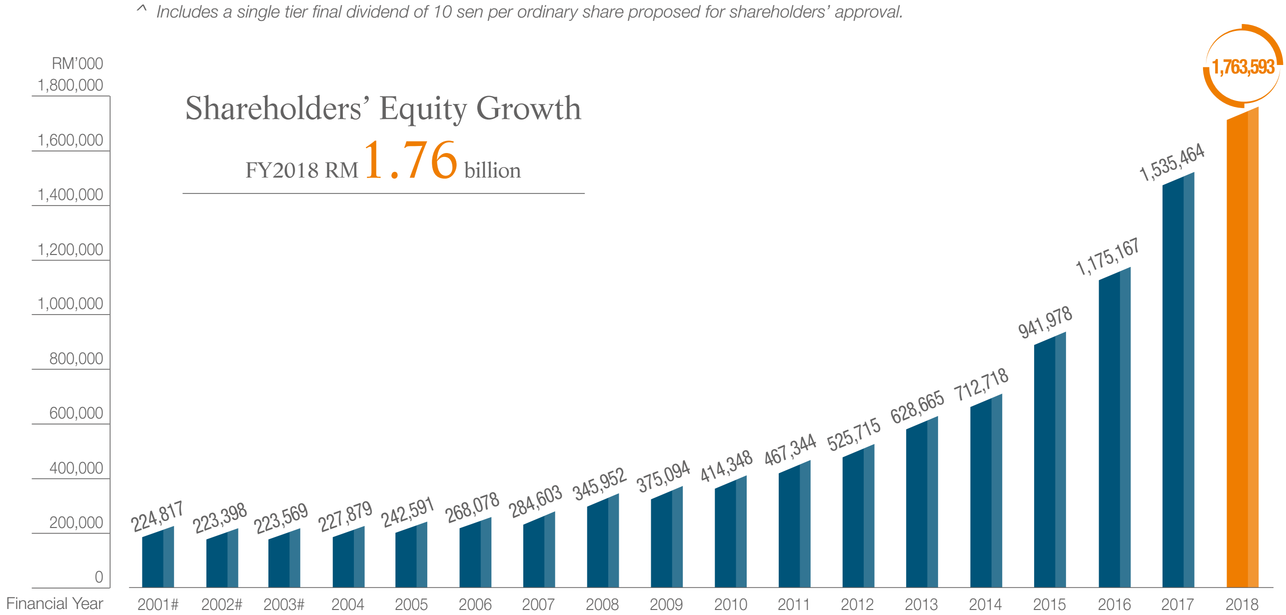
Scientex Performance Record





* Includes a share dividend on the basis of one (1) treasury share for every fifty (50) existing ordinary shares held based on market value.

^ Includes a single tier final dividend of 10 sen per ordinary share proposed for shareholders' approval.



\# The figures have been restated for consistency.

5-Year Group Financial Highlights

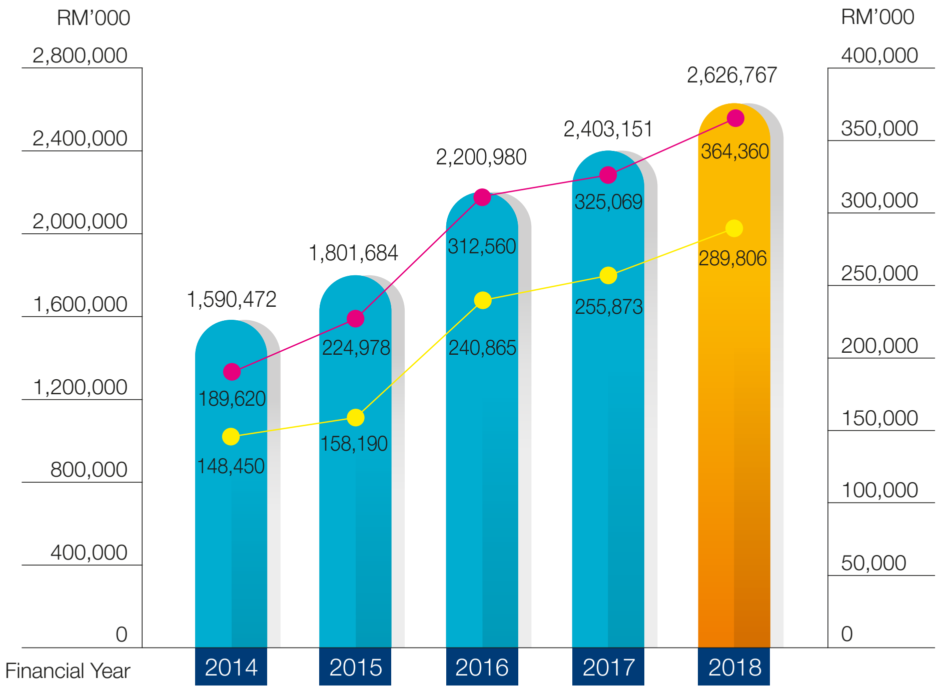
Year ended 31 July (RM'000)	2018	2017	2016	2015	2014
Results					
Revenue	2,626,767	2,403,151	2,200,980	1,801,684	1,590,472
Operating Profit	364,360	325,069	312,560	224,978	189,620
EBITDA	444,120	395,222	374,541	273,052	232,949
Profit Before Taxation	361,658	317,968	306,332	220,962	186,266
Profit After Taxation	294,034	259,941	246,567	162,096	151,501
Net Profit	289,806	255,873	240,865	158,190	148,450
Group Assets					
Non-current Assets	2,168,648	1,624,709	1,487,971	979,099	859,537
Current Assets	1,195,433	953,080	763,130	660,776	540,841
Total Assets Employed	3,364,081	2,577,789	2,251,101	1,639,875	1,400,378
Financed by					
Share Capital	453,850	411,843	115,000	115,000	115,000
Reserves	1,309,743	1,123,621	1,060,167	826,978	597,718
Equity attributable to owners of the Company	1,763,593	1,535,464	1,175,167	941,978	712,718
Non-controlling Interests	69,973	68,416	66,495	62,784	22,705
Current Liabilities	1,124,820	743,663	711,753	500,147	546,500
Non-current Liabilities	405,695	230,246	297,686	134,966	118,455
Total Funds Employed	3,364,081	2,577,789	2,251,101	1,639,875	1,400,378
Performance Indicators					
Earnings Per Share (Sen)*	59.59	54.83	52.94	35.22	33.56
Net Dividend Per Share (Sen)*	20.00 #	16.00	16.00	11.00	10.50
Net Assets Per Share (RM)*	3.61	3.18	2.55	2.09	1.61
Net Gearing Ratio (Times)	0.43	0.18	0.32	0.14	0.36
Return on Equity ("ROE") (%)	16.43	16.66	20.50	16.79	20.83
Net Operating Cash Flow (RM'000)	392,424	322,841	380,303	191,769	153,801

* *For year 2014 to 2016, the figures have been restated to take into account the bonus issue in 2016.*
\# *Includes a single tier final dividend of 10 sen per ordinary share proposed for shareholders' approval.*

Group Financial Results

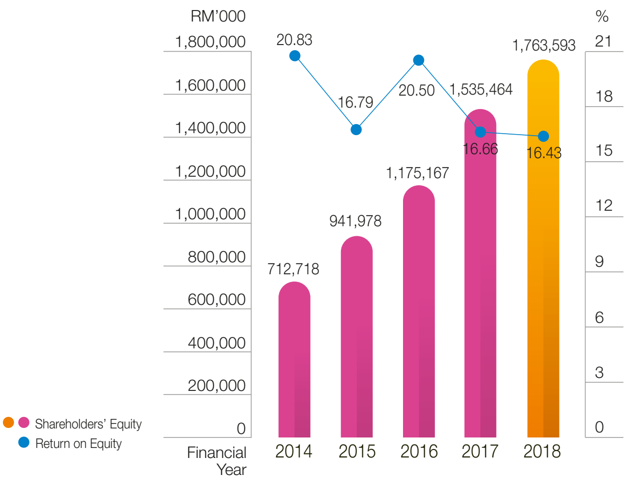
Revenue
FY2018
RM 2.6 billion

Revenue
Operating Profit
Net Profit



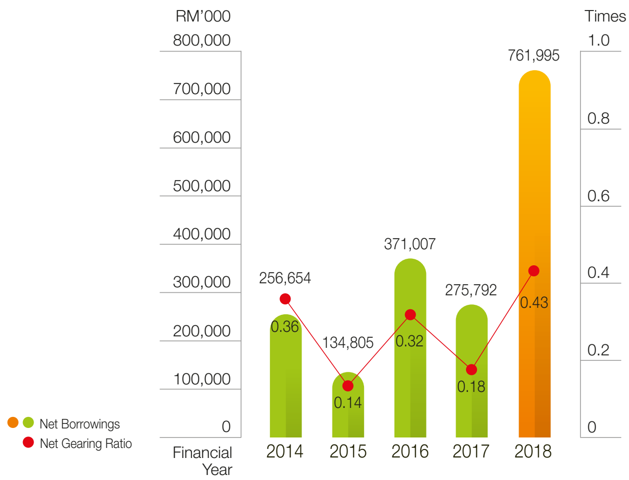
Return on Equity
FY2018
16.43 %

Shareholders' Equity
FY2018
RM 1.76 billion

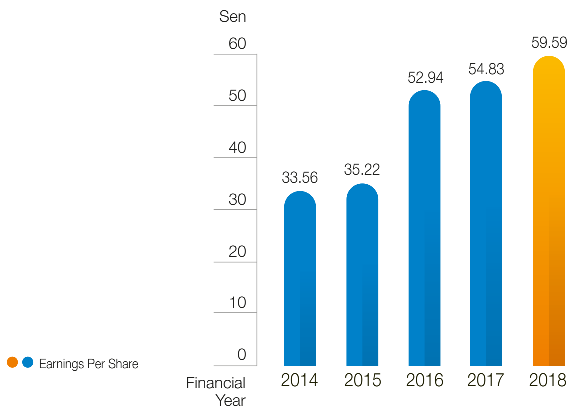


Net Gearing Ratio
FY2018
0.43 times

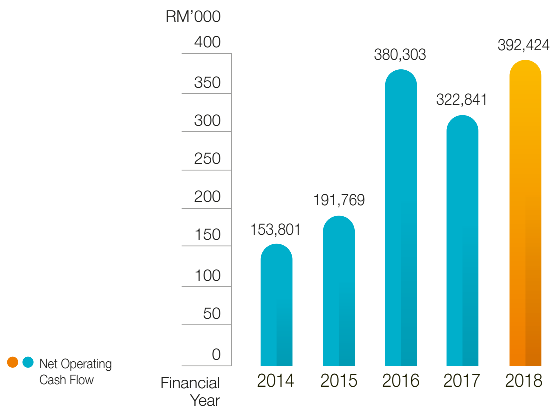
Net Borrowings
FY2018
RM 762 million



Earnings Per Share
FY2018 59.59 sen



Net Operating Cash Flow
FY2018 RM 392 million



Media Highlights

The Star Biz
September 2018


Biz

Scientex unveils RM1.3bil township development in Senai

Sin Chew
September 2018


林炳仁開明透明化領導
森德放眼10年
百億營收

Nanyang
June 2018


建议派息 10 仙
森德第三季净赚6114万
续迎合可负担屋需求

Malaysia Reserve
December 2017


CORPORATE MALAYSIA

Scientex to expand further after strongest performance in 1Q


FINANCIAL DAILY

BROKERS' CALL

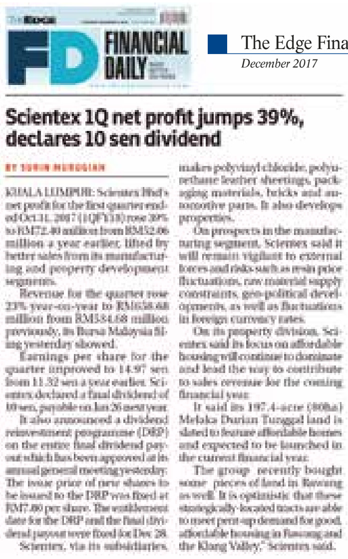
Scientex FY18 core profit above expectations

The Edge Financial Daily
September 2018

Focus Malaysia
October 2018


Can Scientex smash its RM10 bil revenue target?

"We found a lot of people were wanting or needing to buy a house. The problem was, they cannot afford to buy a house. So if you can make the price affordable, there will be a lot of buyers."


FINANCIAL DAILY

Scientex 1Q net profit jumps 39%, declares 10 sen dividend

BY SURIN MURUGIAH

KUALA LUMPUR: Scientex Bhd's net profit for the first quarter ended Oct 31, 2017 (1QFY18) rose 39% to RM72.40 million from RM52.06 million a year earlier, lifted by better sales from its manufacturing and property development segments.

Revenue for the quarter rose 23% year-on-year to RM658.68 million from RM534.68 million previously, its Bursa Malaysia filing yesterday showed.

Earnings per share for the quarter improved to 14.97 sen from 11.32 sen a year earlier. Scientex declared a final dividend of 10 sen, payable on Jan 26 next year.

It also announced a dividend reinvestment programme (DRP) on the entire final dividend payout which has been approved at its annual general meeting yesterday. The issue price of new shares to be issued to the DRP was fixed at RM7.80 per share. The entitlement date for the DRP and the final dividend payout were fixed for Dec 28.

Scientex, via its subsidiaries, makes polyvinyl chloride, polyurethane leather sheetings, packaging materials, bricks and automotive parts. It also develops properties.

On prospects in the manufacturing segment, Scientex said it will remain vigilant to external forces and risks such as resin price fluctuations, raw material supply constraints, geo-political developments, as well as fluctuations in foreign currency rates.

On its property division, Scientex said its focus on affordable housing will continue to dominate and lead the way to contribute to sales revenue for the coming financial year.

It said its 197.4-acre (80ha) Melaka Durian Tunggal land is slated to feature affordable homes and expected to be launched in the current financial year.

The group recently bought some pieces of land in Rawang as well. It is optimistic that these strategically-located tracts are able to meet pent-up demand for good, affordable housing in Rawang and the Klang Valley," Scientex said.

The Edge Financial Daily
December 2017

Nanyang
February 2018


南洋商報
森德1.9亿购福塑胶
将提高 30%包装产能

The Sun Biz
February 2018

theSun SunBIZ

Scientex buys plastic packaging firm for RM190m

PETALING JAYA: Scientex Bhd is acquiring the entire stake in Klang Hock Plastic Industries Sdn Bhd (KHPI) for RM190 million cash, in a bid to become a regional powerhouse in the flexible plastic packaging market.

The group said in a Bursa Malaysia filing that its wholly owned subsidiary Scientex Packaging Film Sdn Bhd had entered into a sale and purchase agreement with Law Wan Hong @ Lew Wan Hong, Ng Boon Eu, Lew Pei See @ Law Pei See and Lew Pei Lin @ Law Pei Lin for the acquisition.

The acquisition comes with a profit guarantee of RM18 million profit before tax for the 12-month period to March 31, 2019.

Founded in 1976, KHPI is a leading manufacturer of custom films including shrink films, polyethylene (PE) films, tubes and bags, lamination films, stretch films, stretch hoods, agriculture films, and flexitank films. It has a diverse customer base of over 450 multinational corporations worldwide.

The purchase will be financed with internally generated funds.

Scientex managing director Lim Peng Jin said the deal will enable the group's manufacturing segment to recognise an annual revenue of over RM2 billion per year. It will also allow the group to expand its total annual output capacity by about 30% to 435,000 metric tonnes from the current 336,000 metric tonnes.

Scientex foresees it will contribute positively towards the group's earnings for the financial year ending July 31, 2018 onwards.

The Star Biz
October 2018

Biz

Scientex's Arizona plant set to gain from US-China trade war

PETALING JAYA: Packaging material maker Scientex Bhd is an underrated potential winner from the escalating trade war between the United States and China, according to a research house.

The company has a US$50mil stretch film plant in Arizona, US, that started operations in January. A second plant at the same site commenced operations in March.

"Scientex could be a potential winner in the changing landscape of global manufacturing supply chains, given the strategic location of its manufacturing plants in Malaysia and the US," UOB KayHian said in a research report.

The latest development in the trade war included the imposition of a 10% tariff by the US on US$200bil worth of imports from China, as the former threatened to further raise tariffs to 25% by January 2019.

The US tariff is likely to force many affected manufacturers in China to diversify or expand their manufacturing bases in Indochina or South-East Asia.

"Increased manufacturing capacity in South-East Asia should benefit Scientex's Malaysian plant, which exports mainly to Japan, South Korea and neighbouring countries (except China)," UOB KayHian said.

Scientex recently increased its custom film capacity to 230,000 tonnes a year, following the acquisition of Klang Hock Plastic Industries Sdn Bhd.

Separately, its stretch film capacity – including the Arizona plant's 30,000-tonne capacity – has reached 170,000 tonnes a year.

The group's plant in Arizona should benefit from the expected growth in the US domestic manufacturing sector with the country's growing protectionism.

"The plant has a floor space to expand production capacity to as much as 80,000 tonnes and management plans to add a third line by the end of 2019 if demand picks up," UOB KayHian said.

As it is, the factory utilisation rate at Scientex is expected to increase to around 70% in the financial year ending July 31, 2019 (FY19) from 60% in FY18.

The packaging material business contributed about 72% to group sales in FY18, with the rest coming from its property division.

Earnings before interest and tax from property development, however, was a lot higher at 32% compared with the manufacturing business.

For FY18, Scientex's revenue rose to RM2.63bil, while net profit was at RM290mil, or 60 sen a share.

UOB KayHian has projected that earnings in FY19 would reach RM378mil, or 78 sen a share.

It has a target price of RM10.41 for Scientex. This values the stock at 12 times its projected earnings in FY20 of 86.7 sen a share.

"Although our target price earnings multiple is above mean valuation, the stock is still trading at a big discount to companies with good earnings growth visibility and a strong track record," UOB KayHian said.

New Straits Times
March 2018

NewStraitsTimes . FRIDAY, MARCH 23, 2018

B4 | BUSINESS / News

MANUFACTURING AND PROPERTY SEGMENTS

Scientex upbeat on continued growth this year

INFO BOX

2.3pc

Revenue growth in Scientex Bhd's property development segment to RM178.3 million in the second quarter

Oriental Daily
March 2018

東方日報

FPP出口强劲 森德次季净利增4%

New Straits Times
August 2018

B4 | BUSINESS / News

PROPERTY DEVELOPMENT

SCIENTEX EXPANDS LANDBANK IN MELAKA

Developer buys 84.65ha freehold agricultural land in Durian Tunggal for RM68.2m

Malaysia Reserve
December 2017

Malaysian Reserve

Scientex to buy land in Pulai for RM284m

The Busy Weekly
December 2017

THE BUSY WEEKLY

森德的下一個高峰

Oriental Daily
September 2018

東方日報

森德全年净利破纪录 股价飙涨

Berita Harian
July 2018

Scientex lancar rumah mampu milik di Melaka

Tawar kediaman teres dua tingkat bermula RM145,350

Profile Of
The Board Of Directors

Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim

Chairman and
Non-Independent Non-Executive Director

Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim, a Malaysian, male, aged 79, is a Non-Independent Non-Executive Director and Chairman of the Company. He was appointed to the Board as Independent Non-Executive Chairman on 20 June 2003 and was re-designated as Non-Independent Non-Executive Chairman on 22 March 2018. He is also a member of the Board's Nomination and Remuneration Committee.

Tan Sri Dato' Mohd Sheriff graduated with a Bachelor of Arts (Honours) Economics degree from University of Malaya in 1963 and a Diploma in Economic Development from Oxford University, United Kingdom in 1969. He graduated with a Master of Arts in Economics from Vanderbilt University, USA in 1974.

He served as the Secretary General of Treasury, Ministry of Finance for 3 years from 1991 to 1994 and as Managing Director of Khazanah Nasional Berhad for 9 years from 1994 to 2003. He was a former Director of United Engineers (Malaysia) Berhad, RHB Bank Berhad and former Chairman of Renong Berhad, Projek Penyelenggaraan Lebuhraya Berhad, PLUS Expressways Berhad, Malaysian Institute of Economic Research, Manulife Holdings Berhad, Standard Chartered Bank Malaysia Berhad and Standard Chartered Saadiq Berhad. He was also a former President of the Malaysian Economic Association.

He also sits on the Board of PLUS Malaysia Berhad as Non-Executive Director and Chairman; and Yayasan UEM as Non-Executive Director. He is also a Non-Executive Chairman of Warisan Pinang Sdn Bhd, a property development company.

He does not have any family relationship with any Director and/or major shareholder of Scientex Berhad and has no conflict of interest with the Company. He has not been convicted for any offences within the past 5 years. There were no public sanctions or penalties imposed on him by any regulatory bodies during the financial year 2018.

Lim Peng Jin

Managing Director

Lim Peng Jin, a Malaysian, male, aged 51, is currently the Managing Director of the Company. He was appointed to the Board on 20 January 1995 as the Group Executive Director and was re-designated as Managing Director on 6 November 2001. He is also a member of the Board's Risk Management Committee.

Lim Peng Jin graduated with a Bachelor of Science (Honours) in Chemical Engineering from the University of Tokyo, Japan in 1990. He began his career in the chemical industry in Japan before joining the Company in 1991. He had also completed a course in Programme Management Development at Harvard University, USA in 1998. He has local and international working experiences in the fields of polymer and chemicals during the early years of his career and is very hands-on in the business of Scientex Group of Companies involving packaging, property, polymer and chemicals industries for the past 20 years. The success of the Group owes much to his extensive involvement in its operations and management.

He is the brother of Lim Peng Cheong, who is also a Director and major shareholder of Scientex Berhad. He has no conflict of interest with the Company. He has not been convicted for any offences within the past 5 years. There were no public sanctions or penalties imposed on him by any regulatory bodies during the financial year 2018.

Lim Peng Cheong

Non-Independent Non-Executive Director

Lim Peng Cheong, a Malaysian, male, aged 56, is a Non-Independent Non-Executive Director of the Company. He was appointed to the Board as an Executive Director on 9 September 1988, and has held this position until 10 November 2003 when he was re-designated as Non-Executive Director. He graduated with a Bachelor of Science (Honours) in Business Studies from the City University, London, UK in June 1984. He is currently the Managing Director of Malacca Securities Sdn Bhd.

He is the brother of Lim Peng Jin, who is also a Director and major shareholder of Scientex Berhad. He has no conflict of interest with the Company. He has not been convicted for any offences within the past 5 years. There were no public sanctions or penalties imposed on him by any regulatory bodies during the financial year 2018.

Wong Chin Mun

Independent Non-Executive Director

Wong Chin Mun, a Malaysian, male, aged 74, is an Independent Non-Executive Director of the Company. He was appointed to the Board as a Non-Executive Director on 6 October 2017. He is also the Chairman of the Board's Audit Committee and a member of the Nomination and Remuneration Committee.

Wong Chin Mun received the Teacher's Certificate from the Ministry of Education of Malaysia in 1966 and graduated with Bachelor of Business (Accounting) Degree and Bachelor of Business (Secretarial Administration) Degree from Curtin University, Western Australia in 1972 and 1974 respectively. He is a Fellow of Australian Society of Certified Practising Accountants as well as associate members of Institute of Chartered Secretaries and Administrators, UK and Malaysian Institute of Accountants.

Wong Chin Mun worked as the Financial Controller/Company Secretary in Yeo Hiap Seng Bhd from 1974 to 1975. He then joined Nylex (Malaysia) Berhad ("Nylex") as the Financial Controller/Company Secretary in 1976 and became the first local General Manager/Director of Nylex in 1980. He was promoted to the position of Managing Director in 1985 and left Nylex at the end of June 1994 to found TEC Asia Centre (now known as Vistage Malaysia Sdn Bhd), an international organisation which aims to help chief executive officers and entrepreneurs to manage change and grow their businesses. He had served on the National Export Council under the Ministry of International Trade & Industry ("MITI") from 1989 to 1992 and was appointed to the National Branding Taskforce of MITI 2006 to 2009. He also served on the Board of Trustees of Malaysian Rubber Export Promotion Council from 2000 to 2002. Currently, Mr Wong is the Senior Independent Non-Executive Director of Sunway Berhad as well as the Independent Non-Executive Director of Khind Holdings Berhad. He serves on the Board of Trustees of Scientex Foundation since 2008. He is also the Chairman of the FMM-MIER Business Conditions Survey Committee and a Member of the FMM Strategic Policies Committee.

He does not have any family relationship with any Director and/or major shareholder of Scientex Berhad and has no conflict of interest with the Company. He has not been convicted for any offences within the past 5 years. There were no public sanctions or penalties imposed on him by any regulatory bodies during the financial year 2018.

Dato' Noorizah Binti Hj Abd Hamid

Independent Non-Executive Director

Dato' Noorizah Binti Hj Abd Hamid, a Malaysian, female, aged 58, is an Independent Non-Executive Director of the Company. She was appointed to the Board as a Non-Executive Director on 7 November 2016. She is also the Chairperson of the Board's Risk Management Committee and a member of the Board's Audit Committee.

Dato' Noorizah Binti Hj Abd Hamid graduated with a Diploma in Accountancy from MARA Institute of Technology in 1980, a Bachelor of Science Degree in Business Administration (Finance) and a Master Degree in Business Administration (Finance and Management) from Central Michigan University, United States of America in 1982 and 1984 respectively.

She was the former Non-Executive Chairperson and Managing Director/Chief Executive Officer of PLUS Expressways International Berhad ("PEIB") and former Managing Director of PLUS Malaysia Berhad and PLUS Expressways Berhad. Presently, she sits on the Board of Directors of Mass Rapid Transit Corporation Sdn Bhd, which is wholly-owned by Minister of Finance Incorporated Malaysia, Amanah Mutual Berhad, PNB Merdeka Venture Sdn Bhd and various subsidiaries of PEIB.

She does not have any family relationship with any Director and/or major shareholder of Scientex Berhad and has no conflict of interest with the Company. She has not been convicted for any offences within the past 5 years. There were no public sanctions or penalties imposed on her by any regulatory bodies during the financial year 2018.

Ang Kim Swee

Independent Non-Executive Director

Ang Kim Swee, a Malaysian, male, aged 60, is an Independent Non-Executive Director. He was appointed to the Board on 17 December 2014. He is also the Chairman of the Board's Nomination and Remuneration Committee and a member of the Board's Audit Committee and Risk Management Committee.

Ang Kim Swee graduated with Diploma in Accounting and Costing LCCI Higher. He is a Registered Financial Planner and a Chartered Financial Consultant registered with The Malaysian Insurance Institute. He is also an Audit Committee Member of The Institute of Internal Auditors Malaysia. He has attended Premier Business Management Program organised by Harvard Club of Malaysia in 2015. He has more than 30 years of working experience in various capacities including senior management roles in the areas of finance, costing, information technology systems and administration. Presently, he is the General Manager (Finance) of Meditop Corporation (M) Sdn Bhd, a well established Japanese corporation with international track records in manufacturing and sales of disposable medical devices and healthcare products. He is a pioneer since 1990 and is primarily responsible for the management of financial affairs of the company.

He does not have any family relationship with any Director and/or major shareholder of Scientex Berhad and has no conflict of interest with the Company. He has not been convicted for any offences within the past 5 years. There were no public sanctions or penalties imposed on him by any regulatory bodies during the financial year 2018.

Profile Of

Key Management

The Key Management consists of Mr Lim Peng Jin, Managing Director of Scientex Berhad whose profile is listed in the Profile of the Board of Directors set out on page 10 of this Annual Report, and the following persons:-

Koay Teik Chuan

Executive Director
(Property Business)

Koay Teik Chuan, a Malaysian, male, aged 58, joined Scientex in 1997. During the early stages, he was involved in the construction and development of Scientex's flagship development in Johor. Prior to joining Scientex, he was handling various construction projects in different parts of the country. He was appointed as the Executive Director of Scientex's property business on 1 November 2009. He received his higher education from the Institut Teknoloji Butterworth in 1978 and has more than 25 years of experience in various aspects of construction and property development including township projects. Presently, he is also the Assistant to the Managing Director since 2001.

He does not have any family relationship with any Director and/or major shareholder of Scientex Berhad and has no conflict of interest with the Company. He has not been convicted for any offences within the past 5 years. There were no public sanctions or penalties imposed on him by any regulatory bodies during the financial year 2018.

Choo Seng Hong

Executive Director
(Manufacturing Business)

Choo Seng Hong, a Malaysian, male, aged 50, graduated with a Bachelor of Accountancy from Universiti Putra Malaysia in 1993 and is also a member of the Malaysian Institute of Accountants. He was formerly the Finance and Administration Manager of Scientex. Currently, he holds various senior positions in the Company's subsidiaries. Prior to joining Scientex in 1997, he was attached to KPMG from 1993 to 1997 and has experience in the fields of banking, oil and gas, and manufacturing. He was appointed as the Executive Director of Scientex's manufacturing business on 1 March 2003 and presently, is the Head of Manufacturing Division.

He does not have any family relationship with any Director and/or major shareholder of Scientex Berhad and has no conflict of interest with the Company. He has not been convicted for any offences within the past 5 years. There were no public sanctions or penalties imposed on him by any regulatory bodies during the financial year 2018.

Khaw Giet Thye

Executive Director
(Property Business)

Khaw Giet Thye, a Malaysian, male, aged 50, joined Scientex's property division in 1996. Starting off as a project manager in Scientex's subsidiary, Scientex Quatari Sdn Bhd, he was promoted to General Manager on 1 February 2004 and subsequently, as Executive Director of Scientex's property business on 1 August 2013. He graduated from University Science of Malaysia with a Degree in Housing, Building & Planning and has over 20 years of experience in construction and property development.

He does not have any family relationship with any Director and/or major shareholder of Scientex Berhad and has no conflict of interest with the Company. He has not been convicted for any offences within the past 5 years. There were no public sanctions or penalties imposed on him by any regulatory bodies during the financial year 2018.

Gan Kok Khye

Executive Director
(Manufacturing Business)

Gan Kok Khye, a Malaysian, male, aged 56, graduated from North East London Polytechnic, London in 1985 with a Bachelor of Arts (Honours) in Business Studies. He joined the Scientex Group in 1988 and since then, has held various management positions in the subsidiaries of the Company. He was appointed as an Executive Director of the Group's subsidiary, Scientex Packaging Film Sdn Bhd as well as the Executive Director of Scientex's manufacturing business in 2002. For a period from year 2016 to year 2018, he was assigned to oversee the corporate affairs of the Group. Presently, he is the Executive Director of Manufacturing Business.

He does not have any family relationship with any Director and/or major shareholder of Scientex Berhad and has no conflict of interest with the Company. He has not been convicted for any offences within the past 5 years. There were no public sanctions or penalties imposed on him by any regulatory bodies during the financial year 2018.

Chang Siew Sian

Executive Director
(Corporate Planning)

Chang Siew Sian, a Malaysian, female, aged 46, is an accountant by profession. She graduated from University of Malaya with a Bachelor Degree in Accounting. She is a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants. She joined Scientex Berhad in 2002 as Corporate Finance Manager and subsequently promoted to Group Financial Controller on 15 May 2003. She was appointed as the Executive Director overseeing corporate planning of the Group since 2014. She completed the Advanced Management Program in Harvard Business School in 2015.

She does not have any family relationship with any Director and/or major shareholder of Scientex Berhad and has no conflict of interest with the Company. She has not been convicted for any offences within the past 5 years. There were no public sanctions or penalties imposed on her by any regulatory bodies during the financial year 2018.

Yau Kuan Yee

Executive Director
(Manufacturing Facilities)

Yau Kuan Yee, a Malaysian, male, aged 57, joined Scientex in 1996 as a Division General Manager of stretch film business. He was appointed as the Senior Technical General Manager on 1 March 2015 and presently, is the Executive Director of Manufacturing Facilities since 1 August 2017. He has almost 30 years of experience in the plastics packaging industry and 25 years in stretch film segment. He graduated from Swinburne Institute of Technology, Melbourne, Australia with a degree in Manufacturing Engineering.

He does not have any family relationship with any Director and/or major shareholder of Scientex Berhad and has no conflict of interest with the Company. He has not been convicted for any offences within the past 5 years. There were no public sanctions or penalties imposed on him by any regulatory bodies during the financial year 2018.

Choo Chee Meng

Senior General Manager
(Property Business)

Choo Chee Meng, a Malaysian, male, aged 40, joined Scientex's property division in 2006 as an Assistant Finance Manager. He was promoted to Senior General Manager of Scientex's property business on 1 August 2013. He graduated from University of South Australia, Adelaide with a Degree in Accounting and has more than 10 years experience in the fields of accounting and property development.

He does not have any family relationship with any Director and/or major shareholder of Scientex Berhad and has no conflict of interest with the Company. He has not been convicted for any offences within the past 5 years. There were no public sanctions or penalties imposed on him by any regulatory bodies during the financial year 2018.

Goh Tian Chin

Senior General Manager
(Manufacturing Business)

Goh Tian Chin, a Malaysian, male, aged 53, joined Scientex Polymer Sdn Bhd in September 1995 as Assistant Production Manager. He was promoted to General Manager in February 2001 and since 1 July 2010, he has assumed the responsibilities of a Senior General Manager for the stretch film business. He is a graduate of University Science of Malaysia with a Bachelor's Degree in Technology and has more than 10 years of experience in the polymer industry.

He does not have any family relationship with any Director and/or major shareholder of Scientex Berhad and has no conflict of interest with the Company. He has not been convicted for any offences within the past 5 years. There were no public sanctions or penalties imposed on him by any regulatory bodies during the financial year 2018.

Phang Chi Ming

Legal & Corporate
Affairs Manager

Phang Chi Ming, a Malaysian, male, aged 53, graduated from the National University of Singapore in 1989 with a Bachelor of Laws (Honours) degree. He has been in legal practice since 1990 and obtained his Master of Laws from University of Malaya in 1996. He has various experience in commercial and corporate work as well as litigation. He was appointed as the Legal & Corporate Affairs Manager of Scientex Berhad since 14 January 2008.

He does not have any family relationship with any Director and/or major shareholder of Scientex Berhad and has no conflict of interest with the Company. He has not been convicted for any offences within the past 5 years. There were no public sanctions or penalties imposed on him by any regulatory bodies during the financial year 2018.

Chairman's Statement

Dear Fellow Shareholders,

On behalf of the Board of Directors ("the Board"), I am pleased to present the Annual Report and Audited Financial Statements of Scientex Berhad (interchangeably referred to as "Scientex", "the Group" and/or "the Company") for the financial year ended 31 July 2018 ("FY2018").

As the Group celebrates its historic 50th anniversary this year, we can look back with pride over the past 50 years and reflect on how we have grown from a fledgling company occupying a small rented premises to manufacture PVC based products to become one of Malaysia's top manufacturers of flexible plastic packaging ("FPP") with a truly global presence. Starting from one plant, we now have a total of fifteen manufacturing plants located in Malaysia, Vietnam and the United States of America. The Group has also diversified from manufacturing to become one of the most prolific affordable homes developer in the country with a large presence in Johor, Melaka and we are extending our brand name to Perak and Selangor as we seek to meet the growing demand of the masses for good quality yet affordable properties.

Financial Performance

For FY2018, the Group has turned in yet another year of impressive results, achieving another new record revenue of RM2.6 billion compared to RM2.4 billion for financial year ended 31 July 2017 ("FY2017"). This record revenue has also led to a corresponding increase in net profit from RM255.9 million to RM289.8 million, reflecting a healthy 13.3% increase. Our earnings per share ("EPS") rose from 54.8 sen to 59.6 sen.

The stellar performance of the Group for the current financial year is reflective of the careful planning and implementation of the expansion plans undertaken by both the manufacturing and property divisions over the past few years. For the manufacturing division, the Group acquired Klang Hock Plastic Industries Sdn Bhd ("KHPI") in May this year through a share sale transaction which saw KHPI being a 100% subsidiary. Following capacity expansion and mergers and acquisitions of strategic assets and companies, the Group is well positioned to move aggressively into existing and new markets in near future. The Group has increased its presence and market share in the ever-growing FPP market by capitalising on its strengths, capacity and capability in producing a variety of industrial and consumer based FPP for the global markets. Contribution from the manufacturing division saw sales revenue jump from RM1.7 billion to RM1.9 billion.

In tandem with the growth of the manufacturing division, the property division has also undergone rapid growth and expansion over the last few years. It had been aggressively building up its land bank in strategic locations in Johor, Melaka, Perak and Selangor. The Group is a strong proponent of affordable homes and is also working closely with the state governments of Johor, Melaka and Perak in its respective

Rumah Mampu Milik projects in an effort to boost ownership of affordable homes for those who are qualified to own such homes. As such, affordable homes remain its key focus as the volatility in the market has led to a depressed high-end property market which will take some time to recover. Sales were slightly lower at RM722.2 million compared to the sales of RM733.5 million recorded in FY2017, representing a decline of 1.6% year-on-year impacted by longer-than-expected timeframe in attaining regulatory approvals and permits for some of the projects due to uncertainty during the election period. With a new federal government and the state governments having been formed post GE14, the Group is optimistic that the property division will be able to perform better in the coming financial year with less bureaucracy and greater transparency in the approval process.

Dividends

The Group has declared a single tier interim dividend of 10 sen per ordinary share, resulting in RM48.9 million being paid out on 13 July 2018 to all shareholders whose names appeared on the record of depositors as at 5 July 2018. For the 50th anniversary celebrations, the Board would like to reward its shareholders with a single tier final dividend of 10 sen per ordinary share which would see RM48.9 million being payable to entitled shareholders, subject to shareholders' approval at the forthcoming Annual General Meeting. In total, this would see a cumulative sum of RM97.8 million being paid out as dividends for the financial year just ended, representing approximately 33.7% of the Company's net profit. This dividend payout also reflects the Group's commitment to pay out at least 30% of its annual net profit to reward our shareholders for the trust and faith they have placed with the Company.

Corporate Developments

At the Extraordinary General Meeting ("EGM") of the Company held in December 2017, a proposal was put forth by the Board for the implementation of a Dividend Reinvestment Plan ("DRP"). The proposal was duly considered and approved by the shareholders at the EGM. The implementation of the DRP saw the final dividend for FY2017 amounting to RM40.8 million (approximately 86.98% of the total dividend)/(equivalent to 86.98% take-up rate of the DRP) being payable in the form of new share issuance which 5,226,500 ordinary shares were issued and allotted at a discounted price of RM7.80 per share to entitled shareholders who had elected to reinvest their electable portions of cash dividend, reflecting the confidence of shareholders to the Company. Apart from rewarding its long term shareholders, the DRP also provides an opportunity for the Group to implement better capital management of its resources to enable the Group to capitalise on any business opportunities that may arise in the future.

Since the last financial year, the Group has continued on its expansionary trajectory which saw its wholly-owned subsidiary, Scientex Packaging Film Sdn Bhd signing a share sale agreement dated 23 February 2018 to acquire 100% equity interest in KHPI from the existing shareholders for RM190.0 million. The acquisition was successfully concluded in May 2018 and KHPI has been fully integrated into the manufacturing division of the Group. KHPI is one of the pioneer players with an enviable track record of more than 40 years and its specialty is in the manufacturing of PE lamination film, collation shrink film as well as niche products including but not limited to flexitank film, agricultural film and silo bag which has added yet another dimension to the vast and diversified products portfolio of the Group.

For the property division, the acquisition of the 65.3 acres Rawang land marks the maiden foray of the Group into the Selangor property development scene which acquisition was completed end of 2017. The Group is slated to launch its maiden project in Selangor towards the end of 2018, hence contributing positively to the earnings for the coming financial year onwards. This strategically located land, with its excellent infrastructure and access, is expected to see an estimated Gross Development Value ("GDV") of approximately RM1.0 billion over the next few years. For the year under review, the Group acquired another 335.6 acres of freehold land in Pulai, Johor which is expected to see development over the mid term with estimated GDV of RM3.0 billion. Both projects are expected to see the Group being focused on affordable homes in view of the strong demand from the public. Its Durian Tunggal project in Melaka has seen extremely good response to its launches and the Group had in August 2018 entered into a conditional sale and purchase agreement to acquire 208.9 acres of freehold lands located opposite the current project. The proposed acquisition, costing approximately RM68.2 million, is subject to certain conditions precedent being fulfilled and is expected to be completed within the first half of 2019. With this latest acquisition, the Group will have greater and stable earnings visibility over the mid to longer term.

Economic Outlook And Prospects

The global economic outlook has seen positive recovery in the advanced economies led by the United States of America as rising employment and incomes with policy support has continued to drive the growth momentum. Nonetheless, global growth was projected at 3.9 percent for 2018 and 2019 with risks becoming more tilted to the downside in the short term due to the latest developments sparked off by the trade disputes which has shown no signs of abating to date. The impending departure of the United Kingdom from the Eurozone is also another reason for concern as Brexit may have deeper implications for the Eurozone as a whole, both in terms of trade and financial arrangements.

Apart from the on-going trade tensions between United States and China which could severely dampen confidence in the world economy, other global issues such as geopolitical tensions in the Middle East with its implication on oil prices and supply and the potential fallout from the Brexit negotiations may also affect global stability.

For the Group, with the exception of the trade tensions which has just recently begun, the other issues such as market risks and challenges have to a certain extent been with us since the last 10 years and the Group has, over the years, put in place the necessary action plans and strategies to cushion and counter the negative impact of such developments to the extent possible. Since the onset of the Global Financial Crisis in 2008, the Group has adopted an expansionary but prudent approach in its quest to drive the future growth of the Group. Its twin core businesses of manufacturing and property development will continue to provide the momentum as it seeks to improve its top line and bottom line growth in the coming years.

Under its manufacturing division, the Group has streamlined its activities and categorised its products into 3 main categories namely stretch film, custom film and specialty products employing different business models and marketing strategies leveraging on the competitive advantages of each respective business segments to drive its growth.

The domestic property market is expected to remain resilient particularly for the affordable homes segment which continues to experience strong demand. The Group's launches in Pulai (Johor), Durian Tunggal (Melaka), both Klebang and Meru in Ipoh (Perak) have seen very positive responses and good take-up rates. The completion in July 2018 of its latest land bank acquisition of 335.6 acres located in Pulai is expected to further boost its earnings in the coming years. The accommodative interest rate regime has been maintained at 3.25 percent by Bank Negara Malaysia and this has supported buyers who wish to own their homes. As of July 2018, the Group has completed more than 17,000 units of affordable homes priced below RM500,000 per unit and these products will continue to be its key focus in the coming years. Since 2013, the Group has acquired approximate 1,200 acres of lands and these additional land banks, with an estimated combined GDV of RM9.4 billion, will provide greater earnings visibility on a sustainable basis as the Group establishes itself as a leader in the affordable homes segment on the Malaysian property development scene.

Acknowledgement

On behalf of the Board, I would like to inform that one of our fellow Board members, Mr Cham Chean Fong @ Sian Chean Fong has resigned effective 22 March 2018 in line with the best practices as recommended by the Malaysian Code on Corporate Governance. We would like to thank Mr Cham Chean Fong @ Sian Chean Fong for his valuable contribution and guidance during his tenure as a Board member and we wish him all the best in his future endeavours.

As the Group celebrates its 50th anniversary this year, the Group can certainly look back at the past 50 years with great pride knowing that the last 5 decades has provided the Group with the fundamentals to establish itself in manufacturing and property development. The early years have provided an opportunity for the Group to develop its know-how, expertise and management skills that has put the Group in good stead to steer through volatile times and the Group has successfully weathered through many difficult times in the past. The Group has emerged unscathed despite the crises that have afflicted the Group and through prudent management, the Group has grown from strength to strength to become what it is today. The Board once again extends its heartiest congratulations to the Management helmed by Mr Lim Peng Jin as Managing Director, who together with members of the Executive Committee and senior management has charted the phenomenal growth of the Group particularly over the last 10 years. Once again, Management has delivered another new record of earnings and profits despite facing increasingly challenging and uncertain times. With a clear vision and prudent management, the Board is confident that the future of the Group is in good and steady hands. The Board will continue to play its role to provide the necessary guidance and advice to the Management and oversee the potential risks to ensure that these are managed properly without being detrimental to the long term growth prospects of the Group even as the Group continues to seek out new opportunities to expand and find new areas of growth.

The Board would also like to extend its sincere gratitude to its shareholders, business partners and employees who have placed their faith in the Group and for their unwavering support and loyalty over the past decades. The Board and the Management will continue to strive to ensure that all stakeholders are duly rewarded with sustainable dividend and profit growth in the coming years. Lastly, I wished to thank my fellow Board members, both past and current, who have over the years been a positive contributor to the Board with their knowledge and understanding of the business strategy.

On behalf of the Board, we congratulate the Group for achieving a historic milestone with 50 years of corporate existence with an established brand name in FPP manufacturing and a reputable track record as a developer of affordable homes for all Malaysians.

Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim
Chairman

Pernyataan Pengerusi

Para Pemegang Saham yang Dihormati,

Bagi pihak Lembaga Pengarah ("Lembaga"), saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Teraudit Scientex Berhad (secara bertukar ganti dirujuk sebagai "Scientex", "Kumpulan" dan/atau "Syarikat") bagi tahun kewangan berakhir 31 Julai 2018 ("FY2018").

Bersempena sambutan bersejarah ulang tahun ke-50 Kumpulan pada tahun ini, Scientex boleh mengenang kembali dengan rasa bangga tempoh 50 tahun yang lalu dan mengingat semula bagaimana Scientex telah berkembang daripada sebuah syarikat baharu yang hanya menyewa premis kecil untuk pembuatan produk berasaskan PVC sehingga menjadi pengilang pembungkus plastik fleksibel ("FPP") terkemuka di Malaysia yang dikenali pada peringkat global. Bermula dengan sebuah loji, kini Scientex mempunyai lima belas loji perkilangan di Malaysia, Vietnam dan Amerika Syarikat. Scientex juga telah mempelbagaikan aktivitinya selain perkilangan, dan kini menjadi antara pemaju rumah mampu milik yang paling produktif di dalam negara, dengan keberadaan yang banyak di Johor dan Melaka. Scientex juga meluaskan jenamanya ke Perak dan Selangor dalam usaha memenuhi permintaan yang semakin meningkat daripada orang ramai terhadap hartanah mampu milik yang berkualiti.

Prestasi Kewangan

Bagi FY2018, Kumpulan telah mencatatkan satu lagi keputusan yang mengagumkan, mencapai satu lagi rekod baharu dengan hasil berjumlah RM2.6 bilion berbanding RM2.4 bilion bagi tahun kewangan berakhir 31 Julai 2017 ("FY2017"). Hasil yang mencatatkan rekod ini juga menyebabkan peningkatan yang setara dalam untung bersih daripada RM255.9 juta kepada RM289.8 juta, menunjukkan peningkatan yang kukuh sebanyak 13.3%. Perolehan sesaham ("EPS") Syarikat meningkat daripada 54.8 sen kepada 59.6 sen.

Prestasi cemerlang Kumpulan bagi tahun kewangan semasa menunjukkan bahawa perancangan dan pelaksanaan pelan pengembangan yang teliti telah dilaksanakan oleh kedua-dua bahagian perkilangan dan bahagian hartanah sepanjang beberapa tahun yang lalu. Bagi bahagian perkilangan, Kumpulan telah mengambil alih Klang Hock Plastic Industries Sdn Bhd ("KHPI") melalui urus niaga jualan saham pada Mei tahun ini. Seterusnya, KHPI menjadi sebuah subsidiari milik penuh. Berikutan pengembangan kapasiti serta penggabungan dan pemerolehan aset dan syarikat strategik, Kumpulan berada pada kedudukan yang baik untuk bergerak secara agresif ke dalam pasaran sedia ada dan pasaran baharu dalam tempoh terdekat. Kumpulan telah meningkatkan keberadaan dan bahagian pasarannya dalam pasaran FPP yang sentiasa berkembang dengan menggunakan kekuatan, keupayaan dan kebolehannya dalam penghasilan untuk mengeluarkan pelbagai jenis FPP berasaskan industri dan pengguna untuk pasaran global. Sumbangan daripada bahagian perkilangan menyaksikan hasil jualan melonjak daripada RM1.7 bilion kepada RM1.9 bilion.

Sejajar dengan pertumbuhan bahagian perkilangan, bahagian hartanah juga mengalami pertumbuhan dan pengembangan yang pesat sepanjang beberapa tahun yang lalu. Bahagian ini telah menambah bank tanahnya secara agresif di beberapa lokasi strategik di Johor, Melaka, Perak dan Selangor. Kumpulan menjadi penyokong yang kuat bagi rumah mampu milik dan juga bekerjasama rapat dengan kerajaan negeri Johor, Melaka dan Perak dalam projek Rumah Mampu Milik masing-masing dalam usaha untuk meningkatkan pemilikan rumah mampu milik bagi mereka yang layak memiliki rumah sedemikian. Oleh itu, rumah mampu milik kekal menjadi tumpuan utama Kumpulan apabila ketidaktentuan pasaran telah menyebabkan pasaran hartanah mewah tertekan dan keadaan ini akan mengambil sedikit masa untuk pulih. Jualan menurun sedikit kepada RM722.2 juta berbanding jualan sebanyak RM733.5 juta yang dicatatkan pada FY2017, menunjukkan penurunan sebanyak 1.6% tahun ke tahun kesan daripada tempoh masa yang lebih panjang daripada yang dijangkakan untuk mendapatkan kelulusan dan permit kawal selia bagi beberapa projek berikutan ketidakpastian sepanjang tempoh pilihan raya. Dengan terbentuknya kerajaan persekutuan dan kerajaan negeri yang baharu selepas PRU14, Kumpulan adalah optimistik bahawa bahagian hartanah mampu menunjukkan prestasi yang lebih baik pada tahun kewangan yang akan datang dengan birokrasi yang semakin berkurang dan ketelusan yang semakin meningkat dalam proses kelulusan.

Dividen

Kumpulan telah mengisytiharkan dividen interim satu peringkat sebanyak 10 sen sesaham, dan dividen berjumlah RM48.9 juta telah dibayar pada 13 Julai 2018 kepada semua pemegang saham yang namanya tercatat dalam rekod pendeposit setakat 5 Julai 2018. Bagi meraikan ulang tahun ke-50, Lembaga akan memberikan ganjaran kepada para pemegang sahamnya dengan dividen akhir satu peringkat sebanyak 10 sen sesaham yang akan menyaksikan RM48.9 juta dibayar kepada para pemegang saham yang layak, tertakluk kepada kelulusan para pemegang saham dalam Mesyuarat Agung Tahunan yang akan datang. Secara keseluruhan, bayaran dividen sebanyak RM97.8 juta bagi tahun kewangan yang baru berakhir, mewakili kira-kira 33.7% daripada untung bersih Syarikat. Bayaran dividen ini juga menunjukkan komitmen Syarikat untuk membayar sekurang-kurangnya 30% daripada untung bersih tahunannya sebagai ganjaran kepada para pemegang saham kami atas kepercayaan dan keyakinan yang diberikan kepada Syarikat.

Pembangunan Korporat

Pada mesyuarat Agung Luar Biasa ("EGM") Syarikat yang diadakan pada Disember 2017, suatu cadangan untuk melaksanakan Pelan Pelaburan Semula Dividen ("DRP") telah dikemukakan oleh pihak Lembaga. Cadangan itu telah dipertimbangkan sewajarnya dan diluluskan oleh para pemegang saham pada EGM tersebut. Pelaksanaan DRP menyaksikan dividen akhir bagi FY2017 berjumlah RM40.8 juta (kira-kira 86.98% daripada jumlah dividen) / (sama dengan kadar pengambilan sebanyak 86.98% daripada DRP) yang dibayar dalam bentuk terbitan saham baharu, dengan 5,226,500 saham biasa telah diterbitkan dan diperuntukkan pada harga diskaun sebanyak RM7.80 sesaham kepada para pemegang saham yang layak dan memilih untuk melaburkan semula bahagian dividen tunai mereka, menggambarkan keyakinan para pemegang saham terhadap Syarikat. Selain daripada memberikan ganjaran kepada para pemegang saham jangka panjangnya, DRP juga menyediakan peluang kepada Kumpulan untuk melaksanakan pengurusan modal yang lebih baik bagi sumbernya supaya Kumpulan boleh memanfaatkan apa jua peluang perniagaan yang mungkin wujud pada masa hadapan.

Sejak tahun kewangan yang lalu, Kumpulan meneruskan trajektori pengembangannya yang menyaksikan subsidiari milik penuhnya, iaitu Scientex Packaging Film Sdn Bhd menandatangani perjanjian jualan saham pada 23 Februari 2018 bagi memperoleh 100% kepentingan ekuiti dalam KHPI daripada pemegang-pemegang saham sedia ada sebanyak RM190.0 juta. Pemerolehan tersebut berjaya disempurnakan pada Mei 2018 dan KHPI telah bersepadu dengan bahagian perkilangan Kumpulan. KHPI merupakan antara syarikat perintis dengan rekod prestasi yang cemerlang selama lebih daripada 40 tahun dan syarikat ini mengkhusus dalam pembuatan filem laminasi Polietilena (PE lamination film), filem kecut (collation shrink film) serta produk khusus, termasuk tetapi tidak terhad kepada filem flexitank (flexitank film), filem pertanian (agricultural film) dan beg silo yang menambah satu lagi dimensi dalam portfolio produk Kumpulan yang luas dan pelbagai.

Bagi bahagian hartanah, pemerolehan sebidang tanah seluas 65.3 ekar di Rawang menunjukkan penglibatan sulung Kumpulan dalam sektor pembangunan hartanah Selangor dan pemerolehan tanah tersebut telah disempurnakan pada hujung tahun 2017. Kumpulan merancang untuk melancarkan projek sulungnya di Selangor pada hujung tahun 2018, yang secara positif akan menyumbang kepada perolehan bagi tahun kewangan yang akan datang dan seterusnya. Tanah yang terletak di lokasi strategik ini dengan infrastruktur dan akses yang baik, dianggar mempunyai Nilai Pembangunan Kasar ("GDV") berjumlah kira-kira RM1.0 bilion dalam beberapa tahun yang akan datang. Bagi tahun di bawah tinjauan, Kumpulan memperoleh lagi sebidang tanah pegangan bebas seluas 335.6 ekar di Pulai, Johor yang dijangka menyaksikan pembangunan pada separuh penggal dengan GDV dianggarkan berjumlah RM3.0 bilion. Kedua-dua projek dijangka memperlihatkan tumpuan Kumpulan kepada rumah mampu milik memandangkan permintaan yang begitu kukuh daripada orang ramai. Projek Durian Tunggal di Melaka mendapat sambutan yang amat baik semasa pelancarannya dan pada Ogos 2018, Kumpulan telah menandatangani perjanjian jual beli bersyarat bagi memperoleh sebidang tanah pegangan bebas seluas 208.9 ekar yang terletak bertentangan dengan projek semasa. Pemerolehan yang dicadangkan itu berharga kira-kira RM68.2 juta, tertakluk kepada syarat terdahulu dipenuhi terlebih dahulu dan dijangka selesai pada separuh pertama tahun 2019. Dengan pemerolehan terbaru ini, Kumpulan mempunyai gambaran perolehan yang lebih besar dan stabil sepanjang tempoh sederhana dan jangka masa panjang.

Tinjauan Ekonomi Dan Prospek

Tinjauan ekonomi global telah menyaksikan pemulihan positif dalam ekonomi maju yang diterajui oleh Amerika Syarikat apabila pengambilan pekerja dan pendapatan meningkat dengan sokongan dasar terus memacu momentum pertumbuhan. Walau bagaimanapun, unjuran pertumbuhan global ialah 3.9 peratus bagi tahun 2018 dan 2019 dengan risiko-risiko yang lebih cenderung menjadi perlahan dalam jangka masa pendek berikutan pembangunan terkini yang bermula dengan pertikaian perdagangan dan sehingga kini tidak menunjukkan tanda akan reda. Tindakan United Kingdom untuk keluar dari Zon Euro juga merupakan satu lagi sebab yang membimbangkan kerana Brexit boleh memberikan implikasi yang lebih teruk terhadap Zon Euro secara keseluruhannya, dari segi pengaturan perdagangan dan kewangan.

Selain ketegangan perdagangan yang sedang berlaku antara Amerika Syarikat dengan China yang boleh mengurangkan keyakinan terhadap ekonomi dunia, isu-isu global lain seperti ketegangan geopolitik di Timur Tengah dengan implikasinya ke atas harga dan bekalan minyak serta hasil rundingan Brexit dijangka boleh memberikan kesan terhadap kestabilan global.

Bagi Kumpulan, melainkan ketegangan perdagangan yang tercetus baru-baru ini, beberapa isu lain seperti risiko dan cabaran pasaran juga adakalanya dihadapi oleh Kumpulan sejak 10 tahun yang lalu, dan Kumpulan, sepanjang tempoh tersebut, menyediakan pelan dan strategi tindakan yang perlu untuk mengurangkan dan mengatasi kesan negatif daripada pembangunan tertentu setakat yang mampu. Sejak bermulanya Krisis Kewangan Global pada tahun 2008, Kumpulan telah mengambil langkah pengembangan secara berhemat dalam usahanya memacu pertumbuhan masa hadapan Kumpulan. Dua perniagaan teras Kumpulan, iaitu perkilangan dan pembangunan hartanah akan terus memberikan momentum dalam usaha untuk meningkatkan pertumbuhan hasil kasar (top line) dan untung bersih (bottom line) pada tahun-tahun yang akan datang.

Di bawah bahagian perkilangannya, Kumpulan telah memperkemas aktivitinya dan membahagikan produknya kepada 3 kategori utama, iaitu filem regang (stretch film), filem tempahan khas (custom film) dan produk khusus (specialty products) dengan menggunakan pelbagai model perniagaan dan strategi pemasaran supaya memanfaatkan kelebihan daya saing dalam setiap segmen perniagaan yang berkenaan untuk memacu pertumbuhannya.

Pasaran hartanah domestik dijangka kekal teguh terutamanya bagi segmen rumah mampu milik yang terus mendapat permintaan yang kukuh. Pelancaran Kumpulan di Pulai (Johor), Durian Tunggal (Melaka), Klebang dan Meru di Ipoh (Perak) mendapat sambutan yang sangat positif dan kadar pengambilan yang baik. Penyempurnaan pemerolehan bank tanah terkini seluas 335.6 ekar yang terletak di Pulai pada Julai 2018 dijangka meningkatkan lagi perolehannya pada tahun-tahun yang akan datang. Rejim kadar faedah akomodatif dikekalkan pada 3.25 peratus oleh Bank Negara Malaysia dan kadar ini membantu pembeli-pembeli yang ingin memiliki rumah sendiri. Setakat Julai 2018, Kumpulan telah menyiapkan lebih daripada 17,000 unit rumah mampu milik dengan harga kurang daripada RM500,000 seunit dan produk-produk ini akan terus menjadi tumpuan utama pada tahun-tahun yang akan datang. Sejak tahun 2013, Kumpulan telah memperoleh kira-kira 1,200 ekar tanah dan bank tanah tambahan ini, dengan anggaran gabungan GDV berjumlah RM9.4 bilion, akan memberikan gambaran perolehan yang lebih besar dari segi kemampanan dalam usaha Kumpulan memantapkan dirinya sebagai peneraju bagi segmen rumah mampu milik dalam sektor pembangunan hartanah Malaysia.

Penghargaan

Bagi pihak Lembaga, saya ingin memaklumkan bahawa salah seorang ahli Lembaga, iaitu Encik Cham Chean Fong @ Sian Chean Fong telah meletakkan jawatan berkuat kuasa pada 22 Mac 2018 selaras dengan amalan baik yang dinyatakan dalam Kod Tadbir Urus Korporat Malaysia. Kami ingin mengucapkan terima kasih kepada Encik Cham Chean Fong @ Sian Chean Fong atas sumbangan yang tidak ternilai serta tunjuk ajar beliau sepanjang tempoh perkhidmatan sebagai ahli Lembaga dan kami ingin mengucapkan selamat maju jaya dalam apa jua bidang yang akan diceburinya.

Bersempena sambutan ulang tahun ke-50 pada tahun ini, Scientex boleh mengenang kembali tempoh 50 tahun yang lalu dengan rasa bangga dan penuh kesedaran bahawa 5 dekad yang lalu telah mengukuhkan asas bagi Scientex untuk memantapkan diri dalam aktiviti perkilangan dan pembangunan hartanah. Tahun-tahun awal tersebut telah memberikan peluang kepada Syarikat untuk membangunkan pengetahuan, kepakaran dan kemahiran pengurusannya yang telah meletakkan Kumpulan pada kedudukan yang baik untuk mengharungi tempoh turun naik dan Kumpulan telah berjaya melalui zaman sukar pada masa lampau. Kumpulan juga terus berkembang dengan baik meskipun wujud krisis yang melanda Kumpulan dan melalui pengurusan berhemat, Kumpulan telah berkembang dari satu peringkat ke satu peringkat sehingga berada pada tahap yang dikecapinya hari ini. Pihak Lembaga sekali lagi ingin mengucapkan setinggi-tinggi tahniah kepada Pengurusan yang diterajui oleh Encik Lim Peng Jin selaku Pengarah Urusan, yang bersama-sama dengan Jawatankuasa Eksekutif dan pengurusan kanan telah merekodkan pertumbuhan luar biasa bagi Kumpulan, khususnya sepanjang tempoh 10 tahun yang lalu. Sekali lagi, Pengurusan telah mencatatkan satu lagi rekod baharu bagi perolehan dan untung meskipun berhadapan dengan cabaran dan ketidakpastian yang semakin meningkat. Dengan wawasan yang jelas dan pengurusan berhemat, pihak Lembaga yakin masa hadapan Kumpulan akan diuruskan dengan baik dan mantap. Pihak Lembaga akan terus memainkan peranannya dalam memberikan panduan dan nasihat yang perlu kepada Pengurusan dan mengawasi risiko-risiko yang berpotensi bagi memastikan kesemuanya adalah diuruskan dengan sewajar tanpa menjejaskan prospek pertumbuhan jangka panjang Kumpulan, meskipun dalam usaha Kumpulan untuk terus mencari peluang baharu bagi tujuan pengembangan dan meneroka bidang pertumbuhan baharu.

Pihak Lembaga juga ingin mengucapkan jutaan terima kasih kepada para pemegang saham, rakan-rakan perniagaan dan tenaga pekerja yang telah memberikan kepercayaan kepada Kumpulan serta sokongan dan kesetiaan yang tidak berbelah bagi sepanjang beberapa dekad yang lalu. Pihak Lembaga dan Pengurusan akan terus berusaha memastikan semua pemegang saham diberikan ganjaran sewajarnya dengan peningkatan dividen dan keuntungan yang mampan pada tahun-tahun yang akan datang. Akhir sekali, saya ingin mengucapkan terima kasih kepada ahli Lembaga, terdahulu dan terkini, yang sepanjang beberapa tahun lalu menjadi penyumbang positif kepada Lembaga dengan pengetahuan dan pemahaman tentang strategi perniagaan.

Bagi pihak Lembaga, kami mengucapkan tahniah kepada Scientex atas pencapaian bersejarah dengan kewujudan sebagai entiti korporat selama 50 tahun, mempunyai jenama yang diiktiraf dalam perkilangan FPP dan rekod prestasi yang baik sebagai pemaju rumah mampu milik untuk semua rakyat Malaysia.

Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim
Pengerusi

主席报告书

各位股东，

我谨此非常荣幸的代表董事部，为大家汇报森德公司（简称森德或集团）截至2018年7月31日财政年的常年报告与已审核财务报表。

随着集团今年欢庆历史性的50周年，我们可以自豪的回首森德过去50年的成就，回顾森德如何从一家租用厂房生产聚氯乙烯(PVC)，初具雏形的小公司，摇身变成马来西亚弹性塑料包装(FPP)领导者之一，并在国际站稳一席位。我们从一家厂房，增加到目前分布在大马、越南和美国的15家厂房。与此同时，我们也将业务多元化，从制造业拓展至产业业务，成为国内可负担房产发展商的佼佼者，在柔佛和马六甲拥有众多的发展计划。森德同时也将其产业业务伸展到霹雳和雪兰莪，以迎合群众对优质但价格实惠可负担房产需求不断增长的趋势。

业绩表现

森德公司在截至2018年7月31日的财政年，同样捎来振奋人心的年度业绩表现。相较于去年24亿令吉的营业额，森德今年创下26亿令吉的新高纪录。营业额创新高也推动净盈利稳健的成长13.3%，从上财政年的2亿5590万令吉增加至2亿8980万令吉。每股盈利则是从去年同期的54.8仙增加至本财政年的59.6仙。

森德公司标青的业绩表现，反映了集团在过去几年于制造业和产业业务谨慎策划与执行扩展计划的成效。在制造业方面，集团收购福塑胶工业(私人)有限公司(Klang Hock Plastic Industries Sdn Bhd) 的全数股权，后者在5月份成为了森德制造业臂膀全权持有的子公司。随着森德逐步扩大产能，合并与收购策略性资产和公司，集团已准备好在短期积极进军现有和新市场。森德公司通过善用优势，增进供应全球市场的各类工业和消费品弹性塑料包装的产能和生产力，提高集团在持续成长的弹性塑料包装市场的地位与市场份额。制造业的营业额从上个财政年的17亿令吉，上扬到19亿令吉。

与此同时，产业业务也在过去几年经历了快速的成长和扩展。森德积极的在柔佛、马六甲、霹雳和雪兰莪增加地点适中的地皮面积。集团向来极力支持可负担房产的发展，更与柔佛、马六甲和霹雳州政府密切合作，打造可负担房产计划，让更多符合相关条件的屋主拥有其屋。森德将持续把发展重心放在可负担房产。产业市场波动导致高档产业市场低迷，仍需要一段时间才能回弹。产业业务的营业额稍微减少，从2017财政年的7亿3350万令吉，减少至7亿2220万令吉，按年下跌了1.6%。选举期间的不确定性因素导致一些项目在获得监管当局批准和发出许可证的时间比预期久，是促使营业额下跌的原因。随着新中央政府和州政府在第14届全国大选后成立，集团乐观看待产业业务将因为官僚繁文缛节的减少和批准过程更透明化的因素，在下个财政年取得更好的表现。

股息

较早前，集团宣布派发每股10仙的中期单层股息，总额4890万令吉的股息已在2018年7月13日派发给在2018年7月5日仍持有森德公司股份的股东。配合森德公司的50周年庆典，董事部建议派发每股10仙，总额为4890万令吉的终期单层股息，以回馈符合资格的股东。有关终期股息的派发献议，还有待在即将来临的常年股东大会上提呈和通过。总的来说，森德公司于2018财政年的股息派发总额达到约9780万令吉，相等于集团约33.7%净盈利。这反映了森德公司致力兑现派发最低30%年度净盈利给忠诚股东的承诺。

企业发展

森德公司在2017年12月召开特别股东大会，以提呈董事部的股息再投资计划(DRP)献议。有关的提案已在该特别股东大会上获得股东考量并通过。有关的计划推行后，总额约4080万令吉的2017财政年终期股息（约86.98%的总股息，相等于86.98%认购率）是以每股7.80令吉的特价发行522万6500股新普通股，配给符合资格的现金股息再投资股东，他们的举措反映了他们对公司充满信心。除了奖励长期投资者，这项股息再投资计划也协助集团实施更好的资源资本管理，以掌握未来可能出现的任何商机。

森德公司自上个财政年就持续部署和进行业务扩张，集团通过全权持有的子公司，森德包装膜私人有限公司（Scientex Packaging Film Sdn Bhd）在2018年2月23日与福塑胶工业(私人)有限公司签署股权买卖协议，以1.9亿令吉购入后者100%的全数股权。有关的收购计划在2018年5月份完成，福塑胶工业(私人)有限公司已全面整合入集团旗下的制造业臂膀。福塑胶工业(私人)有限公司亦是国内的塑料包装先驱，拥有40多年的标青业务记录，专门生产聚乙烯复合薄膜(PE lamination film)、收缩性薄膜(collation shrink film)以及其他特定产品如集装箱液袋(flexitank film)、农用薄膜(agricultural film)、筒仓袋(silo bag) 等，为森德庞大及多元化的产品组合增添种类。

至于产业业务，森德在2017年年底完成了收购位于万挠占地约65.3英亩地皮的计划，首次进军雪兰莪州的房地产市场。集团估计会在2018年年底于雪兰莪推出首项发展

计划，并为森德公司未来数个财政年的盈利，带来正面的贡献。这地段的地点适中，基础设施齐全与交通便利，预计未来几年的发展总值达到约10亿令吉。另一方面，集团也在本财政年收购位于柔佛州普莱335.6英亩的永久地契土地，中期发展总值估计为30亿令吉。这两项计划同时也显示集团集中发展可负担房屋，以迎合市场的殷切需求。至于榴莲洞葛的房产推出后，也获得公众极其热烈的回响，集团也在2018年8月份达致了一项约6820万令吉的有条件买卖协议，购入现有发展计划对面，占地208.9英亩的永久地契土地。有关须符合若干先决条件的收购计划，估计在2019年的上半年完成。随着这项最新的收购计划的完成，集团将在中期至长期享有更高和稳健的盈利。

经济展望与前景

全球经济在美国领导的发达经济体中出现正面复苏，就业机会的提升和收入的增加及有利政策的执行将继续推高成长动力。尽管如此，2018年和2019年全球经济成长预测为3.9%。短期内将更倾向于下调风险，主要是贸易纠纷引发的最新进展，迄今没有减弱的迹象。此外，英国脱欧也是另一个备受关注的原因，英国脱欧可能对整个欧元区的贸易和金融布局产生更深层次的影响。

除了美国和中国之间持续的贸易紧张局势可能严重削弱市场对全球经济的信心，其他全球性问题，例如中东地缘政治紧张局势及其对石油价格和供应的影响以及英国脱欧谈判的潜在后果也可能影响全球稳定。

除了近期触发的贸易紧张局势之外，集团在过去10年也面对着其他诸如市场风险与挑战问题。多年来，集团制定了必要的行动计划和策略，尽可能缓和与应对这些动态的负面影响。自2008年全球金融危机爆发以来，集团采取了积极扩张业务但谨慎部署的方针来推动未来业务增长。森德公司的两大核心业务，制造业和产业发展将持续推动未来几年的营业额与净盈利成长。

集团已经精简制造业业务并把产品分为三大类，即拉伸膜(stretch film)、定制薄膜(custom film)及其特质产品(specialty products)，采用不同业务模式及营销策略并充分利用各业务的竞争优势来推动其增长。

国内的房地产市场估计将保持弹性，特别是可负担房产的需求将持续强稳。集团在柔佛普莱，马六甲榴莲洞葛，霹雳怡保佳邦和美露的房产推介都取得非常热烈的回响和认购率。另一方面，集团在2018年7月份完成柔佛州普莱占地335.6英亩的永久地契土地收购计划后，也将进一步推高未来几年的盈利。此外，国家银行维持隔夜政策利率于3.25%，将有利于想要拥有自己家的购屋者。截止2018年7月，森德公司已经完成了超过17,000间，每间售价RM50万以下的可负担房屋。这类房产将继续成为集团未来几年的发展重点。自2013年，森德公司已经购入了约1200英亩的土地，加上额外的土地储备，发展总值预估合计94亿令吉，能为集团带来更高的持续性盈利贡献，奠定森德成为马来西亚产业市场可负担房产领导者的地位。

感谢篇

我谨代表董事部宣布，我们的董事之一，詹前锋先生已配合大马企业监管守则推荐的操守条规，从2018年3月22日开始，辞去董事一职。我们非常感谢詹前锋先生在担任董事期间，对集团付出的宝贵奉献与指导。我们衷心祝福他，未来一切顺利。

随着集团今年欢庆历史性的50周年，我们确实可以非常自豪的回顾过去50年的成就。森德通过这50年分别在制造业和产业业务奠下了良好的基础。开始的年份，我们累积知识，培养专长和管理技巧，带领森德抵挡市场的波动，成功度过了许多的难关，摆脱了各种外围危机的冲击。森德凭着谨慎的管理策略，逐渐壮大为今日的规模。董事部再次诚心恭贺由我们的董事经理，林炳仁先生带领的管理层为公司创造了非凡的业绩表现，尤其是过去10年的成就，是大家有目共睹的。尽管外围挑战不断增加，市场也充斥着许多不明朗时刻，管理层还是再次捎来创新高的营业额和盈利表现。凭借清晰的愿景和谨慎的管理，董事部深信已把集团交托给值得信任的团队手里。董事部将继续扮演好其角色，为管理层提供必要的指引和忠告。在集团持续寻找新商机扩展业务和探索新的成长领域的同时，董事局也会监督潜在风险，确保风险得到妥善管理，不会对集团的长期增长前景造成妨害。

董事局也至诚感激对我们充满信心的股东、生意伙伴和森德全体职员，感谢他们几十年来，坚定不移的支持与忠诚。董事部和管理层将继续努力确保所有股东在未来几年获得可持续的股息和利润增长奖励。最后，我也借此机会向现任和卸任的董事成员致谢。谢谢你们这些年来通过你们的知识以及对商业策略的了解，为集团带来正面的贡献。

我谨代表董事部，恭贺集团创造了历史性的50年里程碑。森德公司在弹性塑料包装(FPP)制造业创建品牌，享誉全球之际，也是为马来西亚人民建设可负担房屋的信誉良好房屋发展商。

Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim
主席

Manufacturing

Property

Overview of Scientex Berhad

Established in 1968, Scientex Berhad (interchangeably referred to as "Scientex", "the Group" and/or "the Company") is now celebrating its 50th anniversary. Scientex is an established and diversified company that is constantly breaking new ground in its twin core businesses of manufacturing and property development. Today, Scientex is one of the world's largest producers of industrial stretch film as well as a leading producer of other industrial and consumer based flexible plastic packaging products with plants in Malaysia, Vietnam and United States of America. Scientex is also a reputable property developer with integrated property projects spread over 3,265 acres of lands in Peninsular Malaysia. The Group will continue to build on its capabilities and capacities to maintain its competitive edge and enhance innovation.

Revenue

Increased to

RM 2.6 billion

Net Operating Cash Flow

Increased to

RM 392.4 million

Total Assets

Increased to

RM 3.4 billion

Dividends

Increased to

RM 97.8 million

Financial Review

The Group continues to perform remarkably despite yet another challenging year as the advanced economies continues to build upon the nascent global recovery.

The Group recorded its highest revenue, surpassing RM2.6 billion, representing a growth of 9.3% over the previous financial year.

Description	FY2018 RM'000	FY2017 RM'000	Change %
Revenue	2,626,767	2,403,151	+ 9.3
Profit Before Tax ("PBT")	361,658	317,968	+ 13.7
Profit attributable to owners of the Company	289,806	255,873	+ 13.3

The increase in revenue was mainly driven by higher sales volume from the manufacturing division on account of higher utilisation in its Malaysia plants as well as capacity expansion through the newly established stretch film plant in Phoenix, Arizona, United States of America and integration of Klang Hock Plastic Industries Sdn Bhd ("KHPI"). Manufacturing revenue increased from RM1.7 billion to RM1.9 billion, representing an increase of 14.1% led by higher sales in both export and domestic market amounting to RM1,431.3 million and RM473.3 million respectively. Property revenue decreased marginally by 1.6%, from RM733.5 million to RM722.2 million. The decrease in property revenue was due to the lower launches in the preceding year as well as impacted by longer-than-expected timeframe in attaining regulatory approvals and permits for some of the projects due to uncertainty during the election period.

The PBT for the Group has increased from RM318.0 million to RM361.7 million, representing an increase of 13.7% which was attributable to both the manufacturing and property divisions.

Statement of Financial Position

The Group's total assets increased from RM2.6 billion in FY2017 to RM3.4 billion in FY2018. This was mainly attributable to the consolidation of assets from the newly acquired KHPI and lands for property development.

Total equity attributable to owners of the Company increased from RM1.5 billion in FY2017 to RM1.8 billion in FY2018. The increase was largely due to:

- annual net profit contribution of RM289.8 million offset by total dividend payments of RM97.3 million in FY2018.
- new issue of 5,226,500 ordinary shares pursuant to the Dividend Reinvestment Plan ("DRP") to the entitled shareholders of the Company who had elected to reinvest their electable portions of cash dividend arising from the single tier final dividend of 10 sen per ordinary share for FY2017.
- new issue of 142,000 ordinary shares pursuant to the Scientex Berhad Share Grant Plan to eligible employees of the Group.

Resultant thereto, total number of issued shares of the Company as at 31 July 2018, stood at 488,926,500 ordinary shares, out of which 100 ordinary shares were held as treasury shares.

Statement of Cash Flow and Capital Management

The primary objective of the Group's capital management is to ensure that the Group maintains healthy capital ratios in order to support its business operations and maximise shareholder value.

The Group operates a centralised treasury management function to primarily optimise the deployment of its financial resources and minimise the financing costs of its business operations. The Group continues to generate healthy cash flow from its business operations with net cash generated from operating activities of RM392.4 million in FY2018, higher compared to FY2017 mainly due to an increase in profit before tax for the year and decrease in cash utilised for working capital purposes.

For investing activities, the Group utilised RM702.8 million in FY2018 as compared to RM253.4 million in FY2017. Capital expenditure incurred for both manufacturing and property divisions in FY2018 included acquisition of KHPI and development lands in Selangor and Johor. In addition, the abovesaid capital expenditure also included the payment for acquisition of plant and machinery for the manufacturing division.

Net cash generated from financing activities increased from RM21.8 million in FY2017 to RM290.8 million in FY2018. The increase was mainly due to the increase in borrowings from financial institutions to finance the acquisition of KHPI as well as new land acquisition for property development during the financial year.

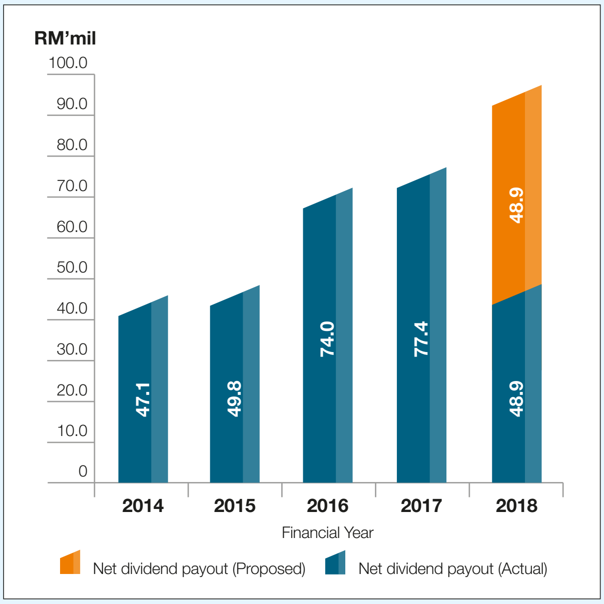
Hence, the net borrowing position of the Group for FY2018 has increased with net gearing ratio increasing from 0.18 times to 0.43 times compared to FY2017.

Description	FY2018 RM'000	FY2017 RM'000
Net debt	761,995	275,792
Equity attributable to owners of the Company	1,763,593	1,535,464
Net gearing ratio (times)	0.43	0.18

Dividends

For the current financial year, the Board has declared a single tier interim dividend of 10 sen per ordinary share, with dividend payout of RM48.9 million paid on 13 July 2018. The Board has also recommended a single tier final dividend of 10 sen per ordinary share, subject to the shareholders' approval at the forthcoming Annual General Meeting. Hence, total dividends in respect of FY2018 amounting to 20 sen per ordinary share or RM97.8 million which comprises 33.7% net profits of FY2018.

The Group is committed to enhance shareholder value by delivering satisfactory results in the coming financial year and maintaining the Group's dividend payout policy of at least 30% of its net profits to shareholders annually.



Manufacturing Division

In response to the prevailing market conditions, the Group has streamlined its operational activities and categorised its products into 3 main categories namely **stretch film, custom film** and **specialty products** adopting different business models and marketing strategies to cater for the specific needs and requirements of the respective business units. The Group will continue to leverage on the competitive advantages of each respective business segments to drive its next phase of global growth and expansion in tandem with the Group's 50th Anniversary tagline of "Challenge New Heights Together".

Stretch Film

Scientex is ranked as one of the world's top producers of stretch film. Our Pulau Indah plant, having the largest stretch film manufacturing facility in a single location, will continue to tap on economies of scale to grow its volume-based model. On the other hand, our first offshore plant in Phoenix, Arizona, United States of America ("Phoenix plant") has commenced commercial operations since January 2018 with a yearly production capacity of 30,000MT. Due to its proximity, our Phoenix plant will better serve the huge markets of the Americas.

Following the acquisition of KHPI which had been completed on 2 May 2018, the stretch film segment of the Group has been diversified to blown stretch film as well as coloured stretch film.

Manufacturing Division

Custom Film

Due to emerging trends driven by e-commerce and convenience, flexible plastic packaging ("FPP") has become one of the fast-growing trends in the global packaging industry. FPP involves various types of plastic materials depending upon the applications and products to be packed. As part of the continuous business plan and strategies, the Group leverages on its strength and capability in offering a wide range of FPP films including but not limited to polyethylene ("PE") lamination film, collation shrink film, PE barrier film, bi-axially oriented polypropylene ("BOPP"), cast polypropylene ("CPP") as well as metallised CPP to increase its presence and market share in the global FPP market.

With the addition of 2 new bag making machines, our Rawang plant consolidates its position as the largest wicketed bread bags supplier in Asia with a yearly production capacity of 720 million bags. This plant is also equipped with various flexographic and rotogravure printing equipment utilising the latest Central Impression Drum technology which provides excellent print registration on thin gauge PE film as well as HD printing capability. To date, we have the largest flexographic printing output for plastic film in Malaysia.

As part of our efforts to address the environmental concerns, our new Scientex® PBS Film is made from natural compostable materials which can be degradable. The film has an excellent printability and sealable strength suitable for flexible packaging and it has been tested and awarded certification by TŪV Austria.

In this highly competitive FPP industry, research and development on new packaging solutions remains the crux of our business strategy. Our Scientex Film Technical Centre is equipped with sophisticated equipment to facilitate and expedite sample analyses and evaluation. We work closely with our customers to jointly develop tailor-made products (partly lightweight and bio-degradable nature) with value added services whilst enhancing the product quality for the global market. The Group is also working closely with a global MNC to explore and develop sustainable FPP products which are environment-friendly and 100% recycleable as mounting pressures to ban the use of plastics continue to escalate.

The Group welcomed the integration of KHPI in May this year. KHPI specialises in producing FPP including but not limited to PE lamination film, collation shrink film, agricultural film and flexitank film. As a point to note, KHPI has the biggest blown extruder machine in the Southeast Asia region to produce huge size flexitank film and agricultural film for targeted niche market. As part of the Group's business strategy, KHPI will focus on its strengths in FPP.

Our Chemor plant produces heavy duty sacks (namely form-fill-seal ("FFS"), pre-converted sacks and valve sacks), stretch hood as well as shrink hood. The heavy duty sacks are a growing product segment and following the completion of installation of new extrusion lines and printing machines in 2017, the production capacity of the plant has been doubled. As a continuing marketing strategy especially for FFS, we are currently making inroads and penetrating the petro-chemical market in Southeast Asia where our products are used to pack petro-chemical based resins which require heavy duty packing.

Manufacturing Division

On the other hand, our Sungai Siput plant mainly focuses on consumer-based hygiene packaging which requires high quality printing. With the recent upgrade of facilities in 2017, we are able to boost the plant's production capacity coupled with value added services such as HD printing to meet the requirements of our MNC customers as well as to cater for the growing market in the coming year. Our commitment to high quality printing has been rewarded with the plant being awarded the Asian Flexographic Awards this year for both medium (Gold Award) and wide (Silver Award) web printing. These prestigious awards and recognitions from the industry has provided us with a timely boost and has re-affirmed our capacity and capability to provide our MNC customers with customised products as value added services. We will continue to improve our printing quality (including HD printing) to better serve our current and future global customers.

The purpose-built state-of-the-art BOPP film manufacturing plant was premised on "Japan Quality, Southeast Asian Cost". The Group will continue to focus on producing high quality products at more competitive pricing to increase its market share and to penetrate new markets. Our BOPP plain film is certified by Japan Hygienic Olefin and Styrene Plastics Association (JHOSPA) and this prestigious certification has opened the doors for us to export our quality products to Japan. Besides the emphasis on quality, the Group will continue to promote other products such as the BOPP anti-fog film as well as the BOPP heat sealable film. Corresponding to the Group's strategy to focus on the converter market by developing sales networks and tie-ups with customers, we are currently supplying to more than 40 converters in Japan.

Our CPP film plant in Melaka complements its consumer-based FPP segment, offering high quality multi-layer CPP film such as lamination grade, high strength grade, anti-fog, outer wrap, bakery, easy peel as well as high barrier metallised film (MCPP, MBOPP, MPET etc) to the Group's diverse range of customers as the Group positions itself as a key player for high quality flexible consumer packaging products. For the financial year under review, the prospects for CPP film products remain positive as it is an important component in the flexible food packaging segment which continues to enjoy growing demand worldwide.

Specialty Products

Our specialty products segment leverages on our joint ventures with international partners to produce specialty products such as PP strapping band, raffia, automotive based polymer products, polyurethane ("PU") adhesives as well as solar films. Through the transfer skills and technology, we now have the competencies to move into high technology products that can respond to global market trends.

The Group's associate produces PU adhesives which is an essential component product in the laminated FPP manufacturing process. As part of the development of new products, we are working closely with our partners to develop new grades of solvent free adhesives as well as retortable adhesives to meet the market demand for such adhesives. Further to the facility expansion, the associate has seen an increase in its production capacity and a brand new warehouse has been built to cater for the demand from the ever growing Southeast Asia region. Due to the growing trends in the FPP, the global demand for PU adhesives will continue to grow thus contributing to the positive revenue growth of the Group.

PP strapping band came in various sizes and colours and are used for unitisation and bundling of goods in various industries including metalworks, woodworks, electrical and electronics, paper, food and beverages. Further to the enhancement of its facility capacity and capability in 2017, it can produce products with high stiffness and smooth running surfaces which enables our products such as our 5mm narrow strap to be deployed in high speed packaging machines. Our quality PP strapping products are produced under ROHS approved environment and all additives used are toxic free. This plant is currently supplying to export markets such as Japan, Australia and New Zealand with successful inroads made to Indonesia, Philippines, India and Europe.

Our polymer plant manufactures and supplies polymer products to global automotive producers. Polymer products are niche and customer-centric hence we focus in product development as well as maintaining technical collaboration with our international partner in Japan to exchange technical know-how.

Manufacturing Division

With regard to raffia, woven bags and FIBC bags segment, the Group remains optimistic as the market demand for the products remain stable.

Lastly, for our encapsulant sheet joint venture entity, the plant has upgraded from the manufacture of Solar EVA to Solar ASCE as a result of skills and technology transferred from our partner. Solar ASCE is a polyolefin based encapsulant sheet which provides excellent durability and reliability for PV modules. The Group will continue to streamline its operations, enhance the productivity and product development as part of its on-going efforts to achieve stable performance in the coming financial year.

Anticipated Or Known Risk

Knowing the market risks and market challenges in which the Group is operating in is crucial to our sustainable business growth and risk management. Therefore, the Group adopts the practice of risk identification, assessment and management in the Group. The Group remains vigilant of fluctuations and shortages in the global raw material supply, fluctuation of raw material prices as well as the currency exchange rate which could have a material impact to the Group.

An adequate and steady supply of resin is important in order for smooth and efficient production planning for the manufacturing division. Over the years, we have established relationships with our existing global resin suppliers and work closely with them to ensure steady supply whilst we continuously explore new suppliers to expand our supplier base to meet our growth. Constant monitoring of raw material supply and price fluctuations will ensure that the selling prices of our related products are linked to the prevailing resin prices.

Financial risk includes foreign exchange currency risk, interest rate risk and availability of funds to support our business needs. Our functional and reporting currency is in Malaysia Ringgit (“MYR”). For FY2018, about 75% of the manufacturing sales are denominated in United States Dollar (“USD”) and the Group adopts natural hedging of transactions in the form of USD based purchases to minimise foreign exchange exposure.

The Group has also obtained working capital with borrowings denominated in foreign currency mainly in USD to balance up the position. In order to better manage the interest rate risk, the Group manages its bank borrowings by having a combination of MYR and USD borrowings.

Forward Looking

Through gradual expansion and mergers and acquisition of strategic assets and companies, the Group has increased its presence and market share in the ever growing FPP market by capitalising on its strengths and capacity in producing a variety of industrial and consumer based FPP for the global markets. FPP is one of the fast-growing trends in the global packaging industry and the demand for FPP mainly stems from Europe, Asia-Pacific and North America. According to TechNavio Insights, the global FPP market shows potential because there is a gradual shift in customer preference in adopting FPP over its rigid counterparts due to the convenience and sustainability issues.

As one of the world’s top producers of stretch film, the Group will continue to build upon its competitive strengths of innovative thinner gauge products, cost efficient and competitive pricing as it continues to see its thin films gaining greater acceptance and breaking into more global markets. Through the adoption of greater technology and automation, the Group seeks to produce better quality products and to deliver its products to customers with shorter lead time. Moving forward, the Group continues to diversify and penetrate new global markets to reduce overdependence and export reliance on major single markets and this strategy will continue to feature in the future.

The Group will continue to adopt its business plans and strategies including but not limited to capacity expansion through acquisition of strategic assets, improve operation efficiency through automation and SAP system, developing customised solutions for specialised market needs as well as launching new products with added value services such as HD printing to cope with the increase in demand in the emerging markets. In line with the holistic business strategies, the Group will also keep close pace with the emerging trends such as e-commerce, contemporary technology and innovation, convenience and sustainability.

Property Division

Scientex is one of the nation's leading property developers of affordable properties with an established presence in Johor and Melaka. It has also marked its presence with the launch of its newest projects in Perak and Selangor.

The property division of Scientex was set up in 1995 with the vision of providing affordable yet quality homes to home buyers. Today, Scientex has further diversified its range of products to include lifestyle homes, high rise condominiums, commercial and industrial properties, whilst at the same time maintaining its core affordable residential properties.

Johor

Scientex Pasir Gudang

Taman Scientex Pasir Gudang sits on 1,100 acres of freehold lands which had been progressively developed since its first launching in 1995. The project is an integrated mixed development township comprising residential, commercial and industrial developments.

During the financial year, Taman Scientex Pasir Gudang had launched and delivered the following projects:-

1	Oct 2017	Launched 21 units of 2 storey shop offices and delivered 30 units 2 storey shop offices
2	Dec 2017	Launched 168 units of Rumah Mampu Milik Johor ("RMMJ")
3	Jan 2018	Delivered 314 units of 2 storey terrace houses
4	May 2018	Launched 46 units of 2 storey shop offices and 51 units of low medium cost shops
5	Jun 2018	Launched 230 units of Rumah Mampu Milik Johor ("RMMJ")

To date, more than 10,000 residential and commercial units have been completed and delivered to buyers with an estimated population of 30,000 people living within the township. Going forward, several RMMJ projects are in the pipeline for future launches.

Scientex Skudai

Leveraging on both its excellent location (i.e. proximity to Singapore) and attractive selling prices, our prestigious Taman Mutiara Mas development is a self-integrated township with mixed development such as serviced apartments served by a vibrant commercial hub which has attracted both investors as well as home buyers to set their foot in Skudai.

Tower A to D of The Garden Residences consists of 1,148 units of serviced apartments which have achieved 99% take-up rate within the scheduled delivery periods to the buyers. Due to its strategic location to both Johor Bahru and Singapore, this project has attracted many occupiers with an estimated occupancy rate of 80%. Scientex has also launched its Jade series which consists of 176 units of cluster and semi-detached houses in 2017 to cater for a different market segments.

Apart from its residential segment, our 3 storey shop offices named Signature Hub have achieved 100% take-up rate for its non-bumi units.

Scientex Senai

For the financial year under review, Taman Scientex Senai has launched 502 units of townhouses under the RMMJ scheme to cater to the increasing demand for affordable properties. Further, Scientex has also launched 49 units of 2 storey shop offices with competitively priced products in line with the expectations of such buyers in such commercial projects. To date, all the non-bumi units have been fully sold and Scientex has delivered 150 units of 2 storey terrace houses and 48 units of 2 storey shop offices to the buyers during FY2018.

Property

Scientex Senai 2

Taman Scientex Utama spreads across 121.2 acres of freehold land offering mixed development which is strategically located right next to the North-South Expressway and Senai Highway. This development marks the beginning of another sought after and prestigious development for Scientex in a rapid growth area. With excellent road frontage with access and linkage to all major highways and arterial roads, travel distance to the Second Link Expressway via Senai Interchange and to Johor Bahru City are only 20km and 25km respectively. Surrounding amenities such as well-known educational institutions, Senai International Airport, shops and shopping malls are conveniently located within its vicinity.

A successful grand opening was held on 8th September 2018 and a total of 510 units were launched. These represented the first 2 products of the Classical Series known as ‘Daisy’ and ‘Lily’ - 2 storey terrace houses, targeted at the affordable housing segment to meet the growing demand for such housing in the vicinity. Due to the overwhelming response, all 306 non-bumi units were fully booked within 1 day. Tapping on its strategic location, Scientex is planning to launch its third phase shortly comprises 98 units of 3 storey shop offices by end of 2018 which are fronting Senai Highway that has high traffic flow. Moving forward, Scientex is also planning to launch its 3 storey terrace houses by early 2019.

Scientex Kulai & E’roca Hills

Taman Scientex Kulai, E’roca Hills project was inspired by nature to provide an extraordinary lifestyle setting with hilltop panoramic views. During the current financial year, Scientex has launched 74 units comprising 2 storey semi-detached houses, 2 storey zero lot bungalows and 2 storey bungalows and delivered another 33 units of 2 storey semi-detached houses to the buyers. For the coming financial year, plans are underway to launch another 41 units of 2 storey bungalows and 24 units of 3 storey shop offices.

Scientex Kulai 2

Taman Scientex Kulai 2 spreads over 48.4 acres land strategically located nearby the Kulai toll plaza which conveniently connects to both North-South Expressway and Second Link Expressway. For the current financial year, Taman Scientex Kulai 2 has successfully delivered 160 units of 2 storey cluster houses to the buyers.

Property

Scientex Pulai

Taman Pulai Mutiara is a signature development offering 325.8 acres of prime freehold lands strategically located in the heart of Pulai and Gelang Patah with ready built infrastructure providing excellent connectivity and access to Second Link Expressway which linked to Singapore. This development is well poised to become an up and coming integrated township encompassing mixed development complete with self-contained amenities.

For the financial year under review, Taman Pulai Mutiara has launched 3 phases of residential houses comprising 490 units in total with a GDV of RM280 million. To date, these projects have seen an overall take-up rate of 70%. For its commercial segment, a total of 118 units of double storey shop offices have been launched in January 2018 in view of the overwhelming response received from its earlier launches. To date, all non-bumi units have been fully sold.

The strong sales achieved for the financial year under review together with the high level of interest shown by the public provides substantial visibility to anchor Taman Pulai Mutiara's growth prospects going forward. Taman Pulai Mutiara is expected to be on track to register another year of positive sales in the next financial year, backed by a total of 6 pipeline launches with total 449 units of 2 storey terrace houses and 492 units of 2 storey cluster houses as part of its strategic approach to unlock the value of this prime land by providing affordable homes to cater for the mass demand as well as cluster houses for upgraders.

Over 1,000 units of affordable homes which were fully sold during the first launch are scheduled to be delivered to the buyers by end of 2018. With the newly opened new link road connecting from Gelang Patah to Pulai in August 2018, it is expected to provide greater convenience of accessibility for incoming residents moving into the neighbourhood. Moving forward, the Group remains optimistic that underlying demand for such affordable homes continue to be resilient and a series of exciting launches are being prepared in the pipeline providing a diverse range of residential and commercial properties to reach out to various segments of the market on a continuous basis.

Scientex Amber Land

Scientex Amber Land spans 335.6 acres of freehold land located adjacent to the existing flagship project Taman Pulai Mutiara which is set to to transform into an integrated township development over the medium and longer term. The Group continues to focus on landed properties with affordable prices and Scientex Amber Land is expected to provide a steady and sustainable property development model with an estimated 4,500 units of 2 & 3 storey terrace houses, 2 storey cluster houses, 2 storey shop offices, 1 storey medium cost shops and RMMJ.

Melaka

With the existing developments in Taman Muzaffar Heights (Ayer Keroh) and Taman Scientex Durian Tunggal, Scientex has built up a solid reputation as well as inspired confidence amongst locals in the quality of its products. In view of that, Scientex has expanded its second land bank with the recent acquisition of another piece of land fronting its existing Durian Tunggal development.

Scientex Heights

Followed by the delivery of Tower A and B during the previous financial year, the last 2 blocks of The Heights Residence namely Tower C and D consists of 320 units of serviced apartments had been completed in May 2018. The Heights Residence has recorded an overall 98% take-up rate till date with only remaining 2% units unsold out of a total of 786 units from the 4 blocks. The results speak for itself as a form of recognition from its buyers and investors towards the Scientex's development and brand name.

The Heights Residence is strategically located within walking distance to the Melaka Multimedia University and it is in close proximity to other educational institutions. The Heights Residence is the latest iconic landmark in Melaka targeted to enrich university students' lifestyle, providing them a premium accommodation choice while pursuing their dream.

Property

Scientex Durian Tunggal

Scientex Durian Tunggal has launched its first 3 phases comprises 544 units of 2 storey terrace houses during its grand opening in November 2017 and recorded a 100% take-up rate of its launch. For the financial year under review, Scientex Durian Tunggal has launched its first Rumah Mampu Milik ("RMM") housing scheme which consists of 116 units of 2 storey terrace houses. The said launching was officiated by Yang Berhormat Tey Kok Kiew - Exco member for Housing, Local Government and Environment for the State Government of Melaka together with our Managing Director, Mr Lim Peng Jin. This successful launch was also attended by Tuan Zamzuri Bin Arifin – Yang Di Pertua of Alor Gajah and Encik Saleh Bin Dom – Director of Lembaga Perumahan Melaka (LPM). The overwhelming response from the locals has once again led to a 100% take-up rate of the RMM.

This latest RMM launch is part of a series of new launches to support the Melaka Government's steadfast commitment in addressing the high demand for reasonably priced homes. Scientex Durian Tunggal is poised to become a new integrated township that would be a flagship development in Melaka.

Buoyed by the strong take-up rate and buyers' confidence in Scientex Durian Tunggal affordable homes, Scientex has recently acquired 2 new land banks measuring 208.9 acres fronting the current development with more new launches of affordable properties are being planned for the coming financial year.

Perak

Scientex Perak has seen its first completed project - Scientex Klebang (10.5 acres) and 2 on-going projects namely Scientex Meru (14.4 acres) and Scientex Meru 2 (55 acres).

Scientex Klebang

Scientex Klebang is strategically located in a convenient locale surrounded by matured amenities including AEON Mall, McDonalds, Econsave, Maybank as well as prominent primary and secondary schools within its vicinity. Scientex Klebang had in March 2017 launched 118 units of 2 storey terrace houses and 2 storey semi-detached houses and to-date the project has achieved an encouraging take-up rate of 90%. The construction of the launched houses were completed 6 months ahead of schedule and Scientex has successfully delivered keys to the buyers in May 2018.

Property

Scientex Meru

Scientex Meru is situated in a prime location next to Tenby International School and surrounded by major government offices, banks, an integrated bus terminal, a hypermarket and Movies Animation Park Studios. Scientex Meru is a low-density development situated next to a forest reserve and consists of 556 units of link terrace houses, semi-detached houses and condominiums upon completion.

For the financial year under review, the 2 blocks of condominium consist of 348 units under its third and fourth phase projects were launched in December 2017 and March 2018 respectively. Its third phase project has recorded more than 70% take-up rate.

Scientex Meru 2

Scientex Meru 2, a brand new 55 acres township development set in a strategic location and features 1,064 units of terrace houses, cluster houses, RMM and serviced apartments. The first phase of 235 units of 2 storey terrace houses received overwhelming response from the market with a take-up rate exceeding 90% since its maiden launch in February 2018.

Selangor

Scientex Rawang

Scientex Rawang marks its maiden entry into the central region of Peninsular Malaysia. This development is situated near Rawang town centre in close proximity to matured neighbourhoods and amenities such as AEON Rawang Shopping Mall, KPJ Rawang Specialist Hospital and other amenities such as integrated transportation, education and commercial hubs.

Scientex Rawang offers affordable houses, terrace and semi-detached houses with gated and guarded concept spreading over 65.3 acres of prime freehold land with its maiden launch tentatively slated to be held by end of 2018.

Property

Anticipated Or Known Risk

The Group remains cautiously optimistic on its property development business, despite lingering uncertainties on the domestic and global front. Property sales could be affected by the softer market sentiment and other factors including but not limited to the political conditions of the country, changes in laws, federal and state government policies on home ownership and credit financing which are beyond the control of the Group. Nevertheless, the Group is mindful on the changes to the market environment and will adopt effective business strategies in accordance to evolving market environment.

For the Malaysian market, the affordable housing segment remains relatively resilient as the potential demand from first time home buyers continue to rise due to its relatively young and growing population. Housing has become increasingly more expensive and out of reach of the masses due to rising costs of construction. The Group has put in place bulk purchase policy, products standardisation and adopted the Industrialised Building System (IBS) as part of its construction methods which are designed to bring down the costs of construction, reduce wastage of materials whilst expediting constructional works to ensure speedier delivery and handing over.

Access to end-financing remains an issue affecting the housing industry, with loan approvals remaining tepid especially in affordable housing segment. Buyers are constrained by high debt service ratio, poor credit history and insufficient incomes, weak documentation or poor banking records which affects loan approvals. It was recently announced that the Housing Ministry and Bank Negara Malaysia will draw up a policy which is expected to provide relief to first time home buyers to have greater access to financing in order to alleviate this issue.

Labour shortage in the construction industry remains a concern for our property development business as the employment of skilled workers become increasingly difficult due to the recent change in policies and laws governing foreign workers. Till date, the Group has managed to ensure that it has developed an adequate pool of skilled workers for its in-house construction arm and has engaged reputable contractors and sub-contractors with good track record to ensure that its various projects are completed on time. The strategic locations of most of its projects have generally mitigated the risk of unsold units as demand for its products remains relatively robust and resilient. Hence, whilst the coming financial year 2019 is expected to remain challenging in line with the domestic and global sentiments, demand for affordable housing, particularly for the Group's projects at various strategic locations are expected to remain resilient. The Group will continue to leverage on its strategic land bank and to develop innovative properties the meet the current market needs.

Forward Looking

As part of its planning and strategies to achieve the objective set by the Management, the property division has taken steps to acquire strategically located lands to replenish its existing land banks in order to build more affordable homes as part of its sustainability planning and continuous growth momentum.

The Group's current land banks consists of 3,265 acres of developed and/or lands to be developed and it is expected to last the Group over the next 10 years.

In support of the Government's efforts on its affordable home program, the Group is targeted to build and deliver 50,000 unit of affordable homes by year 2028 with numerous projects in the pipeline which are scheduled to be launched in various stages over the next few years.

Investor Relations

Congruent with our belief to facilitate data-backed decisions, Scientex recognises the importance of maintaining a transparent relationship with our shareholders and the investment community at large. In ensuring that the investment community is kept abreast of our strategies, performance and business undertakings, we regularly engage with investors and analysts through meetings, conference calls and investor briefings whilst adhering to the regulatory guidelines for information disclosure. The Group's management leads these initiatives and has maintained adequate communication with the investment community throughout the financial year 2018.

Information Disclosure

- **Investor Relations Website**

  The newly revamped Scientex corporate website at www.scientex.com.my publishes up-to-date investor-related information and provides latest updates on the Group's operations. Amongst others, the website enables access to the Group's annual reports, financial results, investor presentations, analyst reports, press releases and a list of recent disclosures to Bursa Securities.

- **Bursa Malaysia Website**

  Scientex discloses all material disclosures on a timely basis to Bursa Securities in accordance with the Main Market Listing Requirements and information is accessible at www.bursamalaysia.com

Analyst Coverage

As at 17 October 2018, Scientex is covered by four equity research firms with published reports on the Group's quarterly results and corporate developments.

Scientex Berhad

Sustainability Statement

About This Section

This is the second year of reporting by Scientex Berhad ("Scientex" or "the Group") on its journey towards sustainability. This section charts the momentum we are creating to embed sustainability considerations into all our business operations and corporate activities. At the same time, we recognise that our holistic embrace of sustainability will be a gradual process even as we bring into the fold the involvement of all our stakeholders, from shareholders, partners, associates, vendors as well as management and staff of Scientex. As a concept, sustainability requires not only an understanding of the benefits of sustainability practices, it also hinges on the individual and collective acceptance that sustainability is and should be part and parcel of everything we do.

Reporting Period

1 August, 2017 to 31 July, 2018

Reporting Scope

Scientex is committed to the provisions of Main Market Listing Requirements of Bursa Malaysia on reviewing, updating and reporting our sustainability performance on an annual basis. At this stage, the Group is crystallising its approach and formulating the necessary plans and implementation steps to drive as well as track the performance of sustainability measures in the three key areas or dimensions of Economic, Social and Environment. The reporting during the year in review covers the Group's operations in Malaysia as well as the overseas activities by our subsidiaries. However, it does not include any business operations carried out by the Group's joint venture partners or any other activities beyond our direct control. Our reporting adheres to the following guidelines:

- GRI-G4 Sustainability Reporting Framework
- Bursa Malaysia Sustainability Reporting Framework

Feedback

Scientex looks forward to input by any parties on how we can improve on our sustainability initiative as well as on our reporting. For any communication and other enquiries, please contact: info@scientex.com.my

What Sustainability Means to Us
A Message by the Managing Director

In turning 50 in 2018, Scientex celebrates five decades as a business entity. Yet, we are aware that what is important is not how old you grow, but what you have grown to become. In this regard, I am pleased to note that Scientex is today one of the leading as well as model corporations in Malaysia.

I am also proud to observe that the Group has come this far by charting our own path in times of good and also in times of bad, time after time. The essence of sustainability, after all, is about finding solutions to the issues that are meaningful to us as individuals, as a company, and as a corporate citizen of Malaysia and the world we live in.

As such, sustainability has always been an integral part of Scientex long before our current exercise to enhance and report on sustainability as per the requirements of Bursa Malaysia. From the outset, we have understood the value and benefits of incorporating sustainability as a business imperative to every aspect of our operations. We believe the practice of sustainability will generate many benefits not only for the Group, but also all other stakeholders impacted by our activities.

It certainly helps that we do not look at ourselves as merely a business. Instead, we consider Scientex as a way of life by being:

- a source of income to our shareholders;
- a means of livelihood to our employees;
- a platform for the cultivation and innovation of technologies and business models;
- a hub for the development and nurturing of human capital;
- a benefactor and collaborator on worthy social and socio-economic causes; and
- a lifelong friend to the environment.

Economically, Scientex's robust business performance in recent years has significantly contributed to the financial growth and greatly improved the livelihoods of our stakeholders. In property development, Scientex's commitment to providing affordable housing has helped to put a roof over the heads of tens of thousands of Malaysians. To reduce the impact of our manufacturing operations on the environment, we have diligently adhered to the 3Rs programme of Reduce, Reuse, Recycle in every aspect of our manufacturing and property development activities. In addition, our quality packaging solutions have gone a long way to reduce food wastage by extending the shelf life of packaged food products.

At Scientex, we are firm in our belief that sustainability drives growth by generating opportunities and optimising resources in capital, assets and people while also harmonising our activities with the communities and environment within our considerable sphere of influence. To us, sustainability has potential to ensure we can meet all our aspirations and achieve all our goals on a continuous and consistent basis.

There is a sense of excitement and eagerness to shape what sustainability means to Scientex and discover what more it can do for the Group. I am pleased to note that this sense of anticipation is building among all relevant stakeholders, from our Board of Directors and Management Team, to staff members and extending to our partners, associates and vendors.

It is this commitment from all parties that will decide how far we go in our efforts to develop a company of the future and for the future.

Lim Peng Jin
Managing Director

Our Approach to Sustainability

Corporate sustainability is an end-goal requiring a measured approach in order to ensure it can be understood and accepted throughout the Group as well as implementable at every stage of our operations and related activities.

In determining what needs to be done, the Group acknowledges that the overriding concern should be our ability to not only develop, but to also sustain the impetus of our sustainability practices at all times. This being so, plans put in place to drive sustainability have to be achievable now and into the future without any need to recalibrate targets and expectations later on.

On this score, Scientex has set out to inculcate a sustainability mindset and culture from the ground up by first building the foundation necessary to drive this initiative on a holistic basis. Yet, we understand it is not a task to be accomplished overnight and that it will require a comprehensive framework to guide the way.

As such, the Group developed a structured and phased approach towards sustainability during the year in review. This framework or approach consists of six steps or phases to be carried out and potentially completed in time for the next year of sustainability reporting.

Phased Approach towards Sustainability

In summary, the six phases are to:

- outline the Group's sustainability policy;
- establish a governance structure to drive and coordinate sustainability efforts;
- list materiality matters important to the Group and its stakeholders;
- consult various stakeholders to shortlist and determine the Group's materiality matters;
- formulate action plans to drive sustainability for these materiality matters; and
- establish a reporting regime.

Phase 1 Sustainability Policy

The Group is in the process of outlining a Sustainability Policy that seeks to:

- maximise the positive impact we can have:
  - on the economic wellbeing of all our stakeholders; and
  - in providing empowerment opportunities and contributions to the community.
- minimise any adverse effects of our manufacturing and property development activities on the natural environment.

We expect to formally adopt this policy in the new financial year.

Phase 2 Governance Structure

Currently, we are finalising a governance structure to oversee the development and implementation of plans and initiatives to drive sustainability throughout the Group. Provisionally, this will be built around a Working Committee comprising members from our two business divisions of manufacturing and property development as well as other departments or units including Administration, Human Resources, Finance, Legal and Corporate Affairs. This committee is expected to report to the Group's Exco, which will in turn advise the Board of Directors. Once the committee has been set up, the next task will be to draw up its terms of reference, which should include a monitoring and coordinating role for sustainability.

Phase 3 Materiality Matters

One of the first missions of the Working Committee will be to compile a broad list of Materiality Matters, or those elements or aspects deemed important to the Group and all its stakeholders. For starters, we intend to identify Materiality Matters in all three focus areas of Economic, Social and Environment.

Phase 4 Stakeholder Consultation

We expect the preliminary list to cover a broad range of Materiality Matters. This next phase is to shortlist and determine those aspects most critical to Scientex via consultative engagement with stakeholders. To obtain their views, we intend to conduct surveys among shareholders, employees and other vital groups as well as hold a series of focus group sessions. Ultimately, we envision a list of no more than 10 Materiality Matters.

Phase 5 Action Plans

Following the determination of the Group's Materiality Matters, we will then outline the aspirational targets for each Materiality Matter and set key performance indicators (KPI) related to these targets. After which, we will formulate Action Plans consisting of initiatives and programmes to meet these KPIs. The last task in this phase will be to assign responsibility of the initiatives/programmes to the respective divisions and departments within the Group.

Phase 6 Reporting Regime

The last phase of our planning and implementation framework involves the establishment of a Reporting Regime. In this case, the programme leads will be tasked with tracking the progress of the KPIs and reporting to the Working Committee according to established timelines.

We expect to finalise all six phases during the new financial year.

Alignment with Our Corporate Philosophy

We are currently formulating a Sustainability Policy that dovetails to the values espoused by the Group and the corporate philosophy that governs the way we operate.

The Group's core values reflect who we are and what we stand for, our priorities and how we make decisions which impact others. The following core values guide our daily operations and how we deal with interest groups, stakeholders and the communities that we operate in:

- **Integrity**
  We seek to uphold a high level of honesty, trustworthiness, ethical standards and professionalism in all aspects of decision making and in the discharge of our obligations.
- **Commitment to Excellence**
  We are committed to achieving superior results and excellence in performance.
- **Teamwork**
  We recognise that teamwork is essential and critical, and that working together with a unity of purpose will enable us to achieve our corporate objectives.
- **Passion**
  We seek to develop a world-class team which is passionate about the things we do.
- **Innovation**
  We seek to leverage on technological advances, innovation and new ideas and methods to constantly improve ourselves and to better the way we do things.
- **Caring**
  We seek to create an environment in which we care for our shareholders, employees, partners, associates, vendors and the communities in which we operate in with the emphasis on our *'Healthy, Friendly & Happy'* signature approach.

These core values are incorporated into our corporate philosophy of 'Management Like Water', which is anchored on the following elements:

- **Belief**
  Profit should not be the sole driving factor that motivates the Group. It is based on the belief that like water, it is essential, invaluable and yet plentiful to all. The Group seeks to make its products affordable, useful and beneficial to society and which are able to contribute to the betterment of society. Apart from our packaging materials which play an essential role in preserving the quality of food and to reduce wastage in a world with finite resources, our products are also used in the packaging of materials, logistics and transportation while affordable housing remains a key strategy in our goal to contribute to society by providing quality yet affordable homes to the masses.
- **Nature and Science**
  Water flows downwards due to gravity. The laws of science and nature feature prominently in the Group's decision-making process where decisions are predicated on established and proven facts and figures.
- **Flexibility**
  Water is formless and can adapt to all sorts of shapes and sizes. This characteristic of water is adopted by the Group as it enables appropriate responses that take into account prevailing circumstances. Such flexibility also allows the Group to embrace changes that come its way.
- **Modesty**
  Everything has its place in the vast universe and water will eventually flow and form part of the deep blue sea in the bigger scheme of things. Faced with the reality that we are but a small speck in the giant universe, the Group seeks to embrace modesty even as we seek to better ourselves and set ambitious goals. The Group should always remain modest and humble given that there is a wealth of knowledge we have yet to learn, embrace and acquire for our own betterment, knowledge and experience.

- **Purity**
  As water cleanses and purifies, likewise, the Group is guided by the imperative to be truthful and to conduct itself in an open, honest, fair and transparent manner with integrity of thoughts and actions.

- **Energy**
  The flow of water possesses its own energy which if harnessed properly, can become a force to be reckoned with and can overcome barriers and resistance. Similarly, we seek to harness the collective energy and strength of our peoples to form a united front with a strong and vibrant driving force providing the momentum, resolve and resilience to overcome any and all obstacles.

Sustainability Areas: *Economic, Environment, Social*

The Group's implementation of sustainability measures is focused in three areas or dimensions where our business operations and corporate activities either generate benefits or produce negative effects.

During the year in review, we established several overarching goals for these focus areas, which it should be noted, are still provisional and would have to be endorsed by the Board of Directors:
- to generate healthy returns for Scientex and its shareholders on a consistent basis;
- to develop a happy, healthy and productive workforce, and empower the community; and
- to reduce the footprint of all our activities on the environment.

Given that the Group has only recently taken on the journey into sustainability, reporting on the three focus areas is limited. Nevertheless, we have attempted to provide as much baseline and other relevant information as possible.

Economic

As a public-listed company, Scientex is principally responsible to its shareholders in securing and growing their financial asset. In general, listed companies generate returns for their shareholders in two ways: by issuing dividends and via appreciation of its share price, which is dependent in the long run on financial performance.

In this regard, we have consistently exceeded the expectations of our shareholders by achieving healthy gains on all financial indicators year after year. Details of financial performance are contained in this annual report.

Social

Our efforts to develop sustainability in the Social dimension encompasses both internal employees and external communities.

- **The Workforce**
  Scientex is committed to the welfare and wellbeing of its employees. We always provide our employees with a safe, secure and comfortable working environment as much to promote productivity as it is to create a happy and healthy workplace. We also place a premium on nurturing talent and provide ample opportunities for career advancement.

  In addition, the Group complies with all employment regulations and guidelines set out by the Malaysian Government and relevant international bodies:

  - we do not employ under-aged workers in accordance with the Childen and Young Persons (Employment) Act 1966;
  - we comply and respect the right to minimum wage for all our employees in Malaysia, Vietnam and the United States;
  - we comply with the requirements on paying overtime rates as well as working excessive hours; and
  - we comply with the Personal Data Protection Act 2010.

In terms of employment opportunities, the Group continues to recruit more employees as its business grows. We promote gender equality and staff are promoted strictly based on merit without discriminating gender, age, race or religion. On the aspect of talent development, the Group continues to select and send employees to attend training programmes to boost their knowledge and understanding as part of our long term plan to meet future challenges.

The Group continues to place importance on occupational health, safety and wellbeing of our employees. We ensure adequate insurance and hospitalisation coverage for all strata of our workforce and executives. Other benefits include outpatient medical healthcare services. Executive health screenings are made available for senior management staff while employees are covered under the Group's personal accident policy.

- **OSH activities:**
  To create greater awareness on the scourge of cancer and healthy living, the Group organised a talk on cancer in July 2018 by Professor Dr Teo Soo-Hwang, an internationally acknowledged expert in this field.

  As the Group prepares to celebrate its 50th Anniversary, we have embarked on a series of team-building and social events intended to build up the unity and cohesiveness of the Group while allowing the employees to enjoy the specially designed activities. These activities included:

  - several trekking and hiking activities for executives and staff to Bukit Gasing in Petaling Jaya, Selangor and Bukit Beruang in Melaka as part of the 50th Anniversary celebrations;
  - a fun-filled day for staff to challenge their own fears and limitations in a series of outdoor activities which included rope climbing, performing the 'flying fox' and walking on ropes more than 50 feet above the ground; and
  - a World Cup Finals 2018 party with free flow of drinks, food and games and prizes given for best dressed participants.

- **The Community**
  The Group engages in community outreach on a regular basis, believing in the tenets that we should give back as much as we gain. The Group's strategy to align with the interest of buyers of its properties has proven to be successful as our affordable housing continues to attract buyers.

  Affordability has become a critical issue to buyers in the face of rising construction and land costs and with employment incomes unable to keep pace. This has created a gap as property prices become more expensive relative to incomes. By focusing on providing truly affordable homes, the Group has been able to attract buyers, provide a roof over their heads and develop economic and social communities as the housing projects take a life of their own.

  The ability of the Group to deliver affordably priced homes has enabled the Group to develop a strong brand-name and establish itself as a reliable and trustworthy developer of good quality yet affordable homes.

  Scientex is also working closely with the state governments of Johor, Melaka and Perak to provide such affordable homes under the states' respective Rumah Mampu Milik initiative. On this score, the Group aspires to be a leading and reliable developer of affordable housing, which is the mainstay of its development projects.

  As of July 2018, the Group has successfully built and delivered approximately 17,300 affordable homes with prices ranging from below RM100,000 per unit up to RM500,000 per unit. As part of its 10-year vision till 2028, the Group intends to leverage on its existing expertise and knowledge as a cost competitive developer of good quality affordable homes to build and deliver 50,000 units to eligible buyers as we seek to address the demand for such housing units in Malaysia.

Environment

Scientex is committed to the preservation of the environment to safeguard mother nature for future generations to come. In line with this principle, we always seek to maintain a balance between what we use and what we give back.

Our efforts towards environmental sustainability are undertaken on two fronts: the first being the effects of our business operations in manufacturing and property development; and the second being our active measures to go green and contribute to green activities in our corporate activities.

To minimise the impact of our business operations and output, the Group intends to lower our environmental footprint in several ways including:

- developing new packaging products for the market that reduces wastage, whether food or otherwise;
- prioritising the use of environment-friendly materials in our packaging products while also reducing the amount of materials needed;
- practising 3Rs in all our manufacturing and property development activities;
- ensuring our manufacturing facilities conform to quality standards and processes to improve productivity;
- deploying efficient construction methods and increasing the use of cost-efficient materials; and
- managing our internal use of energy and water.

- **Innovating new solutions to reduce food wastage**
  To enhance food integrity through packaging, we have developed a 9-layer barrier film as well as metallised CPP film which come with better preservation properties. By preventing moisture and air from entering, film packaging ensures its contents have a longer shelf life to effectively reduce food wastage. The development of our products will continue to focus on this pressing issue in the years to come.

- **Increasing the use of eco-friendly materials in packaging while reducing resources**
  The Group is always pushing the boundaries in R&D for more lightweight and bio-degradable materials in line with the global shift towards eco-friendly materials as a means to cut down on the amount of solid wastes. We have successfully developed our own bio-degradable Scientex® PBS Film made from natural compostable materials. This film complies with the most stringent food contact regulations in markets such as the US, the EU and Japan. In addition, it has excellent printability and sealable strength to provide a viable option to conventional flexible packaging. Trial runs have been successfully performed and the Group has been awarded the EN13423 (09-2000) certification as well as conformity certification issued by TŪV Austria with licence-specific code (S0750).

  The development of our Nano 6 thin film is another positive move to use less materials in production. We consistently engage our customers on the benefits of thin film, which provide similar performance capabilities. In this regard, our state-of-the-art technology and machinery at our Pulau Indah and Klang plants continues to push the boundaries of innovation to derive better performance-driven films.

  In addition, we have taken proactive action to remove banned substances from our polymer products and replaced them with materials which are globally acceptable and environment friendly. We will continue to monitor global developments and strive to align our stakeholders' demands and requirements for environment-friendly products.

- **Implementing 3Rs at every stage of production**
  Scientex has been practising 3Rs for many years as we are firm in the belief that 'reducing, reusing and recycling' is critical to preserving our finite natural resources. All our plants are equipped with recycling machines, including at our newest stretch film plant in the US which received its first recycling machine in September this year. Those materials which cannot be reused or recycled are disposed off to an authorised and licensed recycler for further recycling.

We have introduced a pilot programme to recycle printed film. This is done through the process of 'de-gassing' printed film during the recycling process. The 'de-gassing' process removes the majority of the inks from the printed film. The initial 'de-gassing' trials have proven to be successful and we are now working closely with renowned recycling machine producers to conduct further tests on the printed waste. Once this programme is fully implemented, we expect to recycle almost 100% of our printed products.

In addition, we also recycle our strapping band with the use of an in-line crusher for scrap, which are then channeled back to the extruders for production.

The Group is also committed to reducing raw materials such as virgin resins in our production. We embarked on recycling resins during the year in review and are heartened by the similar quality of our recycled resins.

During the year in review, the Group began a collaboration with a multinational corporation to jointly develop sustainable solutions for food packaging. The project is expected to see the development of a packaging material that can be fully recyclable by 2025 with virtually no wastage as a by-product.

Over and above these efforts, we are also leading the way to educate farmers using our products on ways and means to reuse their mulch and agricultural film.

- **Ensuring quality meets international standards**
  The Group has gone to great lengths to ensure our plants meet international standards and are accredited as per our commitment to quality. Both our Klang and Pulau Indah plants are accredited with the internationally-recognised ISO 14001:2015 for Environmental Management System. This prestigious certification underscores our continued commitment to having a sustainable environment management system in all aspects of our stretch film manufacturing process. Our Klang facility was also recently awarded the Good Manufacturing Practices (GMP) certification, confirming our high standards of manufacturing excellence.

- **Greening construction**
  We are committed to be a responsible property developer in terms of minimising the impact of our activities on the environment. We always seek to preserve as much of the natural surrounding areas as possible in all our projects. The Group places emphasis on planting more trees and building more parks as part of our conscious effort to develop green townships. Anti-pollution measures are taken during construction to reduce pollution and these include a no-open burning policy as well as control measures to prevent soil erosion and reduce noise and dust pollution.

  Our construction methods also seek to preserve the environment through the use of the Industrialised Building System (IBS) to promote efficiency in construction. In addition, we lean towards environment-friendly materials such as light gauge steel roof trusses which produce less wastage due to customised design, durability and cost savings.

- **Managing our internal use of energy and water**
  Internally, Scientex has introduced guidelines to reduce the use of electricity and water at all our premises. We are in the process of collating data on our consumption of electricity and water and this will form the baseline data for our sustainability campaign and reporting in the new financial year.

  For starters we have adopted rainwater harvesting system to collect and store rainwater to be reused for building cleaning and landscape irrigation.

In terms of proactive measures to promote green practices and activities among ourselves and the communities in which we operate, Scientex is currently focused on the global problem of plastics waste. Such wastes have been a major source of pollution in waterways, rivers and oceans.

We collaborated with the Malaysian Plastics Manufacturers Association (MPMA) to carry out awareness programmes and activities in schools to educate schoolchildren on the benefits of 3Rs. Our collaboration gained momentum recently when we teamed up with MPMA to combat the issue of marine litter. We are jointly undertaking a clean-up project in Pulau Ketam, which is an island off the coast of Port Klang, Selangor. The project was launched in October 2018.

Moving Forward

Our journey towards sustainability has started well and we are confident the Group will gain momentum in embracing sustainable development in every facet of our operations and activities.

In the new financial year, we will continue to create awareness among our management and staff as to the necessity and importance of embedding sustainability in everything we do. At the same time, we will continue to engage with all our stakeholders to gain their acceptance and support for this challenging new campaign.

We will also conduct a selection process in collaboration with all stakeholders of those material matters most important to the Company. Once these are determined, we intend to develop action plans specifying the objectives, targets, parameters and tracking mechanisms for each of these material matters.

Looking further ahead, we can then begin monitoring and reporting on the performance, always with a view on improving their results year after year. With this in mind, we look forward to producing a full and comprehensive Sustainability Statement to outline what we have achieved and where we plan to head to next.

Statement On Risk Management And Internal Control

Introduction

Pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Board of Directors ("Board") is pleased to provide a Statement on Risk Management and Internal Control which outlines the nature and scope of risk management and internal control of the Group during the financial year.

The Group's system of risk management and internal control applies principally to Scientex Berhad and its subsidiaries.

Board Responsibility

The Board acknowledges its overall responsibility to maintain a sound risk management and internal control system as well as reviewing its adequacy and effectiveness and to put in sufficient safeguards to manage the Group's risks in order to safeguard shareholders' investment and the Group's assets. However, due to the inherent limitations in any system of risk management and internal control, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives. Thus the system of internal control put in place can only provide reasonable but would not be an absolute assurance against any material misstatement or loss. The significant areas covered by the Group's system of internal control are financial, organisational, operational, compliance and information technology controls.

Risk Management

The Board understands that all areas of the Group's activities involve some degree of risk and recognises that business decisions involve the taking of appropriate risks and the ultimate objective is to balance the risks involved with the potential returns to the shareholders. The Board is assisted by the Risk Management Committee ("RMC") and the Audit Committee ("AC") in the oversight of overall risk management and internal control system of the Group as well as supported by an Executive Committee ("EXCO"), which is chaired by the Group Managing Director and comprises senior management personnel of the Group, in implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks, and making recommendations designed to manage, control and mitigate such risks, whilst continuously monitoring and reviewing the risks and its impact on the Group's operations on a regular basis.

Internal Audit Function

The Group has an Internal Audit Department ("IAD") to support the AC and the Board. The Head of IAD reports to the AC on a quarterly basis. The Group's IAD conducts audit on the Group's operations as mandated by the AC and checks and monitors compliance with the Group's policies and procedures as well as the adequacy and effectiveness of the internal control system in place. The IAD will highlight significant findings in respect of non-compliance to the Board via the AC and take follow-up actions with the Management in respect of the agreed corrective actions to be implemented.

Other Key Elements of Risk Management and Internal Control

The other key elements of the Group's risk management and internal control system are as follows:-

- EXCO was established in January 2009 to assist the Board and to look into daily operational matters and the overall management of the principal areas of risk affecting the Group to ensure that the operations are in line with the Group's overall objectives, direction and budget as well as approved policies and business strategies. EXCO also formulates operational strategies on an on-going basis to respond to rapid changes in the external business conditions and environment whilst ensuring that the Group's overall objectives and policies are adhered to. Operational issues and significant risks are raised for deliberation and discussion in the EXCO meetings and adequate responses and actions would be taken thereafter. EXCO meets every month, depending on the urgency and circumstances in order to take quick pro-active actions to ensure that the interests of the Group are protected at all times.

- The RMC was established on 19 June 2014. The main function of the RMC is to report to the Board and provide appropriate advice and recommendations on material risk issues and a risk management system for the timely identification, mitigation and management of such significant risk that may have a material impact on the Group. The RMC is assisted by the Risk Management Department to establish and implement an effective risk management framework, policy and processes across the Group as well as to oversee the risk management aspect of the Group so as to identify, analyse, respond, monitor and report any significant risk to the RMC. The RMC meets as and when necessary and works closely with the EXCO to ascertain that there are on-going monitoring processes to manage significant risks.

- The Group Managing Director conducts regular management meetings with the respective Management teams of the various divisions/business units and reviews financial and operational reports in order to monitor the performance and profitability as well as operational issues including internal control matters and risk management of the respective divisions/ business units.

- The Group has clearly defined the delegation of responsibilities to various committees of the Board and to the Management including an effective organisational structure and proper authority matrix.

- The functional control framework has been documented in the "Internal Control Guidelines" of manufacturing and property divisions respectively which set out various key controls and process requirements across all functions, including but not limited to the main areas of financial risks. It provides management staff with a reference on the Group's internal control guidelines/policies, procedures and practices and tools to manage business risks that are significant to the fulfillment of the Group's business objectives. It is updated as and when necessary in order to reflect the changing risk profiles as dictated by changes in the business environment, strategies and functional activities from time to time.

- An annual budgeting process has also been established, whereby all key operating subsidiary companies of the Group are required to prepare budgets and business plans for the coming year. For effective and meaningful monitoring and review of performance, the Management has introduced the Quarterly Rolling Budget System which covers all the major divisions of the Group whereby actual monthly and quarterly performance are duly compared with budgets set. Reviews of performances are conducted monthly with major variances being addressed and remedial management actions taken, where necessary.

- The Board and Management are provided with quarterly performance report that gives comprehensive information on financial performance and key business indicators for monitoring purposes.

Conclusion

During the financial year under review, the Board is satisfied with the adequacy and effectiveness of the Group's risk management and internal control system. All internal control weaknesses identified and highlighted to the AC have been and/or are being addressed. There is no material losses that have arisen from any inadequacy or failure of the risk management and internal control system which required separate disclosure in this Annual Report. The Board has received assurance from the Managing Director and the Executive Director responsible for the management of the financial affairs of Scientex Group that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group. Hence, the Board is of the view that the current risk management practice and system of internal control instituted throughout the Group are sufficient to safeguard the Group's assets. Nevertheless, the Board and Management maintain a continuing commitment to strengthen the Group's risk management and internal control environment and processes.

Review of the Statement by External Auditors

As required by Paragraph 15.23 of the Listing Requirements of Bursa Securities, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their review was performed in accordance with the Malaysian Approved Standard on Assurance Engagements, ISAE 3000 (Revised): Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and Audit and Assurance Practice Guide 3: Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report, issued by the Malaysian Institute of Accountants. Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that the Statement on Risk Management and Internal Control is inconsistent with their understanding of the process the Board has adopted in its review of the adequacy and effectiveness of the Group's risk management and internal control system.

This Statement on Risk Management and Internal Control is made in accordance with the resolution of the Board on 15 October 2018.

Audit Committee Report

The Board of Directors ("Board") is pleased to present the report of the Audit Committee for the financial year ended 31 July 2018.

AUDIT COMMITTEE MEMBERS

The Audit Committee is led by the Senior Independent Non-Executive Director who is not the Chairman of the Board. The members of the Audit Committee comprises the following Directors, who each satisfy the "independence" requirements contained in the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"):-

Members	Position
Wong Chin Mun	Chairman *(Independent Non-Executive Director)*
Dato' Noorizah Binti Hj Abd Hamid	Member *(Independent Non-Executive Director)*
Ang Kim Swee	Member *(Independent Non-Executive Director)*

AUDIT COMMITTEE MEETINGS AND ATTENDANCE

The Audit Committee convened a total of five (5) meetings during the financial year ended 31 July 2018. The meetings were held on 19 September 2017, 23 October 2017, 6 December 2017, 22 March 2018 and 20 June 2018 and the details of attendance of each member served during the financial year ended 31 July 2018 are as follows:-

Audit Committee Members	Number of Meetings Attended / Total Number of Meetings Held	Percentage (%) of Attendance
Wong Chin Mun *(Appointed as member and Chairman of Audit Committee on 22 March 2018)*	1/1	100
Dato' Noorizah Binti Hj Abd Hamid *(Appointed as member of Audit Committee on 19 September 2017)*	4/4	100
Ang Kim Swee	4/5	80
Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim *(Ceased as member and Chairman of Audit Committee on 22 March 2018)*	3/4	75
Cham Chean Fong @ Sian Chean Fong *(Resigned on 22 March 2018)*	4/4	100

SUMMARY OF WORKS OF THE AUDIT COMMITTEE

The functions and duties of the Audit Committee are set out in its terms of reference and available on the Company's website at www.scientex.com.my/who-we-are/#companyinformation.

In discharging its functions, duties and responsibilities, the Audit Committee had undertaken the following works during the financial year ended 31 July 2018:-

(i) Financial Reporting And Regulatory Requirements

The Audit Committee monitored the financial reporting processes for the Group, included reviewing and discussing reports with the management and external auditors. The Audit Committee has reviewed the Group's unaudited quarterly financial results and announcements to Bursa Securities as well as the Group's year end audited financial statements to ensure compliance with the applicable financial reporting standards and relevant regulatory requirements, as well as discussed the performance of the Group, before presentation to the Board for consideration and approval.

The Audit Committee discussed and reviewed significant accounting, auditing and regulatory issues and the impact of new accounting standards and other regulatory requirements, including but not limited to Malaysian Financial Reporting Standards, the Companies Act 2016, Malaysian Code on Corporate Governance 2017, the newly gazetted Malaysian Anti-Corruption Commission (Amendment) Act 2018, amendments to the Listing Requirements of Bursa Securities and the additional disclosures and reporting requirements arising thereto.

As part of the year end reporting process, the Audit Committee also discussed and reviewed the external auditors' professional services planning memorandum and progress report, outlining the responsibilities of the external auditors and those charged with governance, audit approach, audit scope, audit and service team, audit risk assessment, significant risks and areas of audit focus, key audit matters, significant and unusual events, internal audit function, independence policies, audit process, procedure, timeline, materiality level and analysis of audit misstatements, accounting policies and estimates adopted by the management, application of judgement in financial statements, going concern assumption applied in the preparation of financial statements, consideration of any fraud and material non-compliance with laws and regulations, accounting and internal controls matters and the management's responses to the findings etc. There were no significant findings noted from the reports.

(ii) External Auditors

In considering the appointment of external auditors, the Audit Committee discussed and considered the competency and resource capacity of the external auditors, the rotation of audit partners, the audit and service team, the audit work, objectivity, professionalism and the independence of the external auditors.

For the financial year 2018, the Audit Committee has reviewed the independence and suitability of the external auditors in respect of the provision of non-audit services to the Company and the Group and fees paid/ payable for such services relative to the audit fee, in accordance with the terms of all relevant professional and regulatory requirements and was of the opinion that the external auditors' independence is not impaired. Furthermore, Deloitte PLT had established policies, safeguard and procedures to ensure there is no threat to its independence and objectivity. Deloitte PLT has also given their independence assurance for their audit works for the financial year ended 31 July 2018. In view of the existing engagement partner has involved in the key audit role for five (5) years, Deloitte PLT has proposed to the Audit Committee on the rotation of engagement partner in respect of the audit for the forthcoming financial years. The Audit Committee has interviewed the proposed new engagement partner to assess his independence, experience and competencies. Pursuant thereto, the Audit Committee, having regard to the suitability, performance, objectivity, professionalism and independence of the external auditors, recommended to the Board for the re-appointment of Deloitte PLT as Auditors of the Company at the forthcoming Annual General Meeting.

The Audit Committee also had private discussions with the external auditors without the presence of the executive board members and management during the review of the audited financial statements for both the years ended 31 July 2017 and 31 July 2018 respectively to discuss any issues arising from the final audit and the assistance given by the employees during the course of audit. There were no significant issues highlighted by the external auditors and they received full cooperation from the management and staff and had unrestricted access to senior management in the performance of the audit work. There was no material disagreement nor did they encountered any significant difficulty while performing the audit work.

(iii) Internal Auditors

The Audit Committee reviewed internal audit reports on certain operating units of the Group such as Goods and Services Tax ("GST") compliance, general controls on information technology system, project operations, quality assurance and inventories. The Audit Committee considered the findings highlighted by the internal auditors as well as the management's responses. There were no major controls weaknesses noted from the internal audit reviews. The Audit Committee has deliberated and accepted the updated Internal Control Guidelines of manufacturing and property divisions respectively presented by the Head of Internal Audit Department as well as the inclusion of the Anti-Corruption and Anti-Bribery Policy into the Internal Control Guidelines.

The Audit Committee has reviewed and approved the internal audit plan for year 2018, which includes quality assurance, inventories, credit controls, receivable cycles and project operation, to ensure that the scope and coverage of the internal audit on the operations of the Group is adequate and major risk areas are audited accordingly in line with the latest development of the Group and the business environment. The Audit Committee has also reviewed the adequacy of competency and resources of the internal audit function. The Internal Audit Department had since the preceding financial year increased its headcount in line with the continuous growth of the Group.

(iv) Scientex Berhad Share Grant Plan

The fourth batch allocation of shares to the eligible employees of the Company and its subsidiaries under the Scientex Berhad Share Grant Plan ("SGP") was vested on 20 November 2017. The Audit Committee reviewed and verified such allocation and concurred that the award of shares under the SGP was in compliance with the criteria determined by the SGP Committee, pursuant to Paragraph 8.17(2) of the Listing Requirements of Bursa Securities. During the financial year ended 31 July 2018, 142,000 new ordinary shares have been granted and vested to the eligible employees based on their employment grade and achievement of performance target for the financial year 2017 as well as their performance and contribution to the Group.

(v) Others

The Audit Committee also:-

a) Discussed on the matters related to the areas of corporate governance, risk management, internal control and prevention and detection of fraud, including the Group's assessment of risk of fraud, the processes and controls established to mitigate such risks and the framework in place to identify any risk of fraud. There was no risk of fraud detected from the reports presented in the Audit Committee meetings.

b) Reviewed related party transactions disclosed in the audited financial statements and any conflict of interest that may arise.

c) Reviewed and recommended to the Board for approval, the Audit Committee Report, Statement on Corporate Governance and Statement on Risk Management and Internal Control for inclusion in the Annual Report 2017. Subsequent to the financial year end, the Audit Committee has also reviewed and recommended to the Board for approval, the similar report and statements for inclusion in the Annual Report 2018 together with the prescribed CG Report as required under the Listing Requirements of Bursa Securities.

INTERNAL AUDIT FUNCTION

The Group's internal audit function is carried out by the Internal Audit Department, which reports directly to the Audit Committee on its activities based on the approved internal audit plans. Its principal function is to undertake independent regular and systematic review of the system of internal controls within the Group so as to provide independent assurance on the adequacy and effectiveness of governance, risk management and internal control processes.

During the financial year under review, the Internal Audit Department had conducted assurance review on adequacy and effectiveness of the internal control system on certain operating units in accordance with the internal audit plan, by interviewing the relevant personnel, observing the working environment and procedure of the operating units, reviewing relevant supporting documents and performing sampling verification. After the reviews, preliminary internal audit reports were issued together with the recommendations which were then passed to the management for management's responses and actions. Audit issues and actions taken by the management were recorded in the final internal audit reports before tabling at the Audit Committee meetings. During the financial year, the internal auditors tabled internal audit plan and internal audit reports, covering key operating units such as GST compliance, general controls on information technology system, project operations, quality assurance and inventories of certain subsidiaries of the Group, to the Audit Committee for review and deliberation. The Chairman of the Audit Committee then briefed the Board on the internal audit reports on any major findings. The Internal Auditors also reviewed the Internal Control Guidelines of the manufacturing and property divisions respectively and made necessary updates to reflect the current business practices and environment.

The cost incurred for the Group's internal audit function during the financial year ended 31 July 2018 amounted to RM458,000.00.

This Audit Committee Report is made in accordance with the resolution of the Board on 15 October 2018.

The Board of Directors ("Board") of Scientex Berhad ("the Company") recognises the importance of upholding good corporate governance ("CG") and the responsibility to observe high standards of transparency, accountability and integrity to be the cornerstone of a well-managed organisation. These best practices will not only safeguard and enhance sustainable shareholders' value but also ensure that the interests of all the stakeholders are protected.

The Board presents this CG Overview Statement ("Statement") to provide shareholders and investors with an overview of the application of the principles set out in the Malaysian Code on Corporate Governance 2017 ("MCCG 2017") under the leadership of the Board during the financial year ended 31 July 2018 ("FY2018"). This Statement is also prepared in accordance with the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"). The Statement should be read in conjunction with the CG Report 2018 of the Company ("CG Report") which disclosed the application of each practices set out in the MCCG 2017 during the FY2018. The prescribed CG Report is accessible on the Company's website at www.scientex.com.my/announcements/.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

- **BOARD RESPONSIBILITIES**

  The Board is collectively responsible for the long term success of the Group and the delivery of sustainable values to its stakeholders. The Board set the Group's strategic plans and direction, overseeing the conduct of the business, risk management, succession planning of senior management, implementing investor relations programme and ensuring the system of internal controls and management information system are in place and effective. The Board has formulated overall objectives, short and medium term plans as well as policies and business strategies on an on-going basis to respond to rapid changes in the external business conditions and environment whilst ensuring that the Group's overall objectives and plans are adhered to.

  To maintain effective supervision and accountability of the Board and the management, the position of Chairman and Managing Director are held by different individual to ensure balance of power and authority. The roles and responsibilities of the Chairman and the Managing Director are specified in the Board Charter as explained in Practice 1.3 of the CG Report.

  The Directors in their individual capacity or as a full Board has full and unrestricted access to all information pertaining to the Group. The Directors also have the advice and services of the Company Secretary and senior management staff at all times to aid in the proper discharge of their fiduciary duties. The notices and the meeting papers are sent to all members of the Board and Board Committees a week ahead of the scheduled meetings enabling them to seek clarification and to have sufficient time to peruse the issues to be deliberated at the Board and Board Committees meetings.

  The Board had on 20 September 2018 approved and adopted the Board Charter which sets out the Board's strategic intent and outlines the Board's roles and responsibilities and act as a source reference and primary induction literature to provide insights to prospective Board members and senior management. The Board Charter of the Company is accessible on the Company's website at www.scientex.com.my/who-we-are/#companyinformation.

  In addition, the conduct of the Board is also governed by the Code of Ethics for Directors, which set out the standards of CG and corporate behaviour for the Directors of the Company. The Code of Ethics is accessible on the Company's website at www.scientex.com.my/who-we-are/#companyinformation.

- **BOARD COMPOSITION**

  The Board comprises six (6) experienced and competent members with different expertise, out of which three (3) members are Independent Non-Executive Directors ("INED"). Mr Wong Chin Mun was appointed as the Senior INED of the Company subsequent to the redesignation of Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim as Non-Independent Non-Executive Chairman and Director ("NINED").

  The Board has established the Audit Committee ("AC"), Nomination and Remuneration Committee ("NRC") and Risk Management Committee ("RMC") to assist in the execution of its responsibilities. The functions, duties and authorities of the Board Committees are set out in the terms of reference of each of the Board Committees.

  The Board through the NRC has conducted the following assessments and/or reviews:-

  (i) Assessment of independence of INED

  The NRC assessed the independence of all INED to ensure the Board would be able to discharge its duties and responsibilities effectively via questionnaire which includes the criteria of "independent director" set out in the Listing Requirements of Bursa Securities. The NRC has determined that all INED have to remain objective and independent. Each of the INED has provided a confirmation of his/her independence to the NRC.

(ii) Review of the effectiveness of the Board, Board Committees and individual Directors

The NRC reviewed the competencies, contributions and performances of the Board as a whole and each individual Director. Having regard to the mix of skills, experiences, competencies, independence, diversity and other qualities required to meet the needs of the Group as well as the character, personality, integrity and time commitment of the individual Director, the NRC is satisfied with the performance and contribution of the Directors of the Company.

(iii) Review of the Audit Committee

The NRC reviewed the term of office and performance of the AC and each of the members of AC, as well as the overall performance of the Board Committees using questionnaire methodology. The NRC determined that the AC and each of its members have fulfilled the criteria and factors listed in the AC Evaluation Form and complied with the provisions of the Listing Requirements. The NRC is also satisfied with the term of office and overall performances of the AC and each of the members of AC. The NRC determined that the AC and its members have carried out their duties in accordance with the terms of reference of the AC.

(iv) Assessment of the composition of the Board and Board Committees

In line with the recommendations of the MCCG 2017, Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim and Mr Cham Chean Fong @ Sian Chean Fong, the INEDs who have served on the Board beyond nine (9) years, the former has been redesignated as NINED while the latter resigned from the Board both effective on 22 March 2018. The NRC had also recommended to the Board, to appoint Director who is not the Chairman of the Board to be the Chairman of the Board Committees subsequent to the redesignation of Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim, the Chairman of the Board as NINED. With that, the new composition of the Board and Board Committees are as disclosed in the Company Information of the Annual Report 2018 and accessible on the Company's website at www.scientex.com.my/who-we-are/#companyinformation.

(v) Review of the remuneration of Directors

The NRC has reviewed the remuneration component of the Directors which includes the fees, salary, benefits-in-kind and other emoluments. In FY2018, the Board has approved the recommendation of NRC to increase the Directors' fees from RM60,000.00 to RM80,000.00 for Chairman of the Board and to increase from RM50,000.00 to RM70,000.00 for each of the Directors to commensurate with the performance and continuous growth of the Group and to benchmark the Directors' fees with those comparable manufacturing and property companies of similar size. The proposed Directors' fees will be tabled at the forthcoming Fiftieth Annual General Meeting ("AGM") of the Company ("50th AGM") for the approval of the shareholders. The details are disclosed under Remuneration section of this Statement.

(vi) Rotation of Directors

The Articles of Association of the Company ("Articles of Association") provides that one-third (1/3) of the Directors with a minimum of one (1) and those appointed during the year shall retire from office and shall be eligible for re-election at every AGM. The Articles of Association also provides that all Directors shall retire from office at least once in every three (3) years.

The Directors who are standing for re-election at the forthcoming 50th AGM are Mr Lim Peng Cheong and Dato' Noorizah Binti Hj Abd Hamid. The NRC, having received confirmation from the Directors who are subject to re-election at the forthcoming 50th AGM of their intentions to seek for re-election and having considered their past contribution and attendance at the Board and Board Committees meetings, recommended them for re-election at the forthcoming 50th AGM.

The Board is satisfied with the level of time commitment given by the Directors in fulfilling their roles and responsibilities as Directors of the Company. This is evidenced by all the directors observing the restriction on the number of directorship as set out in the Listing Requirements of Bursa Securities by not holding more than five (5) directorships in listed issuers.

The Board meets regularly on a quarterly basis with additional meetings for particulars matters convened as and when necessary. The Board meetings have a formal agenda on matters for discussion with adequate time allocated for deliberation and the Chairman of the Board chairs the meetings with proper record of minutes kept by the Company Secretary. The draft minutes of the Board meetings are made available to all Board members before the confirmation of minutes at the next meeting.

The Board convened a total of four (4) meetings during the FY2018. The meetings were held on 19 September 2017, 6 December 2017, 22 March 2018 and 20 June 2018. The details of the Directors' attendance at the Board meetings are as follows:-

	Number of Meetings Attended / Total Number of Meetings Held	Percentage (%) of Attendance
Executive Director		
Lim Peng Jin	4/4	100
Non-Executive Directors		
Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim	4/4	100
Lim Peng Cheong	4/4	100
Wong Chin Mun *(Appointed on 6 October 2017)*	3/3	100
Dato' Noorizah Binti Hj Abd Hamid	4/4	100
Ang Kim Swee	3/4	75
Teow Her Kok @ Chang Choo Chau *(Retired on 30 September 2017)*	1/1	100
Cham Chean Fong @ Sian Chean Fong *(Resigned on 22 March 2018)*	3/3	100

All the Directors have attended the Mandatory Accreditation Programme ("MAP") prescribed by Bursa Securities. The Board is mindful that the Directors should continuously update their skills and knowledge to maximise effectiveness during their tenure and all Directors are required to evaluate their own training needs on a continuous basis and to determine the relevant programmes, seminars, workshop or conference to update and improve their skills and knowledge to keep abreast with the regulatory requirements and business development. The Board has discussed on the training needs and programmes, and approved the budgeted amount set aside for all the Directors to attend training courses which are relevant and may assist the Directors in discharging their responsibilities. In addition, the Board is notified of a series of training programmes or workshop conducted by Bursa Securities and other training providers for its consideration of participation and the Board receives updates of the new statutory and regulatory requirements from time to time. The external auditors also briefed the Directors on any changes to the Malaysian Financial Reporting Standards that would affect the Group's financial statements during the financial year under review and any other changes in regulatory environment such as the amendments to the Listing Requirements of Bursa Securities, the Companies Act 2016 and the MCCG 2017.

During the financial year, the Directors have attended various training programmes, seminars, conferences and forums, details of which are set out below:-

Directors	Title of Training Programmes/ Seminars/Conferences/Forums
Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim	- Official launch of Malaysian Institute of Corporate Governance's Report on "Transparency in Corporate Reporting – Assessing Malaysia's Top 100 Public Listed Companies" - Trending Innovation, Disruption and Entrepreneurship – Exponential Innovation Workshop - National Economic Outlook Conference 2018 – 2019 - Seminar on Malaysian Income Distribution in a Global Context - 14th Khazanah Annual Review Briefing - Unitar Economic Forum – Malaysia of the Future: Sustainable Development - Seminar on Resource Misallocation and Productivity Gaps in Malaysia
Lim Peng Jin	- Human Capital Performance Transformation - 2018 Budget & GE14 - The Leader's Voice - Challenging New Heights of Horizon - Economic Update: Global Regional & Post GE 14
Lim Peng Cheong	- Beyond Compliance: Achieving Cyber Resiliency - Governance, Risk & Compliance – Protecting Your Business - Governance, Risk and Control – Embracing The Future
Wong Chin Mun	- Global Strategic Summit for Rise Against Hunger – Strategic Plan to Align UN's goal to end hunger by 2030 - The Art of Contracting – Design Alliances to Create Robust and Productive Relationships - Building and Creating Brand Loyalty and Awareness, Competitive Positioning in Market Superior Customer Care - Effective Selection Interview for Talents - Challenging New Heights of Horizon - Economic Update: Global Regional & Post GE 14
Dato' Noorizah Binti Hj Abd Hamid	- Bursa Fraud Risk Management Workshop - Smart Metro CBTC World Congress – The Pulse of Urban Mobility - Managing Challenges in Risk Based Approach & Politically Exposed Person
Ang Kim Swee	- Qualified Risk Director Program: i) Evolving Expectations for Boards ii) The Role of Boards in Fraud Risk Management iii) Corporate Culture and ERM iv) Risk Appetite, Tolerance & Board Oversight - Audit Committee Leadership Track: Effective Oversight of Internal Audit Functions – Are Board In Sync with Regulatory Expectations? - PwC Budget 2018 Seminar: Forging Ahead - Implementing the Companies Act 2016 & the Malaysian Code of Corporate Governance 2017 – What Every Director Needs to Know (highlighting the laws, the rules and the Code) - Audit Committee Conference 2018

- **REMUNERATION**

The Company's general policy on Directors' remuneration is to offer competitive remuneration packages, which are designed to attract and retain high calibre Directors. The remuneration package for Executive Director(s) is structured to link the rewards to financial performance and long-term objectives of the Group aside individual performance. The remuneration package comprises a number of separate elements such as basic salary, allowances, bonuses and other benefits-in-kind.

In the case of the Non-Executive Directors, the level of remuneration shall be linked to their experience and the level of responsibilities undertaken. The remuneration package for Non-Executive Directors shall be determined by the Board as a whole. The Director concerned shall be abstained from deliberation and voting on decisions in respect of his/her individual remuneration package.

Following the increase of Directors' fees in FY2018, the Board is of the view that the current remuneration level suffices to attract and retain calibre Directors to serve on the Board and approved the Directors' fees amounting to RM476,667.00 for the FY2018 for shareholders' approval at the forthcoming AGM.

The remuneration paid and payable for FY2018 by the Company and the Group, are as follows:-

	Company					Group				
	Salaries RM'000	Fees RM'000	Bonuses and Allowances and Other Emoluments RM'000	EPF Contribution by Employer RM'000	Total RM'000	Salaries RM'000	Fees RM'000	Bonuses and Allowances and Other Emoluments RM'000	EPF Contribution by Employer RM'000	Total RM'000
Executive Director										
Lim Peng Jin	240	70	240	86	636	4,860	70	4,455	1,677	11,062
Non-Executive Directors										
Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim	-	80	-	-	80	-	80	-	-	80
Lim Peng Cheong	-	70	-	-	70	-	70	-	-	70
Wong Chin Mun *(Appointed on 6 October 2017)*	-	58	-	-	58	-	58	-	-	58
Dato' Noorizah Binti Hj Abd Hamid	-	70	-	-	70	-	70	-	-	70
Ang Kim Swee	-	70	-	-	70	-	70	-	-	70
Teow Her Kok @ Chang Choo Chau *(Retired on 30 September 2017)*	-	12	-	-	12	-	12	-	-	12
Cham Chean Fong @ Sian Chean Fong *(Resigned on 22 March 2018)*	-	47	-	-	47	-	47	-	-	47

Apart from the above, the Company has arranged for directors and officers liability insurance to indemnify the Directors and officers of the Company and its group of companies. The amount of premium paid for such liability insurance is set out in the Report of the Directors of the Company's Audited Financial Statements for the FY2018.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

- **AUDIT COMMITTEE**

The AC is led by the Senior INED who is not the Chairman of the Board. The members of the AC comprises one (1) Senior INED and two (2) INED, each satisfying the "independence" requirements set out in the Listing Requirements of Bursa Securities. All members of the AC are financially literate, with extensive corporate experiences and equipped with the required business skills. The profile of the members of the AC is stated in the Profile of the Board of Directors of the Annual Report 2018 and accessible on the Company's website at www.scientex.com.my/who-we-are/#boardofdirectors.

The summary of works of the AC in discharging its function and duties for the FY2018 is disclosed in the AC Report of the Annual Report 2018 and accessible on the Company's website at www.scientex.com.my/financial-reports/.

- **RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK**

The Board acknowledges its overall responsibilities to maintain a sound risk management and internal control system as well as to review its adequacy and effectiveness and to put in place sufficient safeguards to manage the Group's risks in order to safeguard shareholders' investment and the Group's assets.

The Board is assisted by the RMC and the AC supported by an Executive Committee, which is chaired by the Group Managing Director and comprises senior management personnel of the Group in implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks, and making recommendations designed to manage, control and mitigate such risks, whilst continuously monitoring and reviewing the risks and its impact on the Group's operations on a regular basis. The Group has an Internal Audit Department to support the AC and the Board to check and monitor the compliance of the Group's policies and procedures as well as to ensure the adequacy and effectiveness of the internal control system are in place.

The information of the Group's risk management and internal control system is presented in the Statement on Risk Management and Internal Control and AC Report of the Annual Report 2018 and accessible on the Company's website at www.scientex.com.my/financial-reports/.

PRINCIPLE C: INTERGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

- **COMMUNICATION WITH STAKEHOLDERS**

The Board recognises the importance of transparency and accountability towards its shareholders and to maintain an effective communication policy that enables both the Board and the management to communicate effectively with its stakeholders.

Pursuant to Paragraph 15.26(a) of the Listing Requirements of Bursa Securities, the Directors are responsible for the preparation of financial statements for each financial year to give a true and fair view of the financial position of the Company and the Group of the financial performance and cash flows of the Company and the Group for the financial year then ended. In the preparation of these financial statements, the Directors have:-

- adopted suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent; and
- ensured that the applicable approved accounting standards have been complied with.

The Directors are also responsible for ensuring that proper accounting and other records are kept which disclose with reasonable accuracy at any time the financial position of the Company and the Group and ensuring that the financial statements comply with the Companies Act 2016, the applicable approved accounting standards in Malaysia and Listing Requirements of Bursa Securities.

Hence, in presenting the annual audited financial statements and quarterly results announcements to shareholders, the Board aims to present a balanced and fair assessment of the Group's financial position and prospects. The AC reviews the Group's quarterly financial results and annual audited financial statements to ensure accuracy, adequacy and completeness prior to presentation to the Board for its approval. The AC and the Board are required, amongst others, to ensure that the financial statements prepared are drawn up in accordance with the applicable Financial Reporting Standards and the provisions of the Companies Act 2016 so as to give a true and fair view of the financial position of the Company and the Group.

To maintain an effective communication with the Company's stakeholders, the Board communicates information on the operations, activities and performance of the Group through its annual report, various corporate announcements made to Bursa Securities, the Company's website, continuous stream of active dialogues, discussions or briefings with the press, fund managers and analysts through planned programme of investor relations activities. Shareholders and stakeholders can direct their queries or concerns to the Company's website at www.scientex.com.my/contact/.

- **CONDUCT OF GENERAL MEETINGS**

The general meetings serve as an important channel for shareholders' communication. Notice of the general meetings is sent to shareholders at least fourteen (14) days before the meeting or at least twenty-one (21) days prior to the meeting where any special resolution is to be proposed or where it is an AGM, together with the annual report. The Board ensures all relevant information is disclosed to the shareholders to enable them to exercise their rights and hence, each item of special business included in the notice of meeting will be accompanied by an explanatory statement on the effects of the proposed resolution.

In line with Paragraph 8.29A of the Listing Requirements of Bursa Securities, the Board has implemented poll voting for all the resolutions set out in the notice of general meetings and appointment of at least one (1) scrutineer to validate the votes cast at the general meetings. The Company has leveraged on technology to facilitate electronic voting for the conduct of poll on all proposed resolutions to expedite verifications and counting of votes, reduce administrative cost and paper work. The outcome of the general meetings is announced to the Bursa Securities on the same day after the meetings are concluded and the announcement is accessible on the Bursa Securities's website at www.bursamalaysia.com/market/listed-companies/company-announcements/#/?category=all and the Company's website at www.scientex.com.my/announcements/.

At general meetings, shareholders are given opportunity and time to express their views or raise questions in connection with the Company's financial performance, business operations, corporate governance, corporate proposals and other matters affecting shareholders' interests. The Directors and senior management as well as the auditors and advisers of the Company are present in person at the general meetings and to respond to any questions raised by the shareholders. A summary of the key matters discussed at the AGM is published in the Company's website at www.scientex.com.my/investors-faq/. In addition, a press conference will be held immediately following the conclusion of the general meetings where the Directors brief the press, and answer relevant questions on the Group's operations and financial performance.

This CG Overview Statement was approved in accordance with the resolution of the Board on 15 October 2018.

Additional Compliance Information

1. Utilisation of Proceeds Raised from Corporate Proposal

During the financial year ended 31 July 2018, Scientex Quatari Sdn Bhd, a wholly-owned subsidiary of the Company, has made its second issuance of RM200 million in nominal value of unrated Sukuk Murabahah based on the Shariah principle of Murabahah (via Tawarruq arrangement) under the Sukuk Murabahah Programme which was established in financial year 2016. The details of the Sukuk Murabahah issued during the financial year and the utilisation of proceeds thereof are set out in Note 27(i) to the Audited Financial Statements of the Company for the financial year ended 31 July 2018.

2. Audit and Non-Audit Fees

The amount of audit and non-audit fees paid and payable to the external auditors and its affiliate corporations for the audit and non-audit services rendered to the Company and the Group for the financial year ended 31 July 2018 are as follows:-

Type of Services / External Auditors			Fees (RM'000)	
			Company	Group
Audit	:	Deloitte PLT	32	378
	:	Deloitte PLT's Affiliates	-	90
	:	Other Auditors	-	27
		Total Audit Fees	32	495
Non-Audit	:	Deloitte PLT	8	8
		Deloitte PLT's Affiliates	-	385
		Total Audit and Non-Audit Fees	40	888

The Company engaged the external auditors and its affiliates for the following non-audit services:-
i) to review the Statement on Risk Management and Internal Control of the Company;
ii) to conduct due diligence for the acquisition of new subsidiary; and
iii) to prepare the transfer pricing documentations of the Company's subsidiaries.

3. Material Contracts

There were no material contracts entered into by or subsisting between the Company and/or its subsidiaries involving Directors' and major shareholders' interests during the financial year ended 31 July 2018.

4. Scientex Berhad Share Grant Plan

Under the Scientex Berhad Share Grant Plan ("SGP") which is the only share issuance scheme of the Company in the financial year 2018, the Company granted and vested 142,000 new ordinary shares to the eligible employees of the Company and/or its subsidiaries. Further information of the SGP is set out in the Report of the Directors and Note 25(b) to the Audited Financial Statements of the Company for the financial year ended 31 July 2018.

Details of the number of new ordinary shares ("Shares") granted, vested and outstanding pursuant to the SGP since the commencement of the SGP on 21 January 2014 and during the financial years 2015 to 2018 are set out below:-

For the financial year ended 31 July 2015	Total	Directors / Chief Executive	Senior Management	Other Eligible Employees
Number of Shares Granted	357,000	-	40,800	316,200
Number of Shares Vested	357,000	-	40,800	316,200
Number of Shares Outstanding	-	-	-	-

For the financial year ended 31 July 2016	Total	Directors / Chief Executive	Senior Management	Other Eligible Employees
Number of Shares Granted	472,000	-	48,000	424,000
Number of Shares Vested	472,000	-	48,000	424,000
Number of Shares Outstanding	-	-	-	-

For the financial year ended 31 July 2017	Total	Directors / Chief Executive	Senior Management	Other Eligible Employees
Number of Shares Granted	3,558,000	-	542,400	3,015,600
Number of Shares Vested	3,558,000	-	542,400	3,015,600
Number of Shares Outstanding	-	-	-	-

For the financial year ended 31 July 2018	Total	Directors / Chief Executive	Senior Management	Other Eligible Employees
Number of Shares Granted	142,000	-	19,000	123,000
Number of Shares Vested	142,000	-	19,000	123,000
Number of Shares Outstanding	-	-	-	-

Based on the By-Laws of the SGP, the total number of Shares that may be awarded under the SGP shall be determined at the sole and absolute discretion of the SGP Committee, subject to the following:-

i) The total number of Shares which may be awarded to the selected eligible employees under the SGP shall not exceed in aggregate 5% of the total number of issued shares of the Company (excluding treasury shares) at any point of time during the duration of the SGP;

ii) The allocation to an eligible employee, who either singly or collectively, through persons connected with the eligible employee, holds 20% or more of the issued shares of the Company (excluding treasury shares), must not exceed 10% of the total number of Shares to be issued under the SGP; and

iii) Not more than 50% of the Shares to be issued under the SGP shall be allocated to the eligible employees who are in senior management of the Group.

As at 31 July 2018, 13.38% and 14.36% of the SGP Shares have been granted and vested to the senior management during the financial year 2018 and since the commencement of the SGP respectively. None of the Shares were granted or vested to the Directors of the Company under the SGP.

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Financial Statements

Report Of The Directors

The directors of **SCIENTEX BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 July 2018.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiaries, joint venture and associate are as disclosed in Notes 15, 17 and 18 to the financial statements respectively.

RESULTS

The results of the Group and of the Company for the financial year are as follows:

	The Group RM'000	The Company RM'000
Profit for the year	294,034	36,799
Profit attributable to:		
Owners of the Company	289,806	36,799
Non-controlling interests	4,228	-
	294,034	36,799

In the opinion of the directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature, other than the acquisition of subsidiary as disclosed in Note 15 to the financial statements.

DIVIDENDS

Dividends paid and declared since the end of the previous financial year were as follows:

	RM'000
In respect of the financial year ended 31 July 2017:	
Single tier final dividend of 10 sen per ordinary share declared on 6 December 2017 and paid on 26 January 2018*	48,370
In respect of the financial year ended 31 July 2018:	
Single tier interim dividend of 10 sen per ordinary share declared on 20 June 2018 and paid on 13 July 2018	48,893
	97,263

* Out of the total dividend distribution of RM48,370,000, a total of RM40,766,700 was converted into 5,226,500 new ordinary shares of the Company pursuant to the Dividend Reinvestment Plan ("DRP"). The balance portion of RM7,603,300 was paid in cash on 26 January 2018.

The directors had on 20 September 2018 proposed a single tier final dividend of 10 sen per ordinary share amounting to approximately RM48,893,000 in respect of the financial year ended 31 July 2018. The proposed single tier final dividend is subject to the approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as liabilities in the financial statements. Upon approval by the shareholders, the dividend payment will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 July 2019.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES

During the financial year, the Company increased its issued shares from 483,558,000 ordinary shares to 488,926,500 ordinary shares by way of:

(a) new issue of 142,000 ordinary shares pursuant to the Scientex Berhad Share Grant Plan ("SGP"); and

(b) new issue of 5,226,500 ordinary shares at an issue price of RM7.80 per ordinary share pursuant to the DRP of the Company, amounting to RM40,766,700 related to the single tier final dividend of 10 sen per ordinary share in respect of the financial year ended 31 July 2017.

The new ordinary shares issued rank pari-passu in all respects with the existing ordinary shares of the Company. Further relevant details of the issuance of shares are disclosed in Note 25 to the financial statements.

As of 31 July 2018, the total number of issued shares of the Company was 488,926,500 ordinary shares, out of which 100 ordinary shares was held as treasury shares.

TREASURY SHARES

The Company did not purchase any of its issued ordinary shares from the open market during the financial year.

As of 31 July 2018, the Company held a total of 100 ordinary shares as treasury shares out of its 488,926,500 issued ordinary shares. Such treasury shares are held at a carrying amount of RM720. Further relevant details are disclosed in Note 26(c) to the financial statements.

SHARE GRANT PLAN

The Scientex Berhad Share Grant Plan ("SGP") is governed by the By-Laws which was approved by the shareholders on 17 December 2013 and is administered by the SGP Committee which is appointed by the Board of Directors, in accordance with the By-Laws. The SGP shall be in force for a period of 5 years from the effective date, 21 January 2014 to 20 January 2019, unless extended for up to another 5 years immediately upon the expiry of the first 5 years, but shall not in aggregate exceed the duration of 10 years from the effective date.

The salient features, terms and conditions, details and vesting conditions of the SGP are as disclosed in Note 25(b) to the financial statements.

During the financial year, the Company granted and vested 142,000 new ordinary shares to the eligible employees of the Company and its subsidiaries under the SGP. The closing share price as of the date of granting was RM8.73 per ordinary share.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps:

(a) 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 had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

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

(a) which would render 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; or

(b) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or

(c) 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; or

(d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

OTHER STATUTORY INFORMATION (CONT'D)

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

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

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

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, in the opinion of the directors, will or may affect the ability of the Group and of the Company to meet their obligations when they fall due.

In the opinion of the directors, 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 operations of the Group and of the Company for the financial year in which this report is made, other than as disclosed in Note 39 to the financial statements.

DIRECTORS

The directors of the Company in office during the period since the beginning of the financial year to the date of this report are as follows:

Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim
Lim Peng Jin
Lim Peng Cheong
Dato' Noorizah Binti Hj Abd Hamid
Ang Kim Swee
Wong Chin Mun (appointed on 6 October 2017)
Teow Her Kok @ Chang Choo Chau (retired on 30 September 2017)
Cham Chean Fong @ Sian Chean Fong (resigned on 22 March 2018)

The directors of the subsidiaries of the Company in office during the period since the beginning of the financial year to the date of this report are as follows:

Lim Peng Jin
Koay Teik Chuan
Choo Seng Hong
Khaw Giet Thye
Gan Kok Khye
Chang Siew Sian
Choo Chee Meng
Goh Tian Chin
Phang Chi Ming
Wong Chee Kheong
Datuk Lim Kok Boon
Yasuo Nagae
Frengky
Chew Yew Kwong
Tadaaki Koyama
Takeshi Nishimura
Tan Lian Kung
Kaoru Watanabe
Chih Chien May (Chi Jingmei)
Tan Yong Hee
Yau Kuan Yee^
Lew Wan Hong @ Law Wan Hong#
Ng Boon Eu#

^ Appointed during the financial year
# Existing directors of a newly acquired subsidiary of the Company who remained in office upon the completion of the acquisition on 2 May 2018

DIRECTORS' INTERESTS

The interests in shares in the Company and in the related companies of those who were directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act, 2016 are as follows:

	Number of ordinary shares			
Shares in the Company	**Balance as at 1.8.2017/ Date of appointment**	**Bought**	**Sold**	**Balance as at 31.7.2018**
Direct interests				
Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim	83,880	15,000	-	98,880
Lim Peng Jin	2,356,940	57,584	-	2,414,524
Lim Peng Cheong	203,600	23,720	(59,000)	168,320
Ang Kim Swee	80,000	21,000	-	101,000
Wong Chin Mun	80,000	1,000	-	81,000
Deemed/Indirect interests				
Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim	260,000	-	-	260,000
Lim Peng Jin	267,737,118	8,762,300	(273,840)	276,225,578
Lim Peng Cheong	254,043,858	9,027,652	(289,840)	262,781,670
Ang Kim Swee	-	2,000	-	2,000

Lim Peng Jin and Lim Peng Cheong by virtue of their interest in shares in the Company are also deemed to have interest in shares of all the Company's subsidiaries to the extent the Company has an interest.

The other director in office at the end of the financial year did not have any shares or beneficial interest in the shares of the Company or its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive any benefits (other than the fees and 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 disclosed in Note 10 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 except as disclosed in Note 35 to the financial statements.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby the directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIFFERENT FINANCIAL YEAR END OF SUBSIDIARY

The statutory financial year end of Scientex Tsukasa (Vietnam) Co., Ltd. ("STV"), a subsidiary of the Company, does not coincide with the financial year end of the Group. The Company was granted approval from Companies Commission of Malaysia pursuant to Section 247(3) of Companies Act, 2016 for this subsidiary to continue to adopt the financial year end that does not coincide with the Company's financial year end of 31 July. However, the Company has consolidated the financial position and results of STV based on the unaudited financial statements made up to the financial year of the Group.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The Company maintains a directors and officers liability insurance throughout the year, which provides appropriate insurance cover for the directors and officers of the Company and its group of companies. The amount of insurance premium paid during the financial year amounted to RM30,000.

No indemnity was given to or insurance effected for auditors of the Company and of the Group during the financial year.

SIGNIFICANT EVENTS DURING AND SUBSEQUENT TO THE FINANCIAL YEAR END

In addition to the significant events disclosed elsewhere in this report, other significant and subsequent events are disclosed in Notes 15, 25 and 39 to the financial statements.

AUDITORS' REMUNERATION

The amount paid/payable as remuneration of the auditors for the financial year ended 31 July 2018 is as disclosed in Note 8 to the financial statements.

AUDITORS

The auditors, Deloitte PLT, have indicated their willingness to continue in office.

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

LIM PENG JIN

LIM PENG CHEONG

Shah Alam, Selangor Darul Ehsan
15 October 2018

Independent Auditors' Report

To The Members Of Scientex Berhad (Incorporated in Malaysia)

Report on Audit of the Financial Statements

Opinion

We have audited the financial statements of **SCIENTEX BERHAD**, which comprise the statements of financial position as of 31 July 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 74 to 143.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 July 2018, and of their financial performance and their cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Revenue and cost of sales of property development activities recognised on percentage of completion method

The risk

The Group recognises revenue from its property development activities using the percentage of completion method. Estimated losses are recognised in full when determined. Property development projects and expense estimates are reviewed and revised periodically as work progresses and as variation orders are approved.

Significant judgement is required in determining the stage of completion, the extent of the property development projects incurred, the estimated total property development revenue and costs as well as the recoverability of the project undertaken. In making these judgements, the Group has made reference to past experience and by relying on the work of specialists.

Our audit response

We obtained an understanding of the relevant controls put in place by the Group in respect of revenue recognition for property development activities and performed procedures to evaluate the design and implementation and operating effectiveness of such controls.

We evaluated the percentage of completion used by management in their recognition of revenue against surveys of physical work performed by the Group's specialists. We independently recomputed the percentage of completion determined based on the proportion of property development costs incurred for work performed to date bear to the estimated total property development costs, for comparison purpose and performed site-visits for individually significant ongoing projects to arrive at an overall assessment as to whether information provided by management was reasonable.

We assessed the reasonableness of management-prepared budgets for property development projects against letters of award issued to contractors, challenged management assumptions used in the preparation of the respective budgets and performed retrospective reviews. We verified gross development value therein against signed sales and purchase agreements and estimated selling price of unsold developments to the latest transacted selling price.

We considered the stage of completion of individually significant ongoing development projects to the expected handover date to determine the adequacy of provision for late ascertained damages, if any.

We checked the mathematical accuracy of the revenue and profit based on the percentage of completion calculations and considered the implications of any changes in estimates.

Our audit response (cont'd)

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

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 Scientex Performance Records, 5-Year Group Financial Highlights, Chairman's Statement, Management Discussion and Analysis and Report of the Directors, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, 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 Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are as disclosed in Note 15 to the financial statements.

Other Matter

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

DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF0080)

LAI CAN YIEW
Partner - 02179/11/2018 J
Chartered Accountant

15 October 2018

Statements Of Profit Or Loss And Other Comprehensive Income
For the financial year ended 31 July 2018

		The Group	
	Note	2018 RM'000	2017 RM'000
Revenue	5	2,626,767	2,403,151
Cost of sales	6	(2,108,516)	(1,909,999)
Gross profit		518,251	493,152
Other income		13,363	6,769
Selling and distribution expenses		(68,350)	(63,181)
Administration expenses		(98,904)	(100,622)
Other expenses		-	(11,049)
Finance costs	7	(10,751)	(14,030)
Share of results of associate and joint venture		8,049	6,929
Profit before tax	8	361,658	317,968
Income tax expense	11	(67,624)	(58,027)
Profit for the year		294,034	259,941
Profit for the year attributable to:			
Owners of the Company		289,806	255,873
Non-controlling interests		4,228	4,068
		294,034	259,941
Earnings per share			
Basic and diluted (sen per share)	12	60	55

Statements Of Profit Or Loss And Other Comprehensive Income
For the financial year ended 31 July 2018 - continued

	The Group	
	2018 RM'000	**2017 RM'000**
Profit for the year	294,034	259,941
Other comprehensive (loss)/income, net of income tax:		
Item that may be reclassified subsequently to profit or loss:		
Foreign currency translation of foreign operations, representing other comprehensive (loss)/income for the year, net of income tax	(6,908)	3,272
Total comprehensive income for the year, net of income tax	287,126	263,213
Total comprehensive income attributable to:		
Owners of the Company	283,569	258,332
Non-controlling interests	3,557	4,881
	287,126	263,213

The accompanying Notes form an integral part of the Financial Statements.

Statements Of Profit Or Loss And Other Comprehensive Income

For the financial year ended 31 July 2018 - continued

		The Company	
	Note	**2018 RM'000**	**2017 RM'000**
Revenue	5	39,488	70,646
Other income		47	64
Administrative expenses		(2,750)	(2,578)
Finance costs	7	(53)	-
Profit before tax	8	36,732	68,132
Income tax credit	11	67	64
Profit for the year, representing total comprehensive income for the year		36,799	68,196

The accompanying Notes form an integral part of the Financial Statements.

Statements Of Financial Position

As of 31 July 2018

	Note	The Group 2018 RM'000	The Group 2017 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment	13	1,150,608	1,012,570
Investment properties	14	17,000	17,000
Land held for property development	16	843,946	500,233
Investment in joint venture	17	27,173	24,115
Investment in associate	18	34,463	31,180
Other investments	19	7,508	8,552
Deferred tax assets	29	28,920	18,925
Goodwill	20	59,030	12,134
		2,168,648	1,624,709
Current Assets			
Property development costs	16	232,957	165,068
Inventories	21	263,561	168,778
Trade receivables	22	482,688	385,103
Other receivables, deposits and prepaid expenses	23	42,224	41,342
Tax recoverable		1,687	891
Cash and cash equivalents	24	172,316	191,898
		1,195,433	953,080
TOTAL ASSETS		3,364,081	2,577,789
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	25	453,850	411,843
Reserves	26	1,309,743	1,123,621
Equity attributable to owners of the Company		1,763,593	1,535,464
Non-controlling interests		69,973	68,416
Total Equity		1,833,566	1,603,880
Non-Current Liabilities			
Borrowings	27	323,941	166,500
Retirement benefits obligations	28	31,116	27,803
Deferred tax liabilities	29	50,638	35,943
		405,695	230,246
Current liabilities			
Borrowings	27	610,370	301,190
Trade payables	30	380,734	315,900
Other payables and accrued expenses	31	109,939	103,549
Tax liabilities		23,777	23,024
		1,124,820	743,663
Total Liabilities		1,530,515	973,909
TOTAL EQUITY AND LIABILITIES		3,364,081	2,577,789

The accompanying Notes form an integral part of the Financial Statements.

Statements Of Financial Position

As of 31 July 2018 - continued

	Note	The Company 2018 RM'000	The Company 2017 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment	13	43,496	44,542
Investment in subsidiaries	15	451,106	451,106
Investment in joint venture	17	22,500	22,500
Investment in associate	18	3,000	3,000
Other investments	19	4,685	4,685
		524,787	525,833
Current Assets			
Deposits and prepaid expenses	23	360	431
Cash and cash equivalents	24	3,921	1,379
		4,281	1,810
TOTAL ASSETS		529,068	527,643
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	25	453,850	411,843
Reserves	26	41,442	102,090
Total Equity		495,292	513,933
Non-Current Liabilities			
Retirement benefit obligations	28	7,181	7,181
Deferred tax liabilities	29	5,718	5,811
		12,899	12,992
Current Liabilities			
Borrowings	27	20,000	-
Other payables and accrued expenses	31	871	713
Tax liabilities		6	5
		20,877	718
Total Liabilities		33,776	13,710
TOTAL EQUITY AND LIABILITIES		529,068	527,643

The accompanying Notes form an integral part of the Financial Statements.

Statements Of Changes In Equity

For the financial year ended 31 July 2018

The Group	Share capital RM'000	Share premium RM'000	Capital redemption reserve RM'000	Property revaluation surplus RM'000	Foreign currency translation reserve RM'000	Treasury shares RM'000	Other reserves RM'000	Retained earnings RM'000	Attributable to the equity holders of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
	← Non-distributable reserves						→	Distributable reserve			
As at 1 August 2016	115,000	104,324	4,382	55,799	8,683	-	461	886,518	1,175,167	66,495	1,241,662
Profit for the year	-	-	-	-	-	-	-	255,873	255,873	4,068	259,941
Other comprehensive income for the year	-	-	-	-	2,459	-	-	-	2,459	813	3,272
Total comprehensive income for the year	-	-	-	-	2,459	-	-	255,873	258,332	4,881	263,213
Bonus issue [Note 25(a)]	115,000	(104,324)	-	-	-	-	-	(10,802)	(126)	-	(126)
Private placement [Note 25(d)]	154,263	-	-	-	-	-	-	-	154,263	-	154,263
Acquisition of treasury shares	-	-	-	-	-	(1)	-	-	(1)	-	(1)
Issuance of ordinary shares pursuant to Share Grant Plan [Note 25(b)]	1,779	21,419	-	-	-	-	-	-	23,198	-	23,198
Dividends (Note 32)	-	-	-	-	-	-	-	(75,369)	(75,369)	(2,960)	(78,329)
Transfer arising from "no par value" regime [Note 25(a)]	25,801	(21,419)	(4,382)	-	-	-	-	-	-	-	-
As at 31 July 2017	411,843	-	-	55,799	11,142	(1)	461	1,056,220	1,535,464	68,416	1,603,880
As at 1 August 2017	411,843	-	-	55,799	11,142	(1)	461	1,056,220	1,535,464	68,416	1,603,880
Profit for the year	-	-	-	-	-	-	-	289,806	289,806	4,228	294,034
Other comprehensive loss for the year	-	-	-	-	(6,237)	-	-	-	(6,237)	(671)	(6,908)
Total comprehensive income for the year	-	-	-	-	(6,237)	-	-	289,806	283,569	3,557	287,126
Dividend Reinvestment Plan [Note 25(c)]	40,767	-	-	-	-	-	-	(184)	40,583	-	40,583
Issuance of ordinary shares pursuant to Share Grant Plan [Note 25(b)]	1,240	-	-	-	-	-	-	-	1,240	-	1,240
Dividends (Note 32)	-	-	-	-	-	-	-	(97,263)	(97,263)	(2,000)	(99,263)
As at 31 July 2018	453,850	-	-	55,799	4,905	(1)	461	1,248,579	1,763,593	69,973	1,833,566

Statements Of Changes In Equity

For the financial year ended 31 July 2018 - continued

The Company	Share capital RM'000	Share premium RM'000	Capital redemption reserve RM'000	Property revaluation surplus RM'000	Other reserves RM'000	Treasury shares RM'000	Retained earnings RM'000	Total equity RM'000
		← Non-distributable reserves				→	Distributable reserve	
As at 1 August 2016	115,000	104,324	4,382	20,018	68	-	99,980	343,772
Profit for the year/Total comprehensive income for the year	-	-	-	-	-	-	68,196	68,196
Bonus issue [Note 25(a)]	115,000	(104,324)	-	-	-	-	(10,802)	(126)
Private placement [Note 25(d)]	154,263	-	-	-	-	-	-	154,263
Acquisition of treasury shares	-	-	-	-	-	(1)	-	(1)
Issuance of ordinary shares pursuant to Share Grant Plan [Note 25(b)]	1,779	21,419	-	-	-	-	-	23,198
Dividends (Note 32)	-	-	-	-	-	-	(75,369)	(75,369)
Transfer arising from "no par value" regime [Note 25(a)]	25,801	(21,419)	(4,382)	-	-	-	-	-
As at 31 July 2017	411,843	-	-	20,018	68	(1)	82,005	513,933
As at 1 August 2017	411,843	-	-	20,018	68	(1)	82,005	513,933
Profit for the year/Total comprehensive income for the year	-	-	-	-	-	-	36,799	36,799
Dividend Reinvestment Plan [Note 25(c)]	40,767	-	-	-	-	-	(184)	40,583
Issuance of ordinary shares pursuant to Share Grant Plan [Note 25(b)]	1,240	-	-	-	-	-	-	1,240
Dividends (Note 32)	-	-	-	-	-	-	(97,263)	(97,263)
As at 31 July 2018	453,850	-	-	20,018	68	(1)	21,357	495,292

The accompanying Notes form an integral part of the Financial Statements.

Statements Of Cash Flows

For the financial year ended 31 July 2018

	The Group	
	2018 RM'000	**2017 RM'000**
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit before tax	361,658	317,968
Adjustments for:		
Depreciation of property, plant and equipment	71,711	63,224
Finance costs	10,751	14,030
Increase in liability for defined benefit plan	3,919	4,012
Unrealised loss on foreign exchange	3,694	2,071
Write off/(Write back) of inventories	2,623	(294)
Share grant plan expense	1,240	7,831
Allowance for doubtful debts on trade receivables	177	98
Property, plant and equipment written off	39	-
Share of results of associate and joint venture	(8,049)	(6,929)
Interest income	(5,308)	(3,587)
Dividend income	(331)	(336)
Gain on disposal of property, plant and equipment	(318)	-
Allowance for doubtful debts no longer required on trade receivables	(100)	(748)
(Write back)/Write off of bad debts	(33)	91
Operating Profit Before Working Capital Changes	441,673	397,431
Movement in working capital:		
(Increase)/Decrease in:		
Inventories	(41,002)	(31,474)
Property development costs	102,118	78,988
Receivables	(25,175)	(68,937)
(Decrease)/Increase in payables	(4,548)	16,471
Cash Generated From Operations	473,066	392,479
Income tax paid	(80,076)	(69,608)
Retirement benefits obligations paid	(566)	(30)
Net Cash From Operating Activities	392,424	322,841

Statements Of Cash Flows

For the financial year ended 31 July 2018 - continued

	The Group	
	2018 RM'000	**2017 RM'000**
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Interest received	5,308	3,587
Dividend income received	2,039	636
Proceeds from disposal of other investments	1,050	-
Proceeds from disposal of property, plant and equipment	425	-
Purchase of land held for development	(495,038)	(115,126)
Acquisition of subsidiary, net of cash and cash equivalents acquired (Note 15)	(147,377)	-
Purchase of property, plant and equipment	(64,567)	(127,159)
Deposit paid for purchase of plant and equipment	(3,297)	(649)
Deposit paid for purchase of land held for development	(1,379)	(14,072)
Purchase of other investments	-	(585)
Net Cash Used In Investing Activities	(702,836)	(253,368)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Proceeds from short-term borrowings	201,353	84,688
Net drawdown/(repayment) of term loans	163,518	(92,488)
Dividends paid to:		
Shareholders of the Company	(56,496)	(102,969)
Non-controlling shareholders of subsidiaries	(2,000)	(2,960)
Finance costs paid	(15,361)	(18,583)
Dividend reinvestment plan expenses	(184)	-
Net proceeds from private placement	-	154,263
Bonus issue expenses	-	(126)
Acquisition of treasury shares	-	(1)
Net Cash From Financing Activities	290,830	21,824
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(19,582)	91,297
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	191,898	100,601
CASH AND CASH EQUIVALENTS AT END OF YEAR (REPRESENTING CASH AND BANK BALANCES) (NOTE 24)	172,316	191,898

The accompanying Notes form an integral part of the Financial Statements.

Statements Of Cash Flows

For the financial year ended 31 July 2018 - continued

	The Company	
	2018 RM'000	**2017 RM'000**
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit before tax	36,732	68,132
Adjustments for:		
Depreciation of property, plant and equipment	1,046	1,088
Finance costs	53	-
Dividend income	(39,368)	(70,526)
Interest income	(42)	(51)
Operating Loss Before Working Capital Changes	(1,579)	(1,357)
Movement in working capital:		
Decrease/(Increase) in receivables	71	(262)
Increase in payables	158	17
Cash Used In Operations	(1,350)	(1,602)
Income tax paid	(25)	(35)
Net Cash Used In Operating Activities	(1,375)	(1,637)
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Dividend income received	39,368	70,526
Interest received	42	51
Net Cash From Investing Activities	39,410	70,577
CASH FLOWS FROM/(USED IN) FINANCIAL ACTIVITIES		
Proceeds from short-term borrowing	20,000	-
Proceeds from subsidiaries in respect of SGP	1,240	23,198
Dividends paid	(56,496)	(102,969)
Dividend reinvestment plan expenses	(184)	-
Finance costs paid	(53)	-
Net proceeds from private placement	-	154,263
Additional investment in existing subsidiaries	-	(149,811)
Bonus issue costs paid	-	(126)
Acquisition of treasury shares	-	(1)
Net Cash Used In Financing Activities	(35,493)	(75,446)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2,542	(6,506)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,379	7,885
CASH AND CASH EQUIVALENTS AT END OF YEAR (REPRESENTING CASH AND BANK BALANCES) (NOTE 24)	3,921	1,379

The accompanying Notes form an integral part of the Financial Statements.

1. GENERAL INFORMATION

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

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiaries, joint venture and associate are as disclosed in Notes 15, 17 and 18 respectively.

The Company's registered office and principal place of business are located at No. 9, Persiaran Selangor, Seksyen 15, 40200 Shah Alam, Selangor Darul Ehsan.

The financial statements of the Group and of the Company were authorised by the Board of Directors for issuance on 15 October 2018.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and the Company have been prepared in accordance with Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Adoption of Amendments to Financial Reporting Standards

During the current financial year, the Group and the Company adopted all the amendments to FRSs issued by the Malaysian Accounting Standards Board ("MASB") that are effective for annual periods beginning on or after 1 August 2017 and relevant to its operations, as follows:

Amendments to FRS 107	Disclosure Initiative
Amendments to FRS 112	Recognition of Deferred Tax Assets for Unrealised Losses

Amendments to FRSs contained in the document entitled Annual Improvements to FRSs 2014 - 2016 Cycle

The adoption of the Amendments to FRS 107 has required additional disclosures of changes in liabilities arising from financing activities. Other than that, the adoption of these FRSs did not result in significant changes in the accounting policies of the Group and the Company and has no significant effect on the financial performance or position of the Group and of the Company.

Malaysian Financial Reporting Standards Framework

On 19 November 2011, the Malaysian Accounting Standards Board ("MASB") has issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards Framework ("MFRS Framework"), a fully-IFRS compliant framework. Entities other than private entities shall apply the MFRS Framework for annual periods beginning on or after 1 January 2012, with the exception of Transitioning Entities ("TEs").

TEs, being entities within the scope of MFRS 141 *Agriculture* and/or IC Interpretation 15: *Agreements for the Construction of Real Estate*, including its parents, significant investors and ventures were given a transitional period of two years, which allow these entities an option to continue with the FRS Framework. Following the announcement by the MASB on 7 August 2014, the transitional period for TEs has been extended for an additional year.

On 8 September 2015, the MASB announced that Entities other than Private Entities (non-private entities) and Private Entities that have in the alternative chosen to apply the FRS Framework shall comply with the MFRS Framework for annual periods beginning on or after 1 January 2018.

The Group and the Company being TEs have availed themselves of this transitional arrangement and had elected continue to apply FRSs in the preparation of their financial statements up to its financial year ended 31 July 2018.

Accordingly, the Group and the Company will be required to apply MFRS 1 *First-Time Adoption of Malaysian Financial Reporting Standards* in its financial statements for the financial year ending 31 July 2019, being the first set of financial statements prepared in accordance with new MFRS Framework. In presenting its first MFRS financial statements, the Group and the Company will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The adjustments required on transition, if any, are expected to be made retrospectively, other than those exempted under MFRS 1. Accordingly, the financial performance and financial position of the Group and of the Company as presented in these financial statements for the year ended 31 July 2018 could be different if prepared in accordance with MFRS.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONT'D)

New and Revised Standards, Amendments and Issues Committee Interpretations ("IC Interpretation") in issue but not yet effective

In addition to adoption of MFRS Framework, the new and revised Standards and IC Interpretation which were in issue but not yet effective and not early adopted by the Group and the Company are as listed below:

MFRS 9	Financial Instruments[1]
MFRS 15	Revenue from Contracts with Customers (and the related clarifications)[1]
MFRS 16	Lease[2]
MFRS 17	Insurance Contracts[3]
Amendments to MFRS 2	Classification and Measurement of Share-Based Payment Transactions[1]
Amendments to MFRS 4	Applying MFRS 9 *Financial Instruments* with MFRS 4 *Insurance Contracts*[1]
Amendments to MFRS 9	Prepayments Features with Negative Compensation[2]
Amendments to MRFS 10 and MFRS 128	Sales or Contribution of Assets between an investor and Associate or Joint Venture[4]
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement[2]
Amendments to MFRS 128	Long-term interests in Associates and Joint Ventures[2]
Amendments to MFRS 140	Transfers of Investment Property[1]
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration[1]
IC Interpretation 23	Uncertainty over Income Tax Payments[2]

Amendments to MFRSs contained in the document entitled Annual Improvements to MFRSs 2014 - 2016 Cycle[1]
Amendments to MFRSs contained in the document entitled Annual Improvements to MFRSs 2015 - 2017 Cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after 1 January 2021
[4] Effective date deferred to a date to be announced by MASB

The directors anticipate that the abovementioned MFRSs, amendments to MFRS and IC Interpretation will be adopted in the annual financial statements of the Group and the Company when they become effective. The adoption of these Standards, Amendments and IC Interpretation are not expected to have significant impact on the financial statements of the Group and the Company in the period of initial application, except as disclosed follow:

MFRS 9 Financial Instruments

MFRS 9 (IFRS 9 issued by IASB in November 2009) introduces new requirements for the classification and measurement of financial assets. MFRS 9 (IFRS 9 issued by IASB in October 2010) includes the requirements for the classification and measurement of financial liabilities and for derecognition, and in February 2017, the new requirements for general hedge accounting was issued by MASB. The mandatory effective date for MFRS 9 was removed in tandem with the issuance of the new requirements on hedge accounting. The new mandatory effective date will be announced by MASB in due course.

Key requirements of MFRS 9 are described as follows:

- All recognised financial assets that are within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under MFRS 9, entities may make an irrevocable election to present subsequent changes in fair value of equity instrument (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regards to the measurement of financial liabilities designated as at fair value through profit or loss, MFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liabilities, be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under MFRS 139, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONT'D)

MFRS 9 Financial Instruments (cont'd)

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in MFRS 139. Under MFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about any entity's risk management activities have also been introduced.

The Group and the Company have assessed the initial application of MFRS 9, which would be adopted in conjunction with adoption of new MFRS Framework, and do not expect the application of MFRS 9 will have a significant impact on the financial statements of the Group and of the Company.

MFRS 15 Revenue from Contracts with Customers

The core principle of MFRS 15 is that an entity should recognise revenue to 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. Specifically, the standard introduces a 5-step approach to revenue recognition:

Step 1 : Identify the contract(s) with a customer
Step 2 : Identify the performance obligations in the contract
Step 3 : Determine the transaction price
Step 4 : Allocate the transaction price to the performance obligations in the contract
Step 5 : Recognise revenue when (or as) the entity satisfies a performance obligation

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. Far more prescriptive guidance has been added in MFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by MFRS 15.

The Group and the Company have assessed the initial application of MFRS 15, which would be adopted in conjunction with adoption of new MFRS Framework, and do not expect the application of MFRS 15 will have a significant impact on the financial statements of the Group and of the Company.

MFRS 16 Leases

MFRS 16 specifies how a MFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with MFRS 16's approach to lessor accounting substantially unchanged from its predecessor, MFRS 117.

At lease commencement, a lessee will recognise a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessees shall use their incremental borrowing rate.

The directors of the Group and Company anticipate that the application of the above mentioned Standards in the future may have an impact on the amounts reported and disclosures made in the Group's and the Company's financial statements. However, it is not practicable to provide a reasonable estimate of the effect of the abovementioned Standards until the Group and the Company perform a detailed review.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the historical cost basis except as disclosed in the significant accounting policies. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 2, leasing transaction that are within the scope of FRS 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 102 or value-in-use in FRS 136.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

The principal accounting policies are set out below.

Subsidiaries and Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its investment with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses 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 listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meeting.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interest. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Subsidiaries and Basis of Consolidation (cont'd)

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.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets.

The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interests are adjusted to reflect the changes in their relative interest in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the relevant assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 139 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

Subsidiaries

Investments in subsidiaries which are eliminated on consolidation, are stated at cost less impairment losses, if any, in the Company's separate financial statements.

Business Combinations

Acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interests were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 3 (revised) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 112 *Income Taxes* and FRS 119 *Employee Benefits* respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with FRS 2 *Share-based Payment*; and
- assets (or disposal groups) that are classified as held for sale in accordance with FRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Business Combinations (cont'd)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as at the acquisition date that, if known, would have affected the amounts recognised as at that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as at the acquisition date - and is subject to a maximum of one year.

Goodwill

Goodwill arising on acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investment in Associate and Joint Venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint venture are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with FRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Investment in Associate and Joint Venture (cont'd)

The requirements of FRS 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with FRS 136 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with FRS 136 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with FRS 139. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of associate or joint venture.

In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of the Group's interest in the associate or joint venture that are not related to the Group.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

<u>Sales of goods</u>

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

(a) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

(b) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

(c) the amount of revenue can be measured reliably;

(d) it is probable that the economic benefits associated with the transaction will flow to the entity; and

(e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

<u>Rendering of services</u>

Revenue from rendering of management and technical services is recognised in profit or loss upon performance of services by reference to the contracts entered into.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue Recognition (cont'd)

Property development

Revenue from property development projects is accounted for using the percentage of completion method where the outcome of the development activity can be reliably estimated and is in respect of sales where agreements have been finalised by the end of the financial year. The percentage/stage of completion is determined by the surveys of physical work performed of the property development work.

Revenue from sale of completed properties is recognised upon the finalisation of sale and purchase agreements by the end of the financial year and when the risks and rewards of ownership have passed to the customers.

Dividend and interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the Company and the amount of income can be measured reliably).

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income

Rental income is recognised on a straight line basis over the tenure of the rental period of properties.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign Currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Ringgit Malaysia ("RM"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Foreign Currencies (cont'd)

Exchange differences are recognised in profit or loss in the period in which they arise except for:

(a) exchange differences arising on the retranslation of non-monetary items carried at fair value in respect of which gain and losses are recognised in other comprehensive income. For such non-monetary items, the exchange component of that gain or loss is also recognised in other comprehensive income;

(b) exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

(c) exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

(d) exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore, forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in RM using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a joint venture that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or joint venture not involving a change of accounting basis), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange difference arising are recognised in other comprehensive income.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Employee Benefits

<u>Short-Term Employee Benefits</u>

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group and of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Employee Benefits (cont'd)

Post-Employment Benefits

The Group and the Company have various post-employment benefit schemes in accordance with local conditions and practices in the countries in which they operate. These benefit plans are either defined contribution or defined benefit plans.

(a) Defined Contribution Plans

The Group and the Company make statutory contributions to approved provident funds and the contributions are charged to the profit or loss in the period to which they relate. Once the contributions have been paid, the Group and the Company have no further payment obligations.

(b) Defined Benefit Plan

The Group and the Company operate an unfunded final salary defined benefit plan covering eligible employees. The retirement benefit accounting cost is assessed using the Projected Unit Credit Method, with actuarial valuation being carried out every five years. The latest actuarial valuation was undertaken in August 2014.

The retirement benefit obligation is measured at the present value of the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability.

The Group adopts the option offered by the Amendments to FRS 119, *Employee Benefits,* to recognise through other comprehensive income all actuarial gains and losses.

Share-based Payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest with a corresponding increase in equity.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the statements of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which those deductible temporary differences, unused tax losses and unused tax credits can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Taxation (cont'd)

Deferred Tax (cont'd)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Company expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment property that is measured using the fair value model, the carrying amount of such property is presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The directors of the Group have reviewed the Group's investment property portfolio and concluded that none of the Group's investment property is held under a business model whose objectives is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Therefore, the directors have determined that the 'sale' presumption set out in the amendments to FRS 112 is not rebutted. As a result, the Group has recognised deferred taxes on changes in fair value of the investment property based on the expected rate that would apply on disposal of the investment property.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group and the Company intend to settle its current tax assets and liabilities on a net basis.

Current and Deferred Tax for the Period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss.

Impairment of Non-financial Assets

The carrying amounts of non-current assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amounts are estimated in order to determine the extent of the impairment loss (if any). An impairment loss is recognised whenever the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or its cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Property, Plant and Equipment

All items of property, plant and equipment are initially measured at cost except for freehold land and buildings. Cost includes expenditure that is directly attributable to the acquisition of the asset. Freehold land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the freehold land and buildings at the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property, Plant and Equipment (cont'd)

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has different useful life, is depreciated separately.

After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal annual depreciation period and rates are as follows:

Long-term leasehold land	42 to 99 years
Buildings	2% - 7%
Staff quarters and apartment	2%
Plants and machinery, tools and equipment	5% - 20%
Office equipment, furniture and fittings	5% - 33%
Motor vehicles	20% - 25%

Freehold land is not depreciated. Capital work-in-progress represents factory buildings and machineries under installation and is stated at cost. Capital work-in-progress is not depreciated until such time when the asset is available for use.

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

A gain or loss arising from the disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset, and is recognised in profit or loss.

Land held for property development and property development cost

Land and development expenditure are classified as property development costs under current assets when significant development work has been undertaken and is expected to be completed within the normal operating cycle.

Property development revenue is recognised for property development projects sold using the percentage of completion method, by reference to the stage of completion of the project development projects at the end of the reporting period as determined by the surveys of physical work performed of the property development work.

When the outcome of a property development activity cannot be estimated reliably, property development revenue is recognised to the extent of property development costs incurred that are probable of recovery.

Any anticipated loss on property development project (including costs to be incurred over the defects liability period), is recognised as an expense immediately as foreseeable losses.

Accrued billings represent the excess of property development revenue recognised in profit or loss over the billings to purchasers while progress billings represent the excess of billings to purchasers over property development revenue recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Land held for property development and property development cost (cont'd)

Land held for development and costs attributable to the development activities which are held for future development where no significant development has been undertaken is stated at cost less impairment losses (if any). Such assets are transferred to property development activities when significant development has been undertaken and the development is expected to be completed within the normal operating cycle.

Investment Properties

Investment properties carried at fair value

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss for the period in which they arise. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

Reclassification to/from investment property

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised in other comprehensive income and accumulated in equity as revaluation reserve. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its deemed cost for subsequent accounting.

Determination of fair value

An external, independent valuation firm, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's and the Company's investment property portfolio every year.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on a weighted average basis.
- Finished goods and work-in-progress: cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average basis.
- Unsold completed property units: cost of construction materials and raw materials comprises costs of purchase and other direct charges. The cost of completed properties, determined on specific identification basis, comprise cost of land, construction and appropriate development expenditure.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, when it is probable that the Group and the Company will be required to settle the obligation, and a reliable estimate of the amount can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Segment Reporting

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

Contingent Liabilities and Contingent Assets

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

Financial Instruments

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

Where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, such financial assets are recognised and derecognised on trade date.

Financial instruments are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

(i) Financial Assets

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" (FVTPL), "held-to-maturity" investments, "available-for-sale" (AFS) financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

<u>Effective interest method</u>

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Instruments (cont'd)

(i) Financial Assets (cont'd)

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and FRS 139 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the statements of profit or loss and other comprehensive income.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL. All AFS assets are measured at fair value at the end of the reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of the reporting period.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Instruments (cont'd)

(i) Financial Assets (cont'd)

Loans and receivables

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

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable bonds classified as AFS and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.
- The disappearance of an active market for that financial assets because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Instruments (cont'd)

(i) Financial Assets (cont'd)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(ii) Financial Liabilities and Equity Instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group and the Company are recognised at the proceeds received, net of direct issue costs.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with FRS 137 *Provisions, Contingent Liabilities and Contingent Assets*; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

Financial liabilities

Financial liabilities are classified as either financial liabilities "at FVTPL" or "other financial liabilities".

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities is (i) contingent consideration that may be paid by an acquirer as part of business combination to which FRS 3 applies (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and FRS 139 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Instruments (cont'd)

(ii) Financial Liabilities and Equity Instruments (cont'd)

Financial liabilities at FVTPL (cont'd)

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the statement of profit or loss and other comprehensive income.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(iii) Derivative Financial Instruments

The Group enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate, interest rate and commodity price risk.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Statements of Cash Flows

The Group and the Company adopt the indirect method in the preparation of statements of cash flows.

Cash and cash equivalents comprise cash and bank balances, term deposits and other short-term, highly liquid investments that are readily convertible into cash with insignificant risk of changes in value, against which bank overdrafts, if any, are deducted.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 3 above, the directors are of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amount recognised in the financial statements.

Key sources of estimation uncertainty

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

<u>Depreciation of Property, Plant and Equipment</u>

The Group and the Company estimate the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimate due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

<u>Allowance for Impairment Losses of Trade Receivables</u>

The policy for allowance for impairment losses of trade receivables of the Group is based on the evaluation of collectability and on management's estimate. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of the customer. If the financial condition of the customer were to deteriorate, resulting in an impairment of its ability to make payments, additional allowance may be required.

<u>Property Development Projects</u>

The stage of completion is determined by the surveys of physical work performed of the property development work. Estimated losses are recognised in full when determined. Property development projects and expenses estimates are reviewed and revised periodically as work progresses and as variation orders are approved.

Significant judgement is required in determining the stage of completion, the extent of the property development projects incurred, the estimated total property development revenue and costs as well as the recoverability of the project undertaken. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists. If the Group is unable to make reasonably dependable estimates, the Group would not recognise any profit before a project is completed, but would recognise a loss as soon as the loss becomes evident.

Adjustments based on the percentage-of-completion method are reflected in property development revenue in the reporting period. To the extent that these adjustments result in a reduction or elimination of previously reported property development revenue and costs, the Group recognises a charge or credit against current earnings and amounts in prior periods, if any, are not restated.

<u>Fair Value of Land and Buildings and Investment Property</u>

The directors use their judgement in selecting and applying an appropriate valuation technique, by relying on the work of independent firm of valuers, for land and buildings and investment property stated at fair value. Fair value is determined using open-market value based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset.

<u>Impairment of Goodwill</u>

The determination of the recoverable amount of the cash generating unit ("CGU") assessed in the annual goodwill impairment test requires an estimate of the fair value net of disposal costs and the value-in-use. The assessment of the value-in-use requires assumptions to be made with respect of the operating cash flows of the CGU as well as the discount rate.

Evaluation for impairment is significantly impacted by estimates of future prices for the products, the evolution of expenses, economic trends in the local and international sectors, expectations of long-term development of growing markets and other factors. The results of such evaluation are also impacted by the discount rates and perpetual growth rate used.

The carrying amount of the goodwill at the end of the reporting period is disclosed in Note 20.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

Key sources of estimation uncertainty (cont'd)

Net Realisable Value of Completed Property Units

Inventories of completed property units are stated at the lower of cost and net realisable value. The Group determines net realisable value based on historical trends and management estimates of future products demand and related pricing. Possible changes in these estimates could result in revisions to the valuation of inventories. Details are disclosed in Note 21.

Deferred Tax Assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and unused tax credits to the extent that it is probable that future taxable profits will be available against which these losses and capital allowances can be utilised. Significant 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. Further details are included in Note 29.

5. REVENUE

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Sale of goods	1,904,616	1,669,623	-	-
Sale of properties	721,140	732,491	-	-
Rental income	581	581	-	-
Management fees from Associate	120	120	120	120
Gross dividends from:				
Subsidiaries	-	-	37,350	69,890
Associate	-	-	1,708	300
Unquoted shares outside Malaysia	310	336	310	336
	2,626,767	2,403,151	39,488	70,646

6. COST OF SALES

	The Group	
	2018 RM'000	2017 RM'000
Cost of inventories sold	1,687,997	1,465,688
Property development costs [Note 16(b)]	420,519	444,311
	2,108,516	1,909,999

7. FINANCE COSTS

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Interest expenses on:				
Term loans	2,713	6,690	-	-
Revolving credits	5,656	5,191	53	-
Sukuk Murabahah	4,610	4,553	-	-
Onshore foreign currency loans	1,241	1,708	-	-
Bankers acceptances	1,141	441	-	-
	15,361	18,583	53	-
Less: Amount capitalised in land held for property development (Note 16)	(4,610)	(4,553)	-	-
Total finance costs	10,751	14,030	53	-

8. PROFIT BEFORE TAX

Profit before tax is arrived at after charging/(crediting) the following:

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Employee benefits expense (Note 9)	159,995	143,946	-	-
Depreciation of property, plant and equipment (Note 13)	71,711	63,224	1,046	1,088
Directors' remuneration (Note 10)	11,469	11,180	1,043	914
Write off/(Write back) of inventories	2,623	(294)	-	-
Rental of:				
Machinery and equipment	1,612	1,549	-	-
Buildings	1,392	1,208	-	-
Auditors' remuneration:				
Statutory audit	495	447	32	27
Other services	8	8	8	8
Remuneration of other professional services rendered by affiliates of auditors	385	105	-	-
Allowance for doubtful debts on trade receivables (Note 22)	177	98	-	-
Property, plant and equipment written off	39	-	-	-
(Gain)/Loss on foreign exchange:				
Realised	(6,009)	8,978	(4)	(13)
Unrealised	3,694	2,071	-	-
Interest income	(5,308)	(3,587)	(42)	(51)
Rental income	(3,089)	(2,743)	-	-
Gain on disposal of property, plant and equipment	(318)	-	-	-
Allowance for doubtful debts no longer required (Note 22)	(100)	(748)	-	-
(Write back)/Write off of bad debts	(33)	91	-	-
Dividend income	(21)	-	-	-

9. EMPLOYEE BENEFITS EXPENSE

	The Group	
	2018 RM'000	2017 RM'000
Wages, salaries and other emoluments	144,783	122,870
Contributions to defined contribution plan	9,051	8,321
Increase in liability for defined benefit plan (Note 28)	3,919	4,012
Share grant plan	1,240	7,831
Social security contributions	1,002	912
	159,995	143,946

During the current financial year, the Company granted and vested 142,000 (2017: 3,558,000) new ordinary shares to eligible employees of the Group under the Scientex Berhad Share Grant Plan [Note 25(b)].

10. DIRECTORS' REMUNERATION

The details of remuneration receivable by directors of the Group and of the Company, during the financial year are as follows:

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Directors of the Company				
Executive:				
Salaries and other emoluments	9,315	9,180	480	480
Defined contribution plan	1,677	1,652	86	86
Fees	70	50	70	50
	11,062	10,882	636	616
Non-executive:				
Fees	407	298	407	298
	11,469	11,180	1,043	914

The number of directors of the Company whose total remuneration during the financial year fall within the following bands is as follows:

	Number of directors	
	2018	2017
Executive director:		
RM10,850,001 - RM10,900,000	-	1
RM11,050,001 - RM11,100,000	1	-
Non-executive directors:		
RM50,000 and below	2	5
RM50,001 - RM100,000	5	1

11. INCOME TAX EXPENSE/(CREDIT)

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Income tax expense/(credit):				
Malaysian income tax	77,734	67,796	29	31
Foreign tax	4,922	5,315	-	-
(Over)/Underprovision in prior years	(2,321)	279	(3)	1
	80,335	73,390	26	32
Deferred tax (Note 29):				
Current year	(9,077)	(13,718)	(93)	(93)
Overprovision in prior years	(3,634)	(1,645)	-	(3)
	(12,711)	(15,363)	(93)	(96)
	67,624	58,027	(67)	(64)

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The below reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

The Budget 2017 announced on 21 October 2016 (gazetted on 16 January 2017) the reduction of Malaysian corporate income tax rate from 24% to rates below based on the percentage of increase in chargeable income as compared to the immediate preceding year of assessment:

Percentage of increase in chargeable income as compared to the immediate preceding year of assessment	Percentage point of reduction on income tax rate	Reduced income tax rate on increase in chargeable income %
Less than 5%	Nil	24
5% - 9.99%	1	23
10% - 14.99%	2	22
15% - 19.99%	3	21
20% and above	4	20

A reconciliation of income tax expense/(credit) applicable to profit before tax at the statutory income tax to income tax expense/(credit) at the effective income tax rate of the Group and of the Company is as follows:

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit before tax	361,658	317,968	36,732	68,132
Tax at statutory tax rate of 24% (2017: 24%)	86,798	76,312	8,816	16,352
Tax effects of:				
Non-taxable income	(761)	(463)	(9,459)	(16,938)
Different tax rates in other countries	(3,473)	(2,769)	-	-
Share of results of associate and joint venture	(1,932)	(1,663)	-	-
Non-deductible expenses	3,650	3,910	579	524
Utilisation of reinvestment allowances	(11,047)	(15,924)	-	-

11. INCOME TAX EXPENSE/(CREDIT) (CONT'D)

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Utilisation of capital allowances and other deductible temporary differences previously not recognised	-	(23)	-	-
Deferred tax assets not recognised	344	13	-	-
(Over)/Underprovision in prior years:				
Income tax	(2,321)	279	(3)	1
Deferred tax	(3,634)	(1,645)	-	(3)
	67,624	58,027	(67)	(64)

12. EARNINGS PER ORDINARY SHARE

Basic earnings per share

The calculation of basic earnings per share ("EPS") is based on the consolidated profit attributable to owners of the Company and the weighted average number of ordinary shares in issue during the year as follows:

	The Group	
	2018 RM'000	2017 RM'000
Profit attributable to owners of the Company	289,806	255,873

	The Group	
	2018 Units'000	2017 Units'000
Weighted average number of ordinary shares in issue	486,336	466,666

	The Group	
	2018	2017
Basic EPS (sen)	60	55

Diluted earnings per share

The basic and diluted earnings per share are the same as the Company has no dilutive potential ordinary shares.

13. PROPERTY, PLANT AND EQUIPMENT

The Group	Freehold land RM'000	Long-term leasehold land RM'000	Buildings RM'000	Staff quarters and apartment RM'000	Plants and machinery, tools and equipment RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Valuation/Cost									
As of 1 August 2016	114,781	89,542	175,322	1,454	887,931	37,213	11,082	188,602	1,505,927
Additions	-	-	30,863	-	39,616	4,025	163	48,348	123,015
Written off	-	-	-	-	(24)	-	-	-	(24)
Reclassification	-	-	29,108	-	108,432	2,778	-	(140,318)	-
Exchange differences	-	210	(217)	-	1,640	18	21	(337)	1,335
As of 31 July 2017	114,781	89,752	235,076	1,454	1,037,595	44,034	11,266	96,295	1,630,253
Accumulated depreciation									
As of 1 August 2016	-	2,408	6,714	306	506,130	30,424	7,426	-	553,408
Charge for the year	-	1,179	5,411	37	52,986	2,179	1,432	-	63,224
Written off	-	-	-	-	(24)	-	-	-	(24)
Exchange differences	-	64	109	-	874	14	14	-	1,075
As of 31 July 2017	-	3,651	12,234	343	559,966	32,617	8,872	-	617,683

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

The Group	Freehold land RM'000	Long-term leasehold land RM'000	Buildings RM'000	Staff quarters and apartment RM'000	Plants and machinery, tools and equipment RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Valuation/Cost									
As of 1 August 2017	114,781	89,752	235,076	1,454	1,037,595	44,034	11,266	96,295	1,630,253
Additions	-	-	1,707	-	15,018	2,780	1,618	38,955	60,078
Disposal	-	-	-	-	(618)	(7)	(2,009)	-	(2,634)
Written off	-	-	-	-	(457)	(26)	-	-	(483)
Reclassification	3,724	-	(3,724)	-	115,610	1,516	-	(117,126)	-
Acquisition of subsidiary (Note 15)	35,450	-	34,718	-	192,652	7,036	2,415	289	272,560
Exchange differences	(183)	(221)	(1,486)	-	(2,271)	(65)	(19)	878	(3,367)
As of 31 July 2018	153,772	89,531	266,291	1,454	1,357,529	55,268	13,271	19,291	1,956,407
Accumulated depreciation									
As of 1 August 2017	-	3,651	12,234	343	559,966	32,617	8,872	-	617,683
Charge for the year	-	1,168	5,977	29	60,421	2,858	1,258	-	71,711
Disposal	-	-	-	-	(512)	(7)	(2,008)	-	(2,527)
Written off	-	-	-	-	(421)	(23)	-	-	(444)
Acquisition of subsidiary (Note 15)	-	-	6,374	-	106,798	5,490	2,176	-	120,838
Exchange differences	-	(70)	(134)	-	(945)	(296)	(17)	-	(1,462)
As of 31 July 2018	-	4,749	24,451	372	725,307	40,639	10,281	-	805,799
Net book value									
As of 31 July 2018	153,772	84,782	241,840	1,082	632,222	14,629	2,990	19,291	1,150,608
As of 31 July 2017	114,781	86,101	222,842	1,111	477,629	11,417	2,394	96,295	1,012,570

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

The Company	Long-term leasehold land RM'000	Buildings RM'000	Staff quarters and apartment RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
Valuation/Cost						
As of 1 August 2016 / 31 July 2017	32,000	13,000	481	2,815	1,013	49,309
Accumulated depreciation						
As of 1 August 2016	390	361	146	2,441	341	3,679
Charge for the year	390	361	10	126	201	1,088
As of 31 July 2017	780	722	156	2,567	542	4,767
Valuation/Cost						
As of 1 August 2017 / 31 July 2018	32,000	13,000	481	2,815	1,013	49,309
Accumulated depreciation						
As of 1 August 2017	780	722	156	2,567	542	4,767
Charge for the year	390	361	10	84	201	1,046
As of 31 July 2018	1,170	1,083	166	2,651	743	5,813
Net book value						
As of 31 July 2018	30,830	11,917	315	164	270	43,496
As of 31 July 2017	31,220	12,278	325	248	471	44,542

Note

(i) The freehold land and buildings of the Group with a carrying value of RM185,186,000 (2017: RM125,670,000) have been charged as security for borrowings (Note 27).

(ii) If the revalued land and buildings were measured using the cost model, the carrying amounts would have been as follows:

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Freehold land	111,423	111,423	-	-
Leasehold land	26,330	26,902	4,051	4,232
Buildings	81,058	84,299	772	787
	218,811	222,624	4,823	5,019

Freehold, leasehold land and buildings of the Group and the Company were revalued in July 2015 by accredited professional valuers, based on the open market value method. The fair value is categorised as Level 3 of the fair value hierarchy with no transfer between Levels 1 and 2 during the year.

14. INVESTMENT PROPERTIES

The Group	Freehold land RM'000	Building RM'000	Total RM'000
As of 1 August 2016 and 31 July 2017	12,000	5,000	17,000
Gain/(Loss) on property revaluation recognised in profit or loss	200	(200)	-
As of 31 July 2018	12,200	4,800	17,000

The revaluation of the investment properties has been performed by an accredited independent valuer in the financial year ended 31 July 2018 and 2017, based on comparison method. The fair value is categorised as Level 3 of the fair value hierarchy with no transfer between Levels 1 and 2 during the year.

Qualitative information about fair value measurement of investment properties performed using significant unobservable inputs (Level 3) as of 31 July 2018 and 2017:

Valuation Technique	Significant Unobservable Inputs	Range
Comparison method of valuation	Difference in size, location, timing of transaction, freehold/leasehold tenure and improvement on land	5% to 50%

The property rental income earned by the Group from its investment properties, all of which are leased out under operating leases, amounted to RM581,000 (2017: RM581,000). Direct operating expenses arising from the investment properties amounted to RM131,000 (2017: RM142,000).

15. INVESTMENT IN SUBSIDIARIES

	The Company	
	2018 RM'000	2017 RM'000
Unquoted shares, at cost:		
At beginning of year	451,106	301,295
Additions	-	149,811
At end of year	451,106	451,106

The additions in the financial year 2017 are in relation to additional investments in existing subsidiaries, Scientex Packaging Film Sdn. Bhd. and Scientex Quatari Sdn. Bhd..

Details of the Company's subsidiaries are as follows:

		Proportion of ownership interest and voting power held by the Group		
Name of Subsidiaries	Country of Incorporation	2018 %	2017 %	Principal Activities
Scientex Quatari Sdn. Bhd. ("SQSB")	Malaysia	100	100	Investment holding, property investment and development
Scientex Industries Group Sdn. Bhd. ("SIGSB")	Malaysia	100	100	Manufacturing and distribution of polyvinyl chloride ("PVC") films and sheets, PVC leather cloth and PVC sheeting, thermoplastic olefins/polypropylene ("PP") and PVC/PP foam skin materials for automotive interior, and trading of packaging related materials

15. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the Company's subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Proportion of ownership interest and voting power held by the Group 2018 %	2017 %	Principal Activities
Scientex Packaging Film Sdn. Bhd. ("SPFSB")	Malaysia	100	100	Manufacturing of stretch film and investment holding
Scientex Management Sdn. Bhd. ("SMSB")	Malaysia	100	100	Rendering of management services
Scientex Polymer Sdn. Bhd.	Malaysia	100	100	Investment holding
Scientex Tsukasa (Vietnam) Co., Ltd.*	Vietnam	60	60	Manufacturing of PP woven bags, fabrics, bulk bags and polyethylene tying tapes
Subsidiaries of SQSB				
Scientex Heights Sdn. Bhd.	Malaysia	100	100	Property development
Scientex Park (M) Sdn. Bhd. ("SPSB")[1]	Malaysia	100	100	Property investment and development
Texland Sdn. Bhd.	Malaysia	90	90	Property development
Scientex (Skudai) Sdn. Bhd.	Malaysia	100	100	Property development
Amber Land Berhad (formerly known as Great Wall Plastic Industries Berhad) ("ALB")[2]	Malaysia	100	100	Property development
Scientex (Senai) Sdn. Bhd. ("SSSB")[3]	Malaysia	-	100	Dormant
Subsidiary of SIGSB				
PT. Scientex Indonesia*	Indonesia	100	100	Sales and marketing of laminating polyurethane adhesives
Subsidiaries of SPFSB				
Pan Pacific Straptex Sdn. Bhd.	Malaysia	70	70	Manufacturing of PP strapping band
Scientex Great Wall Sdn. Bhd. ("SGW")	Malaysia	90	90	Manufacturing of plastic packaging products
Scientex Great Wall (Ipoh) Sdn. Bhd.	Malaysia	100	100	Manufacturing of plastic packaging products
Scientex International (S) Pte. Ltd.**	Singapore	100	100	Procurement, distribution and trading of resins, chemicals, films and other packaging related products
Scientex Phoenix, LLC ("SPLLC")	United States of America	100	100	Manufacturing and trading of stretch film and other packaging related products

15. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the Company's subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Proportion of ownership interest and voting power held by the Group 2018 %	2017 %	Principal Activities
Subsidiaries of SPFSB (cont'd)				
Klang Hock Plastic Industries Sdn. Bhd. ("KHPI")[4]	Malaysia	100	-	Manufacturing of plastic packaging products
Subsidiary of SGW				
Scientex Distribution Sdn. Bhd.	Malaysia	90	90	Dormant
Subsidiary of SMSB				
KC Contract Sdn. Bhd.	Malaysia	65	65	Property construction

* *Audited by other auditors.*

** *Audited by member firm of Deloitte Southeast Asia Ltd.*

1 *During the financial year 2018, SQSB subscribed additional 2,500,000 ordinary shares in SPSB for a total consideration of RM69,750,000.*

2 *During the financial year 2018, SQSB acquired the entire 88,004,400 ordinary shares in ALB from SMSB for a consideration of RM994,000. Subsequently, SQSB subscribed additional 11,995,600 ordinary shares in ALB for a total consideration of RM94,165,000.*

3 *SSSB had commenced Members' Voluntary Winding-Up pursuant to Section 254(1)(b) of the Companies Act, 1965 on 6 January 2017 and subsequently held Final Meeting to conclude the Members' Voluntary Winding-Up and lodged a Return by Liquidator relating to Final Meeting ("Return") with the Companies Commission of Malaysia and the Official Receiver on 17 August 2017. Accordingly, SSSB was dissolved on the expiration of 3 months from the date of lodgement of the Return pursuant to Section 272(5) of the Companies Act, 1965.*

4 *During the financial year 2018, SPFSB acquired the entire 20,000,000 ordinary shares in KHPI for a total consideration of RM190,000,000.*

Acquisition of subsidiary

During the financial year 2018, SPFSB acquired a 100% equity interest in KHPI for a total purchase consideration of RM190,000,000. The acquisition was completed on 2 May 2018. Subsequent to the acquisition, KHPI became a wholly-owned subsidiary of SPFSB.

From the date of acquisition, KHPI contributed revenue of RM96,622,000 and net profit of RM5,685,000 to the Group's results during the financial year ended 31 July 2018.

15. INVESTMENT IN SUBSIDIARIES (CONT'D)

Acquisition of subsidiary (cont'd)

The assets and liabilities arising from the acquisition in the financial year ended 31 July 2018 were as follows:

	Carrying amounts 2018 RM'000	Provisional fair values 2018 RM'000
Property, plant and equipment (Note 13)	121,401	151,722
Other investments	6	6
Inventories	56,404	56,404
Trade and other receivables	81,682	81,682
Tax recoverable	310	310
Cash and bank balances	42,623	42,623
Trade and other payables	(70,376)	(70,376)
Borrowings	(101,856)	(101,856)
Deferred tax liabilities	(14,799)	(17,411)
Net identifiable assets	115,395	143,104

Fair value of net identifiable assets	143,104
Provisional Goodwill (Note 20)	46,896
Cost of business combination	190,000

Cash out flow on acquisition was as follows:

	2018 RM'000
Purchase consideration satisfied by cash	190,000
Cash and cash equivalents of subsidiary acquired	(42,623)
Net cash outflow of the Group	147,377

Provisional accounting of acquisition

The fair value adjustments as of 31 July 2018 and the goodwill are provisional as the Group is currently undertaking a purchase price allocation exercise to determine the identifiable assets and liabilities, and to identify and measure intangible assets. The goodwill on acquisition is now provisionally estimated to be RM46,896,000. Any differences arising will be adjusted accordingly on a retrospective basis when the purchase price allocation is finalised.

16. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS

(a) Land held for property development

The Group	Freehold land RM'000	Leasehold land RM'000	Total RM'000
Cost			
As at 1 August 2016	382,717	64,317	447,034
Acquisition of land	117,985	-	117,985
Costs incurred during the year	55,070	4,971	60,041
Transfer to property development costs [Note 16(b)]	(117,942)	(6,885)	(124,827)
As at 31 July 2017	437,830	62,403	500,233

16. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS (CONT'D)

(a) Land held for property development (cont'd)

The Group	Freehold land RM'000	Leasehold land RM'000	Total RM'000
As at 1 August 2017	437,830	62,403	500,233
Acquisition of land	509,110	-	509,110
Costs incurred during the year	29,449	1,505	30,954
Transfer to property development costs [Note 16(b)]	(174,083)	(22,268)	(196,351)
As at 31 July 2018	802,306	41,640	843,946

During the financial year 2018, the Group acquired the following freehold lands through its subsidiaries:

(i) SQSB acquired lands measuring approximately 121.20 acres in Mukim of Kulai, District of Kulai, State of Johor for a total cash purchase consideration of RM127,370,000.

(ii) SPSB acquired land measuring approximately 65.33 acres in Mukim of Rawang, District of Gombak, State of Selangor for a total cash purchase consideration of RM87,936,000.

(iii) ALB acquired land measuring approximately 335.57 acres in Mukim of Pulai, District of Johor Bahru, State of Johor for a total cash purchase consideration of RM293,804,000.

(b) Property development costs

The Group	Freehold land RM'000	Leasehold land RM'000	Development costs RM'000	Total RM'000
Cumulative property development costs				
As at 1 August 2016	84,221	46,505	442,169	572,895
Costs incurred during the year	-	-	339,830	339,830
Transfer from land held for property development [Note 16(a)]	117,942	6,885	-	124,827
Reversal of completed projects	(71,280)	(879)	(230,926)	(303,085)
Unsold units transferred to inventories	(5,463)	(1,462)	(23,071)	(29,996)
As at 31 July 2017	125,420	51,049	528,002	704,471
Cumulative costs recognised in profit or loss				
As at 1 August 2016	(55,424)	(24,476)	(318,277)	(398,177)
Recognised during the year (Note 6)	(90,244)	(20,865)	(333,202)	(444,311)
Reversal of completed projects	71,280	879	230,926	303,085
As at 31 July 2017	(74,388)	(44,462)	(420,553)	(539,403)
Property development costs at 31 July 2017	51,032	6,587	107,449	165,068

16. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS (CONT'D)

(b) Property development costs (cont'd)

The Group	Freehold land RM'000	Leasehold land RM'000	Development costs RM'000	Total RM'000
Cumulative property development costs				
As at 1 August 2017	125,420	51,049	528,002	704,471
Costs incurred during the year	-	652	323,499	324,151
Transfer from land held for property development [Note 16(a)]	174,083	22,268	-	196,351
Reversal of completed projects	(57,481)	(43,808)	(475,081)	(576,370)
Unsold units transferred to inventories	(3,306)	(1,468)	(27,320)	(32,094)
As at 31 July 2018	238,716	28,693	349,100	616,509
Cumulative costs recognised in profit or loss				
As at 1 August 2017	(74,388)	(44,462)	(420,553)	(539,403)
Recognised during the year (Note 6)	(110,284)	(18,648)	(291,587)	(420,519)
Reversal of completed projects	57,481	43,808	475,081	576,370
As at 31 July 2018	(127,191)	(19,302)	(237,059)	(383,552)
Property development costs at 31 July 2018	111,525	9,391	112,041	232,957

The freehold and leasehold lands under development with a carrying amount of RM312,000,000 (2017: RM177,000,000) have been charged as a security for borrowings [Note 27(ii)(b)].

Included in the land held for development is interest capitalised of RM4,610,000 (2017: RM4,553,000) (Note 7).

17. INVESTMENT IN JOINT VENTURE

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
In Malaysia:				
Unquoted shares, at cost	22,500	22,500	22,500	22,500
Share of post-acquisition reserves	4,673	1,615	-	-
	27,173	24,115	22,500	22,500
Share of post-acquisition reserves:				
At beginning of year	1,615	31	-	-
Share of results	3,058	1,584	-	-
At end of year	4,673	1,615	-	-

Details of the joint venture are as follows:

Name of Joint Venture	Country of Incorporation	Proportion of ownership interest and voting power held by the Group 2018 %	2017 %	Principal Activities
MCTI Scientex Solar Sdn. Bhd. ("MSS")	Malaysia	50	50	Manufacturing and distribution of ethylene-vinyl acetate (EVA) and polyolefin (ASCE) encapsulating materials for photovoltaic solar modules

MSS has a financial year end of 30 June. For the purpose of applying the equity method of accounting, the unaudited financial statements of MSS for the year ended 31 July 2018 have been used.

At the Group level, the carrying value of joint venture represents its share of net assets in the joint venture at end of the reporting period. Summarised financial information in respect of the Group's joint venture is as follows:

	The Group	
	2018 RM'000	2017 RM'000
Assets and Liabilities		
Current assets	41,978	29,193
Non-current assets	26,406	38,115
Total assets	68,384	67,308
Current liabilities	(14,038)	(15,329)
Non-current liabilities	-	(3,749)
Total liabilities	(14,038)	(19,078)
Results		
Revenue	69,416	69,326
Profit for the year	6,116	3,168

18. INVESTMENT IN ASSOCIATE

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
In Malaysia:				
Unquoted shares, at cost	3,000	3,000	3,000	3,000
Share of post-acquisition reserves	31,463	28,180	-	-
	34,463	31,180	3,000	3,000
Share of post-acquisition reserves:				
At beginning of year	28,180	23,135	-	-
Share of results	4,991	5,345	-	-
Dividend received (Note 5)	(1,708)	(300)	-	-
At end of year	31,463	28,180	-	-

Details of the associate are as follows:

Name of Associate	Country of Incorporation	Proportion of ownership interest and voting power held by the Group 2018 %	2017 %	Principal Activities
Cosmo Scientex (M) Sdn. Bhd. ("CSM")*	Malaysia	30	30	Manufacturing and trading of polyurethane adhesive for flexible packaging applications

* *Audited by other auditors.*

CSM has a financial year end of 31 December. For the purpose of applying the equity method of accounting, the unaudited financial statements of CSM for the year ended 31 July 2018 have been used.

At the Group level, the carrying value of associate represents its share of net assets in the associate at end of the reporting period. Summarised financial information in respect of the Group's associate is as follows:

	The Group	
	2018 RM'000	2017 RM'000
Assets and Liabilities		
Current assets	99,646	79,922
Non-current assets	64,534	60,896
Total assets	164,180	140,818
Current liabilities	(48,740)	(33,955)
Non-current liabilities	(562)	(2,930)
Total liabilities	(49,302)	(36,885)
Results		
Revenue	215,709	201,447
Profit for the year	16,638	17,815

19. OTHER INVESTMENTS

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Available-for-sale assets:				
At cost:				
Unquoted equity instruments outside Malaysia	4,548	4,548	4,548	4,548
Unquoted equity instruments in Malaysia	1,990	3,040	-	-
Quoted equity instruments in Malaysia	591	585	-	-
Club memberships	480	480	198	198
	7,609	8,653	4,746	4,746
Less: Accumulated impairment loss - club memberships	(101)	(101)	(61)	(61)
	7,508	8,552	4,685	4,685

20. GOODWILL

	The Group	
	2018 RM'000	2017 RM'000
At cost:		
At beginning of year	12,134	12,134
Addition (Note 15)	46,896	-
At end of year	59,030	12,134

During the financial year 2018, the additional goodwill of the Group arose from the acquisition of KHPI. Goodwill acquired in the business combination is allocated, at acquisition, to the cash generating unit ("CGU") of the Group that is expected to benefit from the business combination. The Group's methodology to test goodwill for impairment is described in Note 3.

The fair value adjustments as of 31 July 2018 and the goodwill are provisional as the Group is currently undertaking a purchase price allocation exercise to determine the identifiable assets and liabilities, and to identify and measure intangible assets. The goodwill on acquisition is now provisionally estimated to be RM46,896,000. Any differences arising will be adjusted accordingly on a retrospective basis when the purchase price allocation is finalised.

Key assumptions used

The recoverable amount of the CGU is determined based on the higher of fair value less costs to sell and value-in-use. The value-in-use calculation is based on financial budget approved by management and an estimated rate of 4% (2017: 4%) per annum. The directors believe that an average growth rate of 5% (2017: 5%) per annum is reasonable for cash flow projection purposes as it is determined based on expectations of future changes in the market.

21. INVENTORIES

	The Group	
	2018 RM'000	2017 RM'000
At cost:		
Raw materials	124,181	61,983
Unsold completed property units	64,073	42,643
Finished products	49,211	46,665
Work-in-progress	22,681	13,772
	260,146	165,063
At net realisable value:		
Unsold completed property units	2,226	2,226
Raw materials	960	492
Finished products	229	997
	3,415	3,715
	263,561	168,778

22. TRADE RECEIVABLES

	The Group	
	2018 RM'000	2017 RM'000
Third parties	484,285	385,439
Associate and joint venture	161	105
	484,446	385,544
Less: Allowance for doubtful debts - third parties	(1,758)	(441)
Trade receivables, net	482,688	385,103

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

Trade receivables are non-interest bearing. The average credit terms for trade receivables of the Group range from 14 to 120 days (2017: 14 to 120 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Amounts due from the associate and joint venture are unsecured, non-interest bearing and have a credit terms of 60 days (2017: 60 days).

Included in trade receivables are retention sums on property development activities amounting to RM41,175,000 (2017: RM31,632,000).

The table below is an analysis of trade receivables at the end of the reporting period:

	The Group	
	2018 RM'000	2017 RM'000
Neither past due nor impaired	447,929	365,601
Past due but not impaired	34,759	19,502
Past due and impaired	1,758	441
	484,446	385,544

22. TRADE RECEIVABLES (CONT'D)

	The Group	
	2018 RM'000	2017 RM'000
Ageing of past due but not impaired		
1 to 30 days	22,990	14,687
31 to 60 days	6,277	4,361
61 to 90 days	2,865	160
More than 91 days	2,627	294
	34,759	19,502
Ageing of past due and impaired		
More than 120 days	1,758	441

Movement in allowance for doubtful debts

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

	The Group	
	2018 RM'000	2017 RM'000
At beginning of year	441	1,094
Allowance for doubtful debts (Note 8)	177	98
Acquisition of subsidiary	1,295	-
Written off during the year	(55)	(3)
Reversal of allowance for doubtful debts (Note 8)	(100)	(748)
At end of year	1,758	441

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records. None of the Group'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 has trade receivables amounting to RM34,759,000 (2017: RM19,502,000) that are past due at the reporting date but not impaired. The Group does not hold any collateral over these balances. These relate to creditworthy customers that the Group continues to trade actively with.

Receivables that are impaired

Trade receivables that are impaired at the reporting date relate to debtors that are in financial difficulties or in dispute and have defaulted on payments. The Group does not hold any collateral over these balances.

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

The currency profile of trade receivables of the Group is as follows:

	The Group	
	2018 RM'000	2017 RM'000
Ringgit Malaysia	322,400	240,350
United States Dollar	162,046	145,194
	484,446	385,544

23. OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Other receivables	21,560	14,932	-	-
Deposit on purchase of land held for development	1,379	14,072	-	-
Deposit on purchase of property, plant and machinery	3,297	649	-	-
Other refundable deposits	8,930	6,347	45	45
Prepaid expenses	6,787	5,012	315	366
Amounts due from associate and joint venture	271	330	-	20
	42,224	41,342	360	431

24. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash and bank balances	135,916	99,788	325	190
Short-term deposits with:				
Other financial institutions	34,863	89,789	3,596	1,189
Licensed banks	1,537	2,321	-	-
	172,316	191,898	3,921	1,379

The Housing Development Accounts are maintained in accordance with Section 7(A) of the Housing Developers (Control and Licensing) Act, 1966. These accounts, which consist of monies received from purchasers, are for the payment of property development expenditure incurred. The surplus monies, if any, will be released to certain subsidiary companies upon the completion of the property development projects and after all property development expenditure have been fully settled. Included in cash at banks of the Group are amounts of RM13,409,000 (2017: RM19,770,000) held in the Housing Development Accounts.

Short-term deposits with other financial institutions refer to licensed fund management companies in Malaysia. These deposits have redemption period of one working day upon notification of withdrawal. The weighted average effective interest rate as at 31 July 2018 for the Group and the Company is 3.75% (2017: 3.50%) per annum respectively.

Short-term deposits with licensed banks for the Group have weighted average effective interest rates of 3.23% (2017: 3.20%) per annum. The average maturities of short-term deposits with licensed banks of the Group as at the end of the reporting date were 80 days (2017: 63 days).

The currency profile of cash and cash equivalents is as follows:

	The Group	
	2018 RM'000	2017 RM'000
Ringgit Malaysia	114,089	156,990
United States Dollar	58,227	34,908
	172,316	191,898

Cash and cash equivalents of the Company are denominated in Ringgit Malaysia.

25. SHARE CAPITAL

	The Group and The Company			
	Number of ordinary shares		Amount	
	2018 '000	2017 '000	2018 RM'000	2017 RM'000
Issued:				
At beginning of year	483,558	230,000	411,843	115,000
Bonus issue	-	230,000	-	115,000
Issued pursuant to the SGP	142	3,558	1,240	1,779
Issued pursuant to the DRP	5,227	-	40,767	-
Private placement	-	20,000	-	154,263
Transfer arising from "no par value" regime	-	-	-	25,801
At end of year	488,927	483,558	453,850	411,843

(a) Share capital

During the financial year 2018, the Company:

(i) Issued and allotted 142,000 (2017: 3,558,000) new ordinary shares to eligible employees of Scientex Berhad's group of companies, with the closing share price as of the date of granting of RM8.73 (2017: RM6.52) per ordinary share, pursuant to the Scientex Berhad Share Grant Plan ("SGP").

(ii) Issued and allotted 5,226,500 ordinary shares at an issue price of RM7.80 per ordinary share pursuant to the Dividend Reinvestment Plan ("DRP") of the Company, amounting to RM40,766,700 related to the single tier final dividend of 10 sen per ordinary share in respect of the financial year ended 31 July 2017.

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

During the financial year 2017, the Company issued and allotted 230,000,000 new ordinary shares in the Company ("Scientex Share") on the basis of one bonus share for every one existing Scientex Share through capitalisation of retained earnings and share premium accounts of RM10,676,000 and RM104,324,000 respectively.

Pursuant to the Companies Act, 2016 ("Act") which came into effect on 31 January 2017, the concept of authorised capital has been abolished and all shares issued before or upon the commencement of the Act shall have no par or nominal value. Consequently, the amount standing to the credit of the Company's share premium and capital redemption reserve accounts becomes 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 as a result thereof. The Company may exercise its right to use the credit amounts transferred from the share premium and capital redemption reserve accounts within 24 months after the commencement of the Act in a manner as specified by the Act.

As of 31 July 2018, the total number of issued shares of the Company was 488,926,500 (2017: 483,558,000) ordinary shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to vote at meetings of the Company as prescribed in the Articles of Association of the Company. All ordinary shares rank equally with regards to the Company's residual assets.

(b) Share grant plan

The SGP is governed by the By-Laws which was approved by the shareholders on 17 December 2013. The SGP allows the Company to grant shares to eligible employees of the Group of up to 5% of the total number of issued shares of the Company (excluding treasury shares). The SGP is administered by the SGP Committee which is appointed by the Board, in accordance with the By-Laws. The SGP shall be in force for a period of 5 years from the effective date, 21 January 2014 to 20 January 2019, unless extended for up to another 5 years immediately upon the expiry of the first 5 years, but shall not in aggregate exceed the duration of 10 years from the effective date.

25. SHARE CAPITAL (CONT'D)

(b) Share grant plan (cont'd)

The salient features, terms and conditions of the SGP are as follows:

(i) The total number of shares which may be awarded to the selected eligible employees under the SGP shall not exceed in aggregate 5% of the total number of issued shares of the Company (excluding treasury shares) at any point of time during the duration of the SGP.

(ii) The total number of shares that may be awarded under the SGP shall be determined at the sole and absolute discretion of the SGP Committee after taking into consideration the employees performance, contribution, employment grade and the fulfilment of the yearly performance targets or such other matters as the SGP Committee may deem fit and shall be subject to the following:

- the number of new shares made available under SGP shall not exceed the amount stipulated in (i) above;
- the allocation to an eligible employee, who either singly or collectively, through persons connected with the eligible employee, holds 20% or more of the issued shares of the Company (excluding treasury shares), must not exceed 10% of the total number of shares to be issued under the SGP; and
- not more than 50% of the shares to be issued under the SGP shall be allocated to the eligible employees who are in senior management of the Group.

(iii) The SGP Committee has the discretion in determining whether the shares available for vesting under the SGP shall be staggered over the duration of the SGP.

(iv) The shares will be vested with the grantee at no cost to the grantee on the vesting date(s).

During the current financial year, the Group granted and vested 142,000 (2017: 3,558,000) new ordinary shares to the eligible employees of the Company and its subsidiaries under the SGP. The closing share price as of the date of granting was RM8.73 (2017: RM6.52) per ordinary share.

(c) Dividend reinvestment plan

On 3 October 2017, the Company proposed to establish a Dividend Reinvestment Plan ("Proposed DRP") that provides the shareholders of the Company an option to elect to reinvest their cash dividend declared by the Company in new ordinary shares in the Company ("Scientex Shares"). The Company had on 20 October 2017 received an approval from Bursa Malaysia Securities Berhad ("Bursa Securities"), for the establishment of the Proposed DRP and for the listing of new Scientex Shares to be issued pursuant to the Proposed DRP in respect of the single tier final dividend of RM0.10 per ordinary share for the financial year ended 31 July 2017 ("FY2017 Final Dividend") as proposed by the Board of Directors of the Company on 19 September 2017.

The shareholders of the Company had on 6 December 2017 approved the FY2017 Final Dividend and DRP as well as issuance of Scientex Shares pursuant to the DRP at the Annual General Meeting and Extraordinary General Meeting of the Company respectively. The Company determined that the DRP would be applied to the entire FY2017 Final Dividend ("First DRP") and fixed the issue price of the new Scientex Shares to be issued pursuant to the First DRP at RM7.80 per new Scientex Share. Based on the elections made by the shareholders, the Company had issued and allotted a total of 5,226,500 new Scientex Shares and paid the remaining portion of RM7,603,300 in cash on 26 January 2018, pursuant to the First DRP. The said new Scientex Shares were listed and quoted on the Main Market of Bursa Securities on 29 January 2018, hence marking the completion of the First DRP.

(d) Private placement

On 27 April 2017, the Company proposed to undertake a private placement of up to 10% of total number of issued shares of the Company (excluding treasury shares) to third party investors ("Private Placement"). Bursa Securities had, vide its letter dated 4 May 2017, resolved to approve the listing of up to 46,355,800 new ordinary shares to be issued pursuant to the Private Placement ("Placement Shares").

As of 31 July 2017, a total of 20,000,000 Placement Shares have been issued, listed and quoted on the Main Market of Bursa Securities. The net proceeds raised from the Private Placement of RM154,263,000 was intended to be utilised for expansion and working capital requirements of the Group, of which RM100,000,000 has been used for working capital of the Group's manufacturing division while the remaining has been utilised for purchase of development land. The Company did not intend to place out the remaining Placement Shares. Hence, marking the completion of the Private Placement upon its expiration on 3 November 2017.

26. RESERVES

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-distributable reserves:				
Property revaluation surplus	55,799	55,799	20,018	20,018
Foreign currency translation reserve	4,905	11,142	-	-
Treasury shares	(1)	(1)	(1)	(1)
Other reserves	461	461	68	68
	61,164	67,401	20,085	20,085
Distributable reserve:				
Retained earnings	1,248,579	1,056,220	21,357	82,005
	1,309,743	1,123,621	41,442	102,090

(a) Property revaluation surplus

Property revaluation surplus represents increases in the fair value of land and buildings, net of tax, and decreases to the extent that such decreases relate to an increase on the same asset previously recognised in other comprehensive income.

(b) Foreign currency translation reserve

The foreign currency translation reserve represents 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.

(c) 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.

During the financial year 2018, the Company did not purchase any of its ordinary shares from the open market.

As of 31 July 2018, the Company held 100 (2017: 100) ordinary shares as treasury shares. Such treasury shares are recorded at a carrying amount of RM720 (2017: RM720).

(d) Retained earnings

The Company is able to distribute dividends out of its entire retained earnings as at 31 July 2018 under the single tier system.

27. BORROWINGS

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current - at amortised cost				
Secured:				
Onshore foreign currency loan	19,155	-	-	-
Bankers acceptances	9,712	-	-	-
Term loan	-	3,500	-	-
	28,867	3,500	-	-

27. BORROWINGS (CONT'D)

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current - at amortised cost (cont'd)				
Unsecured:				
Foreign currency revolving credits	466,552	172,523	-	-
Onshore foreign currency loan	69,375	105,567	-	-
Revolving credits	30,600	12,100	20,000	-
Bankers acceptances	5,400	7,500	-	-
Term loans	9,576	-	-	-
	581,503	297,690	20,000	-
	610,370	301,190	20,000	-
Non-current - at amortised cost				
Secured:				
Sukuk Murabahah	300,000	100,000	-	-
Term loans	-	66,500	-	-
	300,000	166,500	-	-
Unsecured:				
Term loans	23,941	-	-	-
	323,941	166,500	-	-
Total borrowings				
Foreign currency revolving credits	466,552	172,523	-	-
Onshore foreign currency loan	88,530	105,567	-	-
Sukuk Murabahah	300,000	100,000	-	-
Term loans	33,517	70,000	-	-
Revolving credits	30,600	12,100	20,000	-
Bankers acceptances	15,112	7,500	-	-
	934,311	467,690	20,000	-

Borrowings are repayable as follows:

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current	610,370	301,190	20,000	-
Non-current				
More than 1 year and less than 2 years	59,576	14,000	-	-
More than 2 years and less than 5 years	164,365	142,000	-	-
More than 5 years	100,000	10,500	-	-
	323,941	166,500	-	-
	934,311	467,690	20,000	-

27. BORROWINGS (CONT'D)

The average effective interest rates per annum of the borrowings at the reporting date are as follows:

	The Group		The Company	
	2018 %	2017 %	2018 %	2017 %
Sukuk Murabahah	4.79	4.55	-	-
Revolving credits	4.28	3.92	4.22	-
Bankers acceptances	4.11	3.82	-	-
Term loans	3.36	4.46	-	-
Onshore foreign currency loan	2.68	1.89	-	-
Foreign currency revolving credits	1.89	1.76	-	-

(i) Sukuk Murabahah Programme

During the financial year 2016, SQSB, a wholly-owned subsidiary of the Company, had established a Sukuk Murabahah Programme ("Sukuk Murabahah") for the issuance of up to RM500,000,000 in nominal value of Sukuk Murabahah. It provides SQSB the flexibility to raise funds from time to time which can be utilised to finance and/or reimbursement of the acquisition of land(s)/property(ies)/investments, to fund working capital requirements and to refinance existing bank borrowings of SQSB and/or its subsidiaries. The Sukuk Murabahah Programme is unrated and has a tenure of fifteen (15) years from the date of first issuance of the Sukuk Murabahah.

On 10 July 2018, SQSB made its second issuance of RM200,000,000 in nominal value of unrated Sukuk Murabahah based on the Shariah principle of Murabahah (via Tawarruq arrangement) under the Sukuk Murabahah Programme to part finance the acquisition of lands. As at 31 July 2018, the total unrated Sukuk Murabahah in issued stood at RM300,000,000 in nominal value, after taking into account of the early redemption of RM50,000,000 in nominal value of Sukuk Murabahah made in 2016. The redeemable Sukuk Murabahah are due on 8 January 2020, 8 January 2021, 11 July 2022 and 10 July 2023 for each RM50,000,000 and 10 July 2024 for the balance RM100,000,000, and bear profit based on cost of fund plus margin, payable quarterly.

(ii) The term loans and other banking facilities are secured by the following:

(a) First party charge and/or third party second charges over the freehold land and building of subsidiaries with carrying value of RM185,186,000 (2017: RM125,670,000) as disclosed in Note 13.

(b) First party charge and/or third party second charges over the freehold and leasehold lands of subsidiaries with carrying value of RM312,000,000 (2017: RM177,000,000) as disclosed in Note 16.

(c) Negative pledges on all the other assets held by the Company and certain subsidiaries.

(iii) The currency profile of borrowing equivalents is as follows:

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Ringgit Malaysia	501,527	227,820	20,000	-
United States Dollar	432,784	239,870	-	-
	934,311	467,690	20,000	-

28. RETIREMENT BENEFITS OBLIGATIONS

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At beginning of year	27,803	23,782	7,181	7,181
Current and past service cost (Note 9)	3,919	4,012	-	-
Foreign exchange differences	(40)	39	-	-
Paid during the year	(566)	(30)	-	-
At end of year	31,116	27,803	7,181	7,181

The present value of the pension obligation is determined using actuarial valuations. The actuarial valuations were recomputed during the financial year ended 31 July 2014 by Actuarial Partners Consulting Sdn. Bhd., an independent professional actuary.

The Group operates an unfunded defined benefit lump sum plan. A lump sum benefit is payable to the employees at the normal retirement age of 60 (2017: 60). The plan is applicable to employees who have a minimum 5 years of service to the Group.

The amounts recognised in the statements of financial position are determined as follows:

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Present value of unfunded benefit	31,116	27,803	7,181	7,181
Analysed as:				
Current	-	-	-	-
Non-current:				
Later than 2 years	31,116	27,803	7,181	7,181
	31,116	27,803	7,181	7,181

The amounts recognised in the statements of profit and loss and other comprehensive income are as follows:

	The Group	
	2018 RM'000	2017 RM'000
Cost of sales	1,300	1,253
Administrative expenses	2,275	2,472
Selling and distribution expenses	344	287
	3,919	4,012

The principal assumptions are as follows:

	The Group		The Company	
	2018 %	2017 %	2018 %	2017 %
Discount rate	5.75	5.75	5.75	5.75
Future salary increases	7.00	7.00	7.00	7.00

28. RETIREMENT BENEFITS OBLIGATIONS (CONT'D)

No sensitivity analysis on the principal assumptions is prepared as the Group does not expect any material effect on the Group's statement of profit or loss and other comprehensive income arising from the effect of reasonably possible changes to the above principal actuarial assumptions at the end of the reporting period.

29. DEFERRED TAX (ASSETS)/LIABILITIES

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At beginning of year	17,018	32,381	5,811	5,907
Recognised in profit or loss (Note 11)	(12,711)	(15,363)	(93)	(96)
Acquisition of subsidiary (Note 15)	17,411	-	-	-
At end of year	21,718	17,018	5,718	5,811
Deferred tax assets	(28,920)	(18,925)	-	-
Deferred tax liabilities	50,638	35,943	5,718	5,811
	21,718	17,018	5,718	5,811

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

The deferred tax (assets)/liabilities provided in the financial statements represents the tax effects of the following:

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deferred tax assets (before offsetting):				
Unabsorbed reinvestment allowances	(64,926)	(51,453)	-	-
Unabsorbed tax losses and capital allowances	(23,651)	(18,430)	-	-
Various temporary differences	(11,205)	(9,326)	(923)	(923)
	(99,782)	(79,209)	(923)	(923)
Offsetting	70,862	60,284	923	923
Deferred tax assets (after offsetting)	(28,920)	(18,925)	-	-
Deferred tax liabilities (before offsetting):				
Temporary differences arising from:				
Property, plant and equipment	95,934	72,284	641	628
Revaluation of land and buildings	25,502	23,742	6,000	6,106
Others	64	201	-	-
	121,500	96,227	6,641	6,734
Offsetting	(70,862)	(60,284)	(923)	(923)
Deferred tax liabilities (after offsetting)	50,638	35,943	5,718	5,811

29. DEFERRED TAX (ASSETS)/LIABILITIES (CONT'D)

As mentioned in Note 3, the tax effects of unutilised tax losses, unabsorbed capital allowances and deductible temporary differences which would give rise to deferred tax assets are generally recognised to the extent that it is probable that future taxable profits will be available against which the unutilised tax losses, unabsorbed capital allowances, unabsorbed reinvestment allowances and deductible temporary differences can be utilised. As at 31 July 2018, the amount of unutilised tax losses, unabsorbed capital allowances and deductible temporary differences of certain subsidiaries for which deferred tax assets are not recognised in the financial statements due to uncertainty of realisation are as follows:

	The Group	
	2018 RM'000	2017 RM'000
Unutilised tax losses	464	464
Unabsorbed capital allowances	8	8
Deductible temporary differences	4,100	2,667
	4,572	3,139

The unutilised tax losses, unabsorbed capital allowances and deductible temporary differences, which are subject to the agreement by the tax authorities, are available for offset against future chargeable income of the respective subsidiaries.

30. TRADE PAYABLES

	The Group	
	2018 RM'000	2017 RM'000
Third parties	339,836	289,339
Associate	32,766	18,087
Amounts due to contract customers	8,132	8,474
	380,734	315,900

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 120 days (2017: 30 to 120 days). The amount due to associate is unsecured, non-interest bearing and has credit terms of 60 to 120 days (2017: 60 to 90 days). Included in the trade payables of the Group is an amount of RM19,791,000 (2017: RM23,566,000) representing retention amount.

The currency profile of trade payables is as follows:

	The Group	
	2018 RM'000	2017 RM'000
Ringgit Malaysia	180,230	170,447
United States Dollar	200,504	145,453
	380,734	315,900

30. TRADE PAYABLES (CONT'D)

Amounts due to contract customers are as follows:

	The Group	
	2018 RM'000	2017 RM'000
Aggregate costs incurred:		
As at 31 July	98,556	116,253
Attributable profits	3,915	4,916
	102,471	121,169
Less: Progress billings	(110,603)	(129,643)
Amount due to contract customers	(8,132)	(8,474)

31. OTHER PAYABLES AND ACCRUED EXPENSES

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Accrued expenses	72,847	62,148	861	703
Other payables	35,918	40,529	9	9
Deposits	1,174	872	1	1
	109,939	103,549	871	713

32. DIVIDENDS

	The Group and The Company	
	2018 RM'000	2017 RM'000
In respect of the financial year ended 31 July 2016:		
Single tier final dividend of 10 sen per ordinary share on 463,557,900 ordinary shares	-	46,356
In respect of the financial year ended 31 July 2017:		
Single tier interim dividend of 6 sen per ordinary share on 483,557,900 ordinary shares	-	29,013
Single tier final dividend of 10 sen per ordinary share on 483,699,900 ordinary shares*	48,370	-
In respect of the financial year ended 31 July 2018:		
Single tier interim dividend of 10 sen per ordinary share on 488,926,400 ordinary shares	48,893	-
	97,263	75,369

* Out of the total dividend distribution of RM48,370,000, a total of RM40,766,700 was converted into 5,226,500 new ordinary shares of the Company pursuant to the DRP. The balance portion of RM7,603,300 was paid in cash on 26 January 2018.

On 20 September 2018, the directors proposed a single tier final dividend of 10 sen per ordinary share amounting to approximately RM48,893,000 in respect of the financial year ended 31 July 2018. The proposed single tier final dividend is subject to the approval of shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the financial statements. Upon approval by the shareholders, the dividend payment will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 July 2019.

33. CAPITAL COMMITMENTS

At the end of reporting period, the Group has the following capital commitments in respect of the acquisition of property, plant and equipment and land held for development.

	The Group	
	2018 RM'000	**2017 RM'000**
Approved and contracted for:		
Balance payment for purchase of land held for development	-	111,276
Purchase of plant and machinery	22,928	39,569
	22,928	150,845
Approved but not contracted for:		
Purchase of land held for development	66,869	83,672

34. FINANCIAL GUARANTEES

Corporate guarantees are provided by the Company to certain financial institutions and suppliers to secure banking facilities and credit facilities for the subsidiaries. The directors are of the opinion that the corporate guarantees are not likely to be called upon and regard the value of the credit enhancement provided by the corporate guarantees as minimal.

35. RELATED PARTY TRANSACTIONS

Amounts owing by/(to) associate and joint venture which arose mainly from trade transactions and expenses paid on behalf have a credit period range from 60 to 90 days (2017: 60 to 90 days).

The Group and the Company have the following transactions with related parties during the financial year, which were determined on terms not more favourable to the related parties than to third parties:

(a) In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

		The Group	
		2018 RM'000	**2017 RM'000**
Associate:			
Sales	(i)	(90)	(499)
Purchases	(ii)	89,329	73,655
Management fees income	(iii)	(120)	(120)
Rental income	(iv)	(144)	(144)
Joint venture:			
Sales	(i)	(219)	(221)
Rental income	(iv)	(926)	(926)

35. RELATED PARTY TRANSACTIONS (CONT'D)

		The Company	
		2018 RM'000	2017 RM'000
Associate:			
Management fees income	(iii)	(120)	(120)
Dividend income		(1,708)	(300)
Subsidiaries:			
Dividend income		(37,350)	(69,890)

(i) The sales were determined on terms not more favourable to the related parties than to third parties and have credit terms of 60 days (2017: 60 days).

(ii) The purchase of products from associate were made according to the published prices and conditions offered by the related party to their major customers.

(iii) The rendering of services to associate was determined on terms not more favourable to the related parties than to third parties and have credit terms of 30 days (2017: 30 days).

(iv) The rental payable by the associate and joint venture was determined on terms not more favourable to the related parties than to third parties and has credit terms of 30 days (2017: 30 days).

(b) Compensation of key management personnel is as follows:

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Wages, salaries and other emoluments	21,153	19,186	480	480
Contribution to defined contribution plans	3,804	3,450	86	86
Share grant plan	324	9,241	-	-
Fees	70	50	70	50
	25,351	31,927	636	616

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company, directly or indirectly.

Included in compensation of key management personnel of the Group and of the Company is directors' remuneration amounting to RM11,062,000 and RM636,000 (2017: RM10,882,000 and RM616,000) respectively.

36. SEGMENTAL INFORMATION

Segment reporting is presented in respect of the Group's business segments in a manner consistent with the internal reporting provided to and regularly reviewed by the chief operating decision maker in order to allocate resources to a segment and to assess its performance.

Business segments provide products or services that are subject to risks and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that are subject to risks and returns that are different from those components operating in other economic environments.

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expenses, assets and liabilities are determined before intragroup balances and intragroup transactions are eliminated as part of the consolidation process, except to the extent that such intragroup balances and transactions are within the Group.

36. SEGMENTAL INFORMATION (CONT'D)

(a) Business segments

The Group's activities are classified into two major business segments:

- Manufacturing - mainly in the business of manufacturing of various packaging products and manufacturing of materials for the interior of automobiles. Included in this segment is also the sales and marketing of laminating polyurethane adhesives, which is regarded by the management as exhibiting similar economic characteristics.

- Property development - in the business of constructing and developing residential, commercial and industrial properties and property management.

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Management monitors the operating results of its business units separately for the purpose of decision making on resource allocation and performance assessment. Transactions between operating segments are conducted under terms, conditions and prices not materially different from transactions with non-related parties.

(b) Analysis by activity

2018	Note	Manufacturing RM'000	Property development RM'000	Consolidated RM'000
Revenue		1,904,616	722,151	2,626,767
Results				
Interest income		1,866	3,442	5,308
Interest expense		10,486	265	10,751
Depreciation of property, plant and equipment		68,739	2,972	71,711
Share of results of associate and joint venture		8,049	-	8,049
Other non-cash expenses	(ii)	9,355	1,886	11,241
Segment profit	(i)	126,872	237,488	364,360
Assets				
Segment assets		1,773,713	1,498,125	3,271,838
Investment in associate		34,463	-	34,463
Investment in joint venture		27,173	-	27,173
Tax recoverable		1,459	228	1,687
Deferred tax assets		28,468	452	28,920
Consolidated total assets				3,364,081
Liabilities				
Segment liabilities		975,063	481,037	1,456,100
Tax liabilities		6,348	17,429	23,777
Deferred tax liabilities		37,664	12,974	50,638
Consolidated total liabilities				1,530,515

36. SEGMENTAL INFORMATION (CONT'D)

(b) Analysis by activity (cont'd)

2017	Note	Manufacturing RM'000	Property development RM'000	Consolidated RM'000
Revenue		1,669,623	733,528	2,403,151
Results				
Interest income		1,490	2,097	3,587
Interest expense		13,310	720	14,030
Depreciation of property, plant and equipment		60,272	2,952	63,224
Share of results of associate and joint venture		6,929	-	6,929
Other non-cash expenses	(ii)	7,546	5,515	13,061
Segment profit	(i)	109,037	227,081	336,118
Assets				
Segment assets		1,397,106	1,105,572	2,502,678
Investment in associate		31,180	-	31,180
Investment in joint venture		24,115	-	24,115
Tax recoverable		678	213	891
Deferred tax assets		18,532	393	18,925
Consolidated total assets				2,577,789
Liabilities				
Segment liabilities		662,856	252,086	914,942
Tax liabilities		3,511	19,513	23,024
Deferred tax liabilities		22,566	13,377	35,943
Consolidated total liabilities				973,909

Notes

(i) The following items are added to/(deducted from) segment profit to arrive at profit before tax presented in the statements of profit or loss and other comprehensive income:

	2018 RM'000	2017 RM'000
Segment profit	364,360	336,118
Other expenses	-	(11,049)
Finance costs (Note 7)	(10,751)	(14,030)
Share of results of associate and joint venture	8,049	6,929
Profit before tax	361,658	317,968

36. SEGMENTAL INFORMATION (CONT'D)

(b) Analysis by activity (cont'd)

(ii) Other material non-cash (income)/expenses consist of the following items as presented in the respective notes to the financial statements:

	2018 RM'000	2017 RM'000
Increase in liability for defined benefit plan	3,919	4,012
Net unrealised loss on foreign exchange	3,694	2,071
Write off/(Write back) of inventories	2,623	(294)
Share grant plan expense	1,240	7,831
Allowance for doubtful debts on trade receivables	177	98
Property, plant and equipment written off	39	-
Gain on disposal of property, plant and equipment	(318)	-
Allowance for doubtful debts on trade receivables no longer required	(100)	(748)
(Write back)/Write off of bad debts	(33)	91
	11,241	13,061

(iii) Included in segment assets is addition to non-current assets of:

	Manufacturing RM'000	Property development RM'000	Consolidated RM'000
2018			
Property, plant and equipment	56,966	3,112	60,078
Land held for property development	-	509,110	509,110
2017			
Property, plant and equipment	110,863	12,152	123,015
Land held for property development	-	117,985	117,985
Other investments	585	-	585

(c) Geographical information

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

	Revenue		Non-Current Assets	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Malaysia	1,195,526	1,159,270	2,073,742	1,561,992
Japan	416,702	368,536	-	-
Korea	219,183	190,502	-	-
Indonesia	145,772	165,823	312	304
Australia	125,206	110,396	-	-
Singapore	111,196	98,269	59	71
Thailand	96,563	63,845	-	-
Europe	88,261	64,066	-	-
Philippines	66,061	52,760	-	-
United States of America	49,495	23,401	75,500	39,664
The Socialist Republic of Vietnam	24,055	13,901	19,035	22,678
Others	88,747	92,382	-	-
Consolidated	2,626,767	2,403,151	2,168,648	1,624,709

36. SEGMENTAL INFORMATION (CONT'D)

(c) Geographical information (cont'd)

Revenue from one major customer amounting to RM335,656,000 (2017: RM326,680,000), arising from sales by the manufacturing segment.

37. FINANCIAL INSTRUMENTS

Capital management

The primary objective of the Group's capital management is to ensure that the Group maintains healthy capital ratios in order to support its business operations and maximise shareholder 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, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 July 2018 and 31 July 2017.

Gearing Ratio

The gearing ratio at end of the reporting period was as follows:

		The Group	
		2018 RM'000	**2017 RM'000**
Debt	(i)	934,311	467,690
Less: Cash and cash equivalents		(172,316)	(191,898)
Net debt		761,995	275,792
Equity	(ii)	1,763,593	1,535,464
Net debt to equity ratio		0.43	0.18

(i) Debt is defined as long-term and short-term borrowings as disclosed in Note 27.

(ii) Equity includes issued capital and reserves.

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses), for each class of financial assets, financial liabilities and equity instruments are disclosed in Note 3.

37. FINANCIAL INSTRUMENTS (CONT'D)

Categories of financial instruments

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Financial assets				
Available-for-sale investments	7,508	8,552	4,685	4,685
Loans and receivables:				
Trade receivables	482,688	385,103	-	-
Other receivables and deposits	30,761	21,609	45	45
Cash and cash equivalents	172,316	191,898	3,921	1,379
Total	693,273	607,162	8,651	6,109
Financial liabilities				
At amortised cost:				
Trade payables	380,734	315,900	-	-
Other payables and accrued expenses	109,939	103,549	871	713
Borrowings	934,311	467,690	20,000	-
Total	1,424,984	887,139	20,871	713

Financial Risk Management Objectives and Policies

The operations of the Group and of the Company are subject to a variety of financial risks, including foreign currency risk, interest rate risk, credit risk and liquidity risk. The Group and the Company have formulated a financial risk management framework whose principal objective is to minimise the Group's and the Company's exposure to risks and/or costs associated with the financing, investing and operating activities of the Group and of the Company.

Various risk management policies are made and approved by the Board of Directors for observation in the day-to-day operations for the controlling and management of the risks associated with financial instruments.

Foreign currency risk management

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group is exposed to foreign exchange rate risk on certain transactions entered into by subsidiaries in currencies other than its functional currency.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	The Group	
	Assets 2018 RM'000	Liabilities 2018 RM'000
United States Dollar	156,211	616,579

	The Group	
	Assets 2017 RM'000	Liabilities 2017 RM'000
United States Dollar	122,242	416,136

37. FINANCIAL INSTRUMENTS (CONT'D)

Foreign currency risk management (cont'd)

Foreign currency sensitivity analysis

The Group is mainly exposed to the foreign currency of United States Dollar ("USD").

The following table details the Group's sensitivity to a 3% increase and decrease in the Ringgit Malaysia against USD. 3% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis below includes:

(i) Outstanding foreign currency denominated monetary items and adjusts their translation at the year end and for a 3% change in foreign currency rates. A positive number below indicates a profit where the Ringgit Malaysia strengthens 3% against the USD. For a 3% weakening of the Ringgit Malaysia against USD, there would be a comparable impact on profit or loss and the balances below would be negative.

	The Group	
	2018 RM'000	2017 RM'000
United States Dollar	13,811	8,817

(ii) The Group's sales less cost of sales and other items of expenses denominated in USD during the financial year ended 31 July 2018 for a 3% change in foreign currency rates. A positive number below indicates profit where the Ringgit Malaysia weakens 3% against USD. For a 3% strengthening of the Ringgit Malaysia against USD, there would be a comparable impact on profit or loss, the balances below would be negative.

	The Group	
	2018 RM'000	2017 RM'000
United States Dollar	7,336	5,927

(iii) The Group's sales less cost of sales and other items of expenses denominated in USD during the financial year ended 31 July 2018, offset against the Group's exposure in USD in the statements of financial position at the end of the reporting period for a 3% change in foreign currency rates. A positive number below indicates a profit where the Ringgit Malaysia strengthens 3% against the USD. For a 3% weakening of the Ringgit Malaysia against USD, a positive number below indicates a loss.

	The Group	
	2018 RM'000	2017 RM'000
United States Dollar	6,475	2,890

Interest rate risk management

The Group is exposed to interest rate risk through the impact of rate changes on bank borrowings. The interest rates for the said bank borrowings are disclosed in Note 27.

37. FINANCIAL INSTRUMENTS (CONT'D)

Interest rate risk management (cont'd)

Interest rate sensitivity analysis

The Group's exposures to interest rates on financial liabilities are detailed below. The sensitivity analyses below have been determined based on the exposure to interest rates for financial liabilities at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liabilities at the end of the reporting period will remain unchanged for the whole year. A 10 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 10 basis points higher or lower and all other variables were held constant, the Group's profit for the year ended 31 July 2018 would decrease or increase by RM419,000 (2017: RM449,000).

Credit risk management

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Group is exposed to credit risk mainly from trade and other receivables. The Group extends credit to its customers based upon careful evaluation on the customers' financial condition and credit history.

The Company is exposed to credit risk mainly from subsidiaries and related parties. The Company monitors on an ongoing basis the results of the subsidiaries and related parties, and repayments made by the subsidiaries and related parties.

The Group's and the Company's exposure to credit risk in relation to their receivables, should all their customers fail to perform their obligations as of 31 July 2018, is the carrying amount of these receivables as disclosed in the statements of financial position.

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 22. Deposits and short-term placements with licensed banks and financial institutions that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are past due and impaired

Information regarding trade receivables that are past due and impaired is disclosed in Note 22.

Credit risk concentration profile

As at the reporting date, the Group does not have any significant exposure to any individual customer or counterparty.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's and of the Company's short-term, medium and long-term funding and liquidity management requirements. The Group and the Company manage liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The Group and the Company minimise prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.

The tables below summarise the maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations. The tables include both interest and principal cash flows.

37. FINANCIAL INSTRUMENTS (CONT'D)

Liquidity risk management (cont'd)

The Group	Weighted average effective interest rate per annum	Less than 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	Total RM'000
2018					
Financial liabilities					
Non-interest bearing:					
Trade payables		380,734	-	-	380,734
Other payables and accrued expenses		109,939	-	-	109,939
		490,673	-	-	490,673
Interest bearing:					
Loans and borrowings	3.06%	625,734	264,841	104,373	994,948
Total undiscounted financial liabilities		1,116,407	264,841	104,373	1,485,621

The Group	Weighted average effective interest rate per annum	Less than 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	Total RM'000
2017					
Financial liabilities					
Non-interest bearing:					
Trade payables		315,900	-	-	315,900
Other payables and accrued expenses		103,549	-	-	103,549
		419,449	-	-	419,449
Interest bearing:					
Loans and borrowings	2.88%	308,836	171,485	10,656	490,977
Total undiscounted financial liabilities		728,285	171,485	10,656	910,426

37. FINANCIAL INSTRUMENTS (CONT'D)

Liquidity risk management (cont'd)

The Company	Weighted average effective interest rate per annum	Less than 1 year RM'000	Total RM'000
2018			
Financial liabilities			
Non-interest bearing:			
Other payables and accrued expenses		871	871
Interest bearing:			
Loans and borrowings	4.22%	20,000	20,000
Total undiscounted financial liabilities		20,871	20,871
2017			
Financial liabilities			
Non-interest bearing:			
Other payables and accrued expenses		713	713

Fair values of financial instruments carried at amortised cost

The carrying amounts of the short-term financial assets and financial liabilities recognised at amortised cost in financial statements approximate their fair values.

The fair value of long-term financial liabilities have been determined by the present value of future cash flow estimated and discounted using the current interest rates for similar instruments at the end of the reporting period. There is no material difference between fair value and carrying values of these financial liabilities as of the end of the reporting period.

38. NOTE TO THE STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

The table below details the reconciliation of the opening and closing balances in the statement of financial position for the liabilities arising from the financing activities in the statement of cash flows of the Group:

	The Group RM'000	The Company RM'000
Borrowings		
At beginning of year	467,690	-
Net cash flows from borrowings	364,871	20,000
Non-cash changes:		
Acquisition of subsidiary (Note 15)	101,856	-
Foreign exchange movement	(106)	-
At end of year	934,311	20,000

39. SIGNIFICANT EVENTS DURING AND SUBSEQUENT TO THE FINANCIAL YEAR END

(i) On 28 December 2016, the Company announced that SQSB had entered into a conditional Sale and Purchase Agreement ("SPA") with Dahlia Utama Sdn Bhd for the proposed acquisition of two parcels of lands, both situated in Mukim of Kulai, District of Kulai, State of Johor, measuring an approximate aggregate net area of 121.2 acres for a total cash consideration of RM123.64 million. The conditions precedent set out in the SPA has been fulfilled and full payment of the balance purchase price and other money payable under the SPA has been made to the vendor, hence marking the completion of the proposed acquisition on 14 August 2017.

(ii) On 9 August 2017, the Company announced that Scientex Park (M) Sdn Bhd ("SPSB"), a wholly-owned subsidiary of SQSB, which is a wholly-owned subsidiary of the Company had entered into a conditional SPA with Medius Developments Sdn Bhd for the proposed acquisition of all that piece of freehold land in Mukim of Rawang, District of Gombak, State of Selangor, measuring approximately 65.3 acres for a total cash consideration of RM85.38 million. SPSB had on 24 October 2017 obtained the approval letter from the Economic Planning Unit. Accordingly, SPA has become unconditional and full payment of the balance purchase price under the SPA was made to the vendor on 22 November 2017, hence marking the completion of the proposed acquisition.

(iii) On 15 December 2017, the Company announced that its dormant wholly-owned subsidiary, Amber Land Berhad (formerly known as Great Wall Plastic Industries Berhad) had entered into a SPA with DKTMG Land Sdn Bhd for the proposed acquisition of all that piece of freehold land in Mukim of Pulai, District of Johor Bahru, State of Johor, measuring approximately 335.6 acres for a total cash purchase consideration of RM284.2 million. The conditions precedent set out in the SPA have been satisfied in accordance with the terms and conditions of the SPA and the payment of balance purchase price has been made to the vendor, hence marking the completion of the acquisition on 10 July 2018.

(iv) On 23 February 2018, the Company announced that its wholly-owned subsidiary, Scientex Packaging Film Sdn Bhd ("SPFSB") had entered into a SPA with Lew Wan Hong @ Law Wan Hong, Ng Boon Eu, Lew Pei See @ Law Pei See and Lew Pei Lin @ Law Pei Lin ("Vendors") to acquire a total of 20,000,000 ordinary shares in the share capital of Klang Hock Plastic Industries Sdn Bhd ("KHPI"), representing the entire issued share capital of KHPI for a total cash purchase consideration of RM190 million. Subsequently, the Company announced that the vendors, SPFSB and the Company have agreed to vary certain terms of the SPA via a Supplemental Agreement dated 24 April 2018. Thereafter, all conditions precedent applicable in respect of the SPA have been satisfied or waived in accordance with the terms and conditions of the SPA and the payment of balance purchase price had been received by the vendors, hence marking the completion of the acquisition on 2 May 2018. Accordingly, KHPI became a wholly-owned subsidiary of SPFSB.

(v) On 15 August 2018, the Company announced that Scientex Heights Sdn Bhd, a wholly-owned subsidiary of SQSB, which is a wholly-owned subsidiary of the Company had entered into a SPA with Real Golden Development Sdn Bhd for the proposed acquisition of two contiguous pieces of freehold lands all in Mukim of Durian Tunggal, District of Alor Gajah, State of Melaka, measuring an aggregate net area of 208.9 acres for a total purchase consideration of RM68.2 million. The proposed acquisition is pending fulfilment of the conditions precedent as set out in the SPA. It is expected to be completed in the first half of year 2019.

Statement By Directors

The directors of **SCIENTEX BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 July 2018 and of the financial performance and the cash flows of the Group and of the Company for the financial year ended on that date.

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

LIM PENG JIN **LIM PENG CHEONG**

Shah Alam, Selangor Darul Ehsan
15 October 2018

Declaration By The Officer Primarily Responsible For The Financial Management Of The Company

I, **CHOO SENG HONG**, being the officer primarily responsible for the financial management of **SCIENTEX BERHAD**, do solemnly and sincerely declare that the accompanying financial statements 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.

CHOO SENG HONG
(MIA MEMBERSHIP NO. 11057)

Subscribed and solemnly declared by the abovenamed
CHOO SENG HONG at **KUALA LUMPUR, WILAYAH PERSEKUTUAN**
on this 15th day of October 2018.

Before me,
Mohd Zainal Abiddin Bin Mohd Zainuddin (W292)
Commissioner for Oaths
Kuala Lumpur
Wilayah Persekutuan

List Of Properties Held By The Group

As at 31 July 2018

Location	Description/ Existing Use	Tenure	Land Area (Acres)	Built-up Area (sq.ft.)	Net Book Value (RM'000)	Age of Building (Year)	Year of Acquisition/ Revaluation*
Geran 488391 Lot 64189 Mukim of Pulai District of Johor Bahru State of Johor	Land for mixed development	Freehold	335.6	-	294,035	-	2018
Various sub-divided lots in Mukim of Pulai District of Johor Bahru State of Johor	Land for mixed development	Freehold	160.7	-	151,158	-	2016
H.S. (D) 54426 PTD 104532 Geran 429849 Lot 48172 Mukim of Kulai District of Kulai State of Johor	Land for mixed development	Freehold	121.2	-	128,985	-	2017
GRN 38309 Lot 1608, Mukim Rawang District of Gombak State of Selangor	Land, factory buildings, office and warehouse for industrial use	Freehold	28.7	502,839	124,106	7 - 20	2015*
Geran 315412 Lot 12165 Mukim Rawang District of Gombak State of Selangor	Land for mixed development	Freehold	65.3	-	94,987	-	2017
H.S. (D) 135841 P.T. No. 129324 Mukim and District of Klang State of Selangor	Land, factory buildings, office and warehouse for industrial use	Leasehold for 99 years expiring on 24.02.2097	12.5	256,561	72,585	3 - 6	2015*
Lot No. 215, Section 15 Town of Shah Alam District of Petaling State of Selangor	Land, factory buildings, office and warehouse for industrial use	Leasehold for 99 years expiring on 27.07.2097	8.2	290,515	68,749	2 - 48	2015*
GM 2209 Lot 3349 GM 2190 Lot 3351 Mukim Kapar District of Klang State of Selangor	Land, factory buildings, office and warehouse for industrial use	Freehold	7.6	207,198	41,932	32 - 37	2018
P.T. No. 125486 Mukim and District of Klang State of Selangor	Land, factory buildings, office and warehouse for industrial use	Leasehold for 99 years expiring on 24.02.2097	11.3	197,505	40,975	15 - 17	2015*
GM 718 to 721 Lot 3269 to 3272, GRN 22729 Lot 3273 and GRN 22731 Lot 3274 Mukim of Durian Tunggal District of Alor Gajah Melaka	Land for mixed development	Freehold	151.5	-	39,312	-	2017

Analysis Of Shareholdings

As at 17 October 2018

Type Of Shares	-	Ordinary Shares
Voting Rights	-	One vote per shareholder on a show of hands
	-	One vote per ordinary share on a poll
No. Of Shareholders	-	5,494

DISTRIBUTION OF SHAREHOLDINGS

Size Of Holdings	No. Of Holders	%	Total Holdings *	% *
Less than 100	340	6.19	10,653	0.00 ^
100 - 1,000	1,068	19.44	662,099	0.14
1,001 - 10,000	2,436	44.34	10,297,850	2.11
10,001 - 100,000	1,336	24.32	37,779,016	7.73
100,001 to less than 5% of issued shares	310	5.64	222,408,408	45.49
5% and above of issued shares	4	0.07	217,768,374	44.54
Total	**5,494**	**100.00**	**488,926,400**	**100.00**

Notes:-

* *Excluding a total of 100 ordinary shares purchased by the Company and retained as treasury shares.*

^ *Less than 0.01%.*

SUBSTANTIAL SHAREHOLDERS (as per Register of Substantial Shareholders)

	No. Of Shares Held In The Company			
Name	**Direct Interest**	**% ***	**Deemed Interest**	**% ***
1 Lim Peng Jin	2,414,524	0.49	276,863,878 [A]	56.63
2 Lim Peng Cheong	50,000	0.01	261,218,854 [B]	53.43
3 Scientex Holdings Sdn Berhad	104,893,724	21.45	47,159,204 [C]	9.65
4 Scientex Leasing Sdn Bhd	47,159,204	9.65	-	-
5 Scientex Infinity Sdn Bhd	41,018,656	8.39	24,696,790 [D]	5.05
6 TM Lim Sdn Bhd	24,696,790	5.05	-	-

Notes:-

[A] *Deemed interests through Scientex Holdings Sdn Berhad, Scientex Leasing Sdn Bhd, Scientex Infinity Sdn Bhd, TM Lim Sdn Bhd, Sim Swee Tin Sdn Bhd, Malacca Securities Sdn Bhd, Progress Innovations Sdn Bhd and Mplusonline Sdn Bhd.*

[B] *Deemed interests through Scientex Holdings Sdn Berhad, Scientex Leasing Sdn Bhd, Scientex Infinity Sdn Bhd, TM Lim Sdn Bhd, Sim Swee Tin Sdn Bhd, Malacca Securities Sdn Bhd, Mplusonline Sdn Bhd and Paradox Corporation Sdn Bhd.*

[C] *Deemed interest through Scientex Leasing Sdn Bhd.*

[D] *Deemed interest through TM Lim Sdn Bhd.*

* *Excluding a total of 100 ordinary shares purchased by the Company and retained as treasury shares.*

DIRECTORS' SHAREHOLDINGS (as per Register of Directors' Shareholdings)

	No. Of Shares Held In The Company			
Name	**Direct Interest**	**% ***	**Deemed/ Indirect Interest**	**% ***
1 Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim	88,880	0.02	250,000 [a]	0.05
2 Lim Peng Jin	2,414,524	0.49	276,894,478 [b]	56.63
3 Lim Peng Cheong	50,000	0.01	263,610,590 [c]	53.92
4 Wong Chin Mun	81,000	0.02	-	-
5 Dato' Noorizah Binti Hj Abd Hamid	-	-	-	-
6 Ang Kim Swee	101,000 [d]	0.02	2,000 [e]	0.00 ^

Lim Peng Jin and Lim Peng Cheong 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.

Other than as disclosed above, the Directors in office did not have any interest in shares in the Company or its related corporations.

Notes:-
- [a] *Indirect interests through Shareena Binti Mohd Sheriff and Mohd Ridzal Bin Mohd Sheriff.*
- [b] *Deemed/indirect interests through Scientex Holdings Sdn Berhad, Scientex Leasing Sdn Bhd, Scientex Infinity Sdn Bhd, TM Lim Sdn Bhd, Sim Swee Tin Sdn Bhd, Malacca Securities Sdn Bhd, Progress Innovations Sdn Bhd, Mplusonline Sdn Bhd and Lee Chung Yau.*
- [c] *Deemed/indirect interests through Scientex Holdings Sdn Berhad, Scientex Leasing Sdn Bhd, Scientex Infinity Sdn Bhd, TM Lim Sdn Bhd, Sim Swee Tin Sdn Bhd, Malacca Securities Sdn Bhd, Mplusonline Sdn Bhd, Paradox Corporation Sdn Bhd, Yong Sook Lan, Lim Jian You, Lim Chia Wei and Lim Jian Yen.*
- [d] *Held through nominee company.*
- [e] *Indirect interest through Ang Ying Fen.*
- * *Excluding a total of 100 ordinary shares purchased by the Company and retained as treasury shares.*
- ^ *Less than 0.01%.*

LIST OF THIRTY (30) LARGEST SHAREHOLDERS

(Without Aggregating Securities from Different Securities Accounts Belonging to the Same Person)

No.	Name	No. Of Shares Held *	% *
1	Scientex Holdings Sdn Berhad	104,893,724	21.45
2	Scientex Leasing Sdn Bhd	47,159,204	9.65
3	Scientex Infinity Sdn Bhd	41,018,656	8.39
4	TM Lim Sdn Bhd	24,696,790	5.05
5	Sim Swee Tin Sdn Bhd	24,160,000	4.94
6	Progress Innovations Sdn Bhd	16,205,100	3.31
7	Ang Teow Cheng & Sons Sdn Bhd	8,711,000	1.78
8	UOBM Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Malacca Securities Sdn Bhd*	8,400,000	1.72
9	HSBC Nominees (Asing) Sdn Bhd *- KBL Euro PB for Samarang UCITS – Samarang Asian Prosperity*	6,474,200	1.32
10	Citigroup Nominees (Asing) Sdn Bhd *- Exempt An for Citibank New York (Norges Bank 14)*	6,203,300	1.27
11	HSBC Nominees (Asing) Sdn Bhd *- HSBC BK PLC for Asia Ex Japan Equity Smaller Companies (LXG HGIF)*	5,380,200	1.10
12	Ang Seng Chin	5,065,000	1.04
13	Cartaban Nominees (Asing) Sdn Bhd *- BBH and Co Boston for Fidelity Puritan Trust: Fidelity Series Intrinsic Opportunities Fund*	4,051,200	0.83
14	ABB Nominee (Tempatan) Sdn Bhd *- Pledged Securities Account for Malacca Securities Sdn Bhd*	4,000,000	0.82
15	Malaysia Nominees (Tempatan) Sendirian Berhad *- Pledged Securities Account for Malacca Securities Sdn Bhd (35-00334-000)*	4,000,000	0.82
16	Saw Soon Lin	3,933,688	0.80
17	Citigroup Nominees (Tempatan) Sdn Bhd *- Employees Provident Fund Board (Nomura)*	2,942,900	0.60
18	Wong Mook Weng @ Wong Tsap Loy	2,798,576	0.57
19	Cartaban Nominees (Tempatan) Sdn Bhd *- PAMB for Prulink Equity Fund*	2,549,300	0.52
20	Yatee & Sons Sdn Bhd	2,481,566	0.51
21	Lim Peng Jin	2,414,524	0.49
22	Citigroup Nominees (Asing) Sdn Bhd *- CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc*	2,316,528	0.47
23	HSBC Nominees (Tempatan) Sdn Bhd *- HSBC (M) Trustee Bhd for Pertubuhan Keselamatan Sosial (AFF HWG6939-403)*	2,026,300	0.41
24	Cartaban Nominees (Tempatan) Sdn Bhd *- RHB Trustees Berhad for Manulife Investment Shariah Progressfund*	1,837,500	0.38
25	Loh Hoay Chye & Sons Sdn Bhd	1,792,000	0.37
26	HSBC Nominees (Asing) Sdn Bhd *- JPMCB NA for Vanguard Total International Stock Index Fund*	1,785,873	0.37
27	HSBC Nominees (Tempatan) Sdn Bhd *- HSBC (M) Trustee Bhd for Affin Hwang Aiiman Growth Fund (4207)*	1,762,000	0.36
28	HLB Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Mplusonline Sdn Bhd*	1,715,000	0.35
29	Minsoon Motors Sendirian Berhad	1,451,236	0.30
30	Citigroup Nominees (Asing) Sdn Bhd *- CBNY for DFA Emerging Markets Small Cap Series*	1,414,424	0.29
	Total	**343,639,789**	**70.28**

Notes:-
- * *Excluding a total of 100 ordinary shares purchased by the Company and retained as treasury shares.*

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Fiftieth Annual General Meeting of the Company will be held at **Scientex Packaging Film Sdn Bhd, Lot 4, Jalan Sungai Pinang 4/3, Seksyen 4, Taman Perindustrian Pulau Indah, 42920 Pelabuhan Klang, Selangor Darul Ehsan** on **Wednesday, 5 December 2018** at **11.00 a.m.** for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 July 2018 together with the Reports of the Directors and Auditors thereon.

2. To declare a single tier final dividend of 10 sen per ordinary share in respect of the financial year ended 31 July 2018. ***(Resolution 1)***

3. To re-elect the following Directors who retire by rotation in accordance with Article 92 of the Company's Articles of Association and being eligible, have offered themselves for re-election:-

   (a) Mr Lim Peng Cheong ***(Resolution 2)***

   (b) Dato' Noorizah Binti Hj Abd Hamid ***(Resolution 3)***

4. To approve the payment of Directors' fees of RM476,667 for the financial year ended 31 July 2018. ***(Resolution 4)***

5. To re-appoint Deloitte PLT as the Auditors of the Company and to authorise the Directors to fix their remuneration. ***(Resolution 5)***

AS SPECIAL BUSINESS

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

6. **Ordinary Resolution I**
   Authority to Directors to Allot and Issue Shares Pursuant to the Companies Act 2016

   "THAT subject to the Companies Act 2016, the Articles of Association of the Company and the approvals and/or requirements of the relevant governmental and/or regulatory authorities, where necessary, the Directors be and are hereby authorised pursuant to Sections 75 and 76 of the Companies Act 2016 to allot and issue shares in the Company from time to time at such price, upon such terms and conditions and for such purposes and to such person or persons whomsoever as the Directors may, in their absolute discretion, deem fit provided the aggregate number of shares to be allotted and issued does not exceed ten percent (10%) of the total number of issued shares of the Company for the time being AND THAT the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company." ***(Resolution 6)***

7. **Ordinary Resolution II**
   Proposed Renewal of the Authority to Allot and Issue New Ordinary Shares in the Company ("New Scientex Shares"), for the Purpose of the Company's Dividend Reinvestment Plan ("DRP") that Provides the Shareholders of the Company ("Shareholders") the Option to Elect to Reinvest Their Cash Dividend in New Scientex Shares

   "THAT pursuant to the DRP as approved by the Shareholders at the Extraordinary General Meeting held on 6 December 2017 and subject to the approval of the relevant regulatory authority (if any), approval be and is hereby given to the Company to allot and issue such number of New Scientex Shares from time to time as may be required to be allotted and issued pursuant to the DRP until the conclusion of the next Annual General Meeting of the Company upon terms and conditions and to such persons as the Directors of the Company may, in their absolute discretion, deem fit and in the best interest of the Company PROVIDED THAT the issue price of the said New Scientex Shares shall be fixed by the Directors at not more than ten percent (10%) discount to the adjusted five (5)-day volume weighted average market price ("VWAMP") of New Scientex Shares immediately prior to the price-fixing date, of which the VWAMP shall be adjusted ex-dividend before applying the aforementioned discount in fixing the issue price of New Scientex Shares.

   AND THAT the Directors and the Secretary of the Company be and are hereby authorised to do all such acts and enter into all such transactions, arrangements, deeds, undertakings and documents as may be necessary or expedient in order to give full effect to the DRP with full power to assent to any conditions, modifications, variations and/or amendments as may be imposed or agreed to by any relevant authorities (if any) or consequent upon the implementation of the said conditions, modifications, variations and/or amendments, by the Directors as they, in their absolute discretion, deem fit and in the best interest of the Company." ***(Resolution 7)***

8. **Ordinary Resolution III**
Proposed Renewal of Share Buy-Back Authority

"THAT subject to the rules, regulations, orders and guidelines made pursuant to the Companies Act 2016 ("Act"), provisions of the Memorandum and Articles of Association of the Company and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authorities, the Company be and is hereby authorised to purchase on the market and/or hold such number of the Company's issued ordinary shares ("Scientex Shares") through Bursa Securities ("Proposed Share Buy-Back") as may be determined by the Directors of the Company ("Directors") from time to time upon such terms and conditions as the Directors may deem fit, necessary and expedient in the interest of the Company subject to the following:-

(a) The maximum number of Scientex Shares which may be purchased and/or held by the Company at any point of time pursuant to the Proposed Share Buy-Back shall not exceed ten percent (10%) of the total number of issued shares of the Company for the time being quoted on Bursa Securities;

(b) The maximum fund to be allocated by the Company for the Proposed Share Buy-Back shall not exceed the retained earnings of the Company based on its latest audited financial statements. As at 31 July 2018, the audited retained earnings of the Company was RM21,357,000; and

(c) The authority conferred by this resolution will be effective immediately upon the passing of this Ordinary Resolution and will expire at the conclusion of the next Annual General Meeting of the Company, unless renewed or earlier revoked or varied by ordinary resolution of the shareholders of the Company in a general meeting or the expiration of the period within which the next Annual General Meeting after the date is required by law to be held, whichever occurs first, but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the Main Market Listing Requirements of Bursa Securities or any other relevant authorities.

THAT the Directors be and are hereby authorised to deal with the shares purchased by the Company pursuant to the Proposed Share Buy-Back in their absolute discretion and that the shares so purchased may be retained as treasury shares, distributed as share dividends to the shareholders, resold on the market of Bursa Securities, transferred and/or cancelled in accordance with the Act and/or be dealt with in such other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act, the Main Market Listing Requirements of Bursa Securities and any other relevant authorities for the time being in force, as may be selected and determined by the Directors from time to time.

AND THAT the Directors be and are hereby authorised to take all steps as are necessary or expedient to implement or to give effect the Proposed Share Buy-Back with full powers to amend and/or assent to any conditions, modifications, variations or amendments (if any) as may be imposed by the relevant governmental/regulatory authorities from time to time and to do all such acts and things as they may deem necessary or expedient in order to implement, finalise and give full effect in relation thereto." ***(Resolution 8)***

By Order Of The Board

TUNG WEI YEN
MAICSA 7062671
Secretary

Shah Alam
5 November 2018

Notes:-

1. Appointment of Proxies and Entitlement of Attendance

(i) A member entitled to attend, participate, speak and vote at the meeting is entitled to appoint at least one (1) proxy to attend, participate, speak and vote in his/her stead and where a member appoints two (2) or more proxies, he/she shall specifies the proportion of his/her shareholdings to be represented by each proxy. A proxy need not be a member of the Company. There is no restriction as to the qualification of the proxy.

(ii) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. The appointment of two (2) or more proxies in respect of any particular securities account or omnibus account shall be invalid unless the authorised nominee or exempt authorised nominee specifies the proportion of its shareholding to be represented by each proxy.

(iii) The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or if such appointor is a corporation, under its common seal or the hand of its attorney or officer.

(iv) The form of proxy must be deposited at the registered office of the Company at No. 9, Persiaran Selangor, Seksyen 15, 40200 Shah Alam, Selangor Darul Ehsan, not less than forty-eight (48) hours before the time appointed for the holding of the meeting or any adjournment thereof.

(v) In respect of deposited securities, only members whose names appear in the Record of Depositors as at 28 November 2018 shall be regarded as a member and entitled to attend, participate, speak and vote at the meeting or appoint proxy to attend, participate, speak and/or vote on his/her behalf.

2. ***Audited Financial Statements***

Agenda 1 is for discussion at the meeting and no voting is required.

3. ***Re-election of Directors***

The Directors who subject to re-election have been assessed by the Board of Directors of the Company ("Board") through Nomination and Remuneration Committee.

4. ***Directors' Fees***

The Nomination and Remuneration Committee and the Board have reviewed the Directors' fees after taking into account the performance and continuing growth of Scientex Group. Further information of the Directors' Fees/Remuneration is set out in the Corporate Governance Overview Statement of the Company's Annual Report 2018.

5. ***Explanatory Notes on Special Business:-***

(i) ***Authority to Directors to Allot and Issue Shares Pursuant to the Companies Act 2016***

Resolution 6, if passed, will empower the Directors to allot and issue shares up to a maximum of ten percent (10%) of the total number of issued shares of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company, without having to convene a general meeting. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 6 December 2017 and which will lapse at the conclusion of the Fiftieth Annual General Meeting.

This is a renewal of general mandate, if approved, will provide flexibility to the Company to avoid any delay and cost in convening a general meeting for such issuance of shares for any possible fund raising exercise(s), including but not limited to placing of shares for the purpose of funding future expansion(s), investment project(s), working capital and/or acquisition(s) and/or for general corporate purposes and/or any strategic reasons.

(ii) ***Proposed Renewal of the Authority to Allot and Issue New Ordinary Shares in the Company ("New Scientex Shares"), for the Purpose of the Company's Dividend Reinvestment Plan ("DRP") that Provides the Shareholders of the Company ("Shareholders") the Option to Elect to Reinvest Their Cash Dividend in New Scientex Shares***

Resolution 7, if approved, will re-new the authority given to the Directors to allot and issue New Scientex Shares pursuant to the DRP under the resolution passed at the Forty-Ninth AGM held on 6 December 2017, the authority of which will lapse at the conclusion of the Fiftieth AGM.

(iii) ***Proposed Renewal of Share Buy-Back Authority***

Resolution 8, if passed, will empower the Company to purchase and/or hold the Company's shares up to ten percent (10%) of the total number of issued shares of the Company by utilising the funds allocated which shall not exceed the total retained earnings of the Company. This authority, unless renewed, revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company. Further information on the Proposed Renewal of Share Buy-Back Authority is set out in the Share Buy-Back Statement dated 5 November 2018, which is dispatched together with the Company's Annual Report 2018.

6. ***Poll Voting***

Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the Resolutions set out in this Notice will be put to vote by poll.

Statement Accompanying Notice Of Annual General Meeting

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements")

1. **Details of individuals who are standing for election as Directors**

   No individual is seeking election as Director at the forthcoming Fiftieth Annual General Meeting of the Company.

2. **Statement relating to the general mandate for issue of securities in accordance with Paragraph 6.03(3) of the Listing Requirements**

   The details of the general mandate are set out in the Notice of Annual General Meeting dated 5 November 2018 under item (i) of the Explanatory Notes on Special Business.

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FORM OF PROXY

SCIENTEX BERHAD
(Company No. 7867-P)
(Incorporated in Malaysia)

I/We ________________________________ I.C. No./Passport No./Company No. ________________

Contact/Mobile Phone No. ________________________ CDS Account No. ________________________

Number of Shares Held ________________________ of ________________________________

____

being a member/members of SCIENTEX BERHAD hereby appoint:-

i) Name of Proxy "A": ________________________ I.C. No./Passport No./Company No. ________________

Address: ____

____________________________ Number of Shares Represented: ________________________

and/or failing him/her,

ii) Name of Proxy "B": ________________________ I.C. No./Passport No./Company No. ________________

Address: ____

____________________________ Number of Shares Represented: ________________________

or failing him/her, the Chairman of the Meeting as my/our proxy, to attend and vote for me/us and on my/our behalf at the Fiftieth Annual General Meeting of the Company to be held at **Scientex Packaging Film Sdn Bhd, Lot 4, Jalan Sungai Pinang 4/3, Seksyen 4, Taman Perindustrian Pulau Indah, 42920 Pelabuhan Klang, Selangor Darul Ehsan** on **Wednesday, 5 December 2018** at **11.00 a.m.** or at any adjournment thereof, in the manner indicated below:-

NO.	RESOLUTIONS	PROXY A		PROXY B	
		FOR	AGAINST	FOR	AGAINST
1.	To approve the declaration of a single tier final dividend of 10 sen per ordinary share.				
2.	To re-elect Mr Lim Peng Cheong as Director of the Company.				
3.	To re-elect Dato' Noorizah Binti Hj Abd Hamid as Director of the Company.				
4.	To approve the payment of Directors' fees of RM476,667.				
5.	To re-appoint Deloitte PLT as the Auditors of the Company and to authorise the Directors to fix their remuneration.				
6.	To authorise the Directors to allot and issue shares pursuant to the Companies Act 2016.				
7.	To approve the Proposed Renewal of Authority to allot and issue new ordinary shares under the Company's Dividend Reinvestment Plan.				
8.	To approve the Proposed Renewal of Share Buy-Back Authority.				

Please indicate with (✓) how you wish your vote to be cast. In the absence of specific instruction, your proxy/proxies will vote or abstain from voting at his/her discretion.

Dated this ____________ day of ____________________ 2018.

____
Signature of Member(s)

Notes:-

1. *A member entitled to attend, participate, speak and vote at the meeting is entitled to appoint at least one (1) proxy to attend, participate, speak and vote in his/her stead and where a member appoints two (2) or more proxies, he/she shall specifies the proportion of his/her shareholdings to be represented by each proxy. A proxy need not be a member of the Company. There is no restriction as to the qualification of the proxy.*
2. *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. The appointment of two (2) or more proxies in respect of any particular securities account or omnibus account shall be invalid unless the authorised nominee or exempt authorised nominee specifies the proportion of its shareholding to be represented by each proxy.*
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4. *The form of proxy must be deposited at the registered office of the Company at No. 9, Persiaran Selangor, Seksyen 15, 40200 Shah Alam, Selangor Darul Ehsan, not less than forty-eight (48) hours before the time appointed for the holding of the meeting or any adjournment thereof.*
5. *In respect of deposited securities, only members whose names appear in the Record of Depositors as at 28 November 2018 shall be regarded as a member and entitled to attend, participate, speak and vote at the meeting or appoint proxy to attend, participate, speak and/or vote on his/her behalf.*
6. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions will be put to vote by poll.*

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COMPANY SECRETARY

SCIENTEX BERHAD (7867-P)

No. 9, Persiaran Selangor

Seksyen 15, 40200 Shah Alam

Selangor Darul Ehsan, Malaysia

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SCIENTEX BERHAD
(7867-P)
No. 9, Persiaran Selangor, Seksyen 15, 40200 Shah Alam, Selangor Darul Ehsan, Malaysia.
Tel: +603-5524 8888/+603-5519 1325 (Hunting Line) Fax: +603-5519 1884 Email: info@scientex.com.my
Website: www.scientex.com.my