## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.11 Financial instruments (continued)

(a) Financial assets (continued)

(ii) Held-to-maturity investments

Financial assets classified as held-to-maturity comprise non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, financial assets classified as held-to-maturity are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as held-to-maturity are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

(iii) Loans and receivables

Financial assets classified as loans and receivables comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition, financial assets classified as loans and receivables are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as loans and receivables are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

(iv) Available-for-sale financial assets

Financial assets classified as available-for-sale comprise non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Subsequent to initial recognition, financial assets classified as available-for-sale are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss whilst dividends on available-for-sale equity instruments are recognised in profit or loss when the right of the Group to receive payment is established.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.11 Financial instruments (continued)

(a) Financial assets (continued)

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three (3) months or less, and are used by the Group and the Company in the management of their short term commitments.

A financial asset is derecognised when the contractual right to receive cash flows from the financial asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised directly in other comprehensive income shall be recognised in profit or loss.

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

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting.

(b) Financial liabilities

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. A financial liability is classified into the following two (2) categories after initial recognition for the purpose of subsequent measurement:

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

Financial liabilities at fair value through profit or loss comprise financial liabilities that are held for trading, derivatives (both, freestanding and embedded) and financial liabilities that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial liabilities classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial liabilities classified as at fair value through profit or loss are recognised in profit or loss.

(ii) Other financial liabilities

Financial liabilities classified as other financial liabilities comprise non-derivative financial liabilities that are neither held for trading nor initially designated as at fair value through profit or loss.

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**4.11 Financial instruments (continued)**

(b) Financial liabilities (continued)

(ii) Other financial liabilities (continued)

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains or losses on other financial liabilities are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Any difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The Group designates corporate guarantees given to banks for credit facilities granted to subsidiaries as insurance contracts as defined in MFRS 4 *Insurance Contracts*. The Group recognises these insurance contracts as recognised insurance liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

At the end of each reporting period, the Group assesses whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If this assessment shows that the carrying amount of the insurance liabilities is inadequate, the entire deficiency shall be recognised in profit or loss.

Recognised insurance liabilities are only removed from the statement of financial position when, and only when, it is extinguished via a discharge, cancellation or expiration.

(c) Equity

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.11 Financial instruments (continued)

(c) Equity (continued)

***Before 31 January 2017***

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity.

***After 31 January 2017***

Ordinary shares are recorded at the proceeds received at issuance and classified as equity. Transaction costs directly related to the issuance of equity instrument are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to profit or loss.

Interim dividends to shareholder are recognised in equity in the period in which they are declared. Final dividends are recognised upon the approval of shareholder in a general meeting.

### 4.12 Impairment of financial assets

The Group assesses whether there is any objective evidence that a financial asset is impaired at the end of each reporting period.

Loans and receivables

The Group collectively considers factors such as the probability of bankruptcy or significant financial difficulties of the receivable, and default or significant delay in payments by receivable, to determine whether there is objective evidence that an impairment loss on loans and receivables has occurred. Other objective evidence of impairment include historical collection rates determined on an individual basis and observable changes in national or local economic conditions that are directly correlated with the historical default rates of receivables.

If any such objective evidence exists, the amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of loans and receivables are reduced through the use of an allowance account.

If in a subsequent period, the amount of the impairment loss decreases and it objectively relates to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of impairment reversed is recognised in profit or loss.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.13 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset is capitalised as part of the cost of the asset until when substantially all the activities necessary to prepare the asset for its intended use or sale are complete, after which such expense is charged to profit or loss. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing cost is suspended during extended periods in which active development is interrupted.

The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on the borrowing during the period less any investment income on the temporary investment of the borrowing.

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

### 4.14 Income taxes

Income taxes include all domestic and foreign taxes on taxable profit. Income taxes also include other taxes, such as withholding taxes, which are payable by foreign subsidiaries on distributions to the Group and Company, and real property gains taxes payable on the disposal of properties.

Taxes in the statements of profit or loss and other comprehensive income comprise current tax and deferred tax.

(a) Current tax

Current tax expenses are determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits (including withholding taxes payable by foreign subsidiaries on distribution of retained earnings to companies in the Group), and real property gains taxes payable on disposal of properties.

(b) Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statements of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.14 Income taxes (continued)

(b) Deferred tax (continued)

A deferred tax asset is recognised only to the extent that it is probable that taxable profits would be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profit would be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset would be reduced accordingly. When it becomes probable that sufficient taxable profit would be available, such reductions would be reversed to the extent of the taxable profits.

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 the deferred income taxes relate to the same taxation authority on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax would be recognised as income or expense and included in the profit or loss for the period unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax would be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on the announcement of tax rates and tax laws by the Government in the annual budgets which have the substantive effect of actual enactment by the end of each reporting period.

### 4.15 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

If the effect of the time value of money is material, the amount of a provision would be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits would be required to settle the obligation, the provision would be reversed.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.15 Provisions (continued)

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Provision for restoration costs

Provision for restoration costs is included in the carrying amounts of property, plant and equipment. This provision is recognised in respect of the obligation of the Group to restore leased outlets to its original state upon the expiry of tenancy agreements.

### 4.16 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence would 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 would be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence would 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 a contingent asset but discloses its existence where the inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date.

### 4.17 Employee benefits

(a) Short term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are expensed when employees rendered their services to the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur and they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Group.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.17 Employee benefits (continued)

(b) Defined contribution plan

The Company and its subsidiaries incorporated in Malaysia make contributions to a statutory provident fund and foreign subsidiaries make contributions to their respective countries' statutory pension schemes. The contributions are recognised as a liability after deducting any contributions already paid and as an expense in the period in which the employees render their services.

### 4.18 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the entities of the Group are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Ringgit Malaysia, which is the functional and presentation currency of the Company.

(b) Foreign currency translations and balances

Transactions in foreign currencies are converted into functional currency at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of each reporting period are translated into functional currency at rates of exchange ruling at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost, are translated using the historical rate as of the date of acquisition, and non-monetary items, which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

(c) Foreign operations

Financial statements of foreign operations are translated at end of the reporting period exchange rates with respect to their assets and liabilities, and at exchange rates at the dates of the transactions with respect to the statement of profit or loss and other comprehensive income. All resulting translation differences are recognised as a separate component of equity.

In the consolidated financial statements, exchange differences arising from the translation of net investment in foreign operations are taken to equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in profit or loss as part of the gain or loss on disposal.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.18 Foreign currencies (continued)

(c) Foreign operations (continued)

Exchange differences arising on a monetary item that forms part of the net investment of the Company in a foreign operation shall be recognised in profit or loss in the separate financial statements of the Company or the foreign operation, as appropriate. In the consolidated financial statements, such exchange differences shall be recognised initially as a separate component of equity and recognised in profit or loss upon disposal of the net investment.

Goodwill and fair value adjustments to the assets and liabilities arising from the acquisition of a foreign operation are treated as assets and liabilities of the acquired entity and translated at the exchange rate ruling at the end of each reporting period.

### 4.19 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of discounts and rebates.

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction would flow to the Group, and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured and specific recognition criteria have been met for each of the activities of the Group as follows:

(a) Sale of goods

Revenue from sale of goods is recognised when significant risk and rewards of ownership of the goods has been transferred to the customer and where the Group does not have continuing managerial involvement over the goods, which coincides with the delivery of goods and acceptance by customers.

(b) Management fee

Management fee are charged on rendering service for management services and are recognised in profit or loss upon performance of services.

(c) Dividend income

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

(d) Rental income

Rental income is accounted for on a straight line basis over the lease term of an ongoing lease.

(e) Other income

Interest income

Interest income is recognised as it accrues, using the effective interest method.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.20 Fair value measurements

The fair value of an asset or a liability, except for lease transactions is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

The Group measures the fair value of an asset or a liability by taking into account the characteristics of the asset or liability if market participants would take these characteristics into account when pricing the asset or liability. The Group has considered the following characteristics when determining fair value:

(a) The condition and location of the asset; and

(b) Restrictions, if any, on the sale or use of the asset.

The fair value measurement for a non-financial asset takes into account the ability of the market participant to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value of a financial or non-financial liability or an entity's own equity instrument assumes that:

(a) A liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date; and

(b) An entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

## 5. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

### 5.1 New MFRSs adopted during the financial year

The Group and Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ("MASB") during the financial year:

| Title | Effective Date |
|---|---|
| MFRS 14 *Regulatory Deferral Accounts* | 1 January 2016 |
| Amendments to MFRS 10, MFRS 12 and MFRS 128 *Investment Entities: Applying the Consolidation Exception* | 1 January 2016 |
| Amendments to MFRS 101 *Disclosure Initiative* | 1 January 2016 |
| Amendments to MFRS 116 and MFRS 138 *Clarification of Acceptable Methods of Depreciation and Amortisation* | 1 January 2016 |
| Amendments to MFRS 11 *Accounting for Acquisitions of Interests in Joint Operations* | 1 January 2016 |
| Amendments to MFRS 116 and MFRS 141 *Agriculture: Bearer Plants* | 1 January 2016 |
| Amendments to MFRS 127 *Equity Method in Separate Financial Statements* | 1 January 2016 |
| Amendments to MFRSs *Annual Improvements to 2012-2014 Cycle* | 1 January 2016 |

There is no material effect upon the adoption of the above Standards and Amendments during the financial year.

## 5. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

### 5.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2017

The following are Standards of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been early adopted by the Group and the Company:

| **Title** | **Effective Date** |
|---|---|
| Amendments to MFRS 112 *Recognition of Deferred Tax Assets for Unrealised Losses* | 1 January 2017 |
| Amendments to MFRS 107 *Disclosure Initiative* | 1 January 2017 |
| Amendments to MFRS 12 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle* | 1 January 2017 |
| Amendments to MFRS 1 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle* | 1 January 2018 |
| MFRS 15 *Revenue from Contracts with Customers* | 1 January 2018 |
| Clarification to MFRS 15 | 1 January 2018 |
| MFRS 9 *Financial Instruments (IFRS as issued by IASB in July 2014)* | 1 January 2018 |
| Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions* | 1 January 2018 |
| Amendments to MFRS 128 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle* | 1 January 2018 |
| IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration* | 1 January 2018 |
| Amendments to MFRS 140 *Transfers of Investment Property* | 1 January 2018 |
| Amendments to MFRS 4 *Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts* | See MFRS 4 Paragraphs 46 and 48 |
| MFRS 16 *Leases* | 1 January 2019 |
| IC Interpretation 23 *Uncertainty over Income Tax Treatments* | 1 January 2019 |
| MFRS 17 *Insurance Contracts* | 1 January 2021 |
| Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associates or Joint Venture* | Deferred |

The Group and the Company are in the process of assessing the impact of implementing these Standards and Amendments, since the effects would only be observable for future financial years.

## 6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the management of the Group and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

**(a) Adequacy of write-down of inventories to net realisable value**

Write-down of inventories to net realisable value was mainly based on management's estimates, which had been derived from expectation of current market prices and future demand.

Management focused on the risk that the carrying amount of inventories may not be stated at the lower of cost and net realisable value, the determination of which requires the management to exercise significant judgement in estimating the net realisable value of the inventories.

In estimating the net realisable value of the inventories, the management considers the inventories' ageing, fashion pattern, current economic trends, and changes in customer preference of the respective inventories.

**(b) Recoverability of trade receivables**

Management recognises allowances for impairment losses on trade receivables based on specific known facts or circumstances or customers' abilities to pay.

The determination of whether the trade receivables are recoverable involves significant management judgement and inherent subjectivity given uncertainty regarding the ability of the trade receivables to settle their debts. Management focused on the risk that the impairment losses on trade receivables may be understated and hence, further impairment losses may be required.

## 7. PROPERTY, PLANT AND EQUIPMENT

| Group | Balance as at 1.7.2016 RM | Additions RM | Transfer from a related company (Note 29(b)) RM | Disposal RM | Written off RM | Depreciation charge for the financial year RM | Balance as at 30.6.2017 RM |
|---|---|---|---|---|---|---|---|
| **Carrying amount** | | | | | | | |
| Long term leasehold land | 2,600,556 | - | - | - | - | (37,826) | 2,562,730 |
| Buildings on freehold land | 22,802,490 | - | - | - | - | (836,092) | 21,966,398 |
| Building on long term leasehold land | 1,600,180 | - | - | - | - | (32,111) | 1,568,069 |
| Electrical installation | 225,188 | 16,736 | 1,804 | - | - | (53,083) | 190,645 |
| Furniture, fittings and counter fixtures | 4,644,207 | 3,152,928 | 39,480 | (15,404) | (6,839) | (1,890,613) | 5,923,759 |
| Motor vehicles under hire purchase and lease | 31,398 | - | - | - | - | (31,397) | 1 |
| Office equipment | 1,176,056 | 338,431 | 15,781 | - | (396) | (439,520) | 1,090,352 |
| Plant and machinery | 19,774 | 7,600 | - | (5,780) | - | (11,174) | 10,420 |
| Renovation | 384,600 | 109,315 | - | - | - | (150,074) | 343,841 |
| | 33,484,449 | 3,625,010 | 57,065 | (21,184) | (7,235) | (3,481,890) | 33,656,215 |

## 7. PROPERTY, PLANT AND EQUIPMENT (continued)

**Group**

| | <------ At 30.6.2017 | ------ | ------> |
|---|---|---|---|
| | **Cost RM** | **Accumulated depreciation RM** | **Carrying amount RM** |
| Long term leasehold land | 2,653,300 | (90,570) | 2,562,730 |
| Buildings on freehold land | 22,802,490 | (836,092) | 21,966,398 |
| Building on long term leasehold land | 1,646,700 | (78,631) | 1,568,069 |
| Electrical installation | 687,498 | (496,853) | 190,645 |
| Furniture, fittings and counter fixtures | 19,596,315 | (13,672,556) | 5,923,759 |
| Motor vehicles under hire purchase and lease | 376,763 | (376,762) | 1 |
| Office equipment | 3,731,895 | (2,641,543) | 1,090,352 |
| Plant and machinery | 214,110 | (203,690) | 10,420 |
| Renovation | 1,766,204 | (1,422,363) | 343,841 |
| | 53,475,275 | (19,819,060) | 33,656,215 |

## 7. PROPERTY, PLANT AND EQUIPMENT (continued)

**Group**

| | Balance as at 1.7.2015 RM | Additions RM | Transfer from a related company (Note 29(b)) RM | Transfer to a related company (Note 29(b)) RM | Disposal RM | Written off RM | Depreciation charge for the financial year RM | Balance as at 30.6.2016 RM |
|---|---|---|---|---|---|---|---|---|
| **Carrying amount** | | | | | | | | |
| Long term leasehold land | 2,606,860 | - | - | - | - | - | (6,304) | 2,600,556 |
| Buildings on freehold land | 22,802,490 | - | - | - | - | - | - | 22,802,490 |
| Building on long term leasehold land | 1,605,532 | - | - | - | - | - | (5,352) | 1,600,180 |
| Electrical installation | 123,205 | 154,677 | - | (6,213) | - | - | (46,481) | 225,188 |
| Furniture, fittings and counter fixtures | 4,498,956 | 2,521,772 | - | (40,737) | - | (72,185) | (2,263,599) | 4,644,207 |
| Motor vehicles | 1,084 | - | - | - | (1) | - | (1,083) | - |
| Motor vehicles under hire purchase and lease | 106,751 | - | - | | - | - | (75,353) | 31,398 |
| Office equipment | 1,012,632 | 575,980 | - | (5,216) | - | (1) | (407,339) | 1,176,056 |
| Plant and machinery | 22,242 | 700 | 11,052 | - | - | - | (14,220) | 19,774 |
| Renovation | 232,724 | 292,781 | - | - | - | - | (140,905) | 384,600 |
| | 33,012,476 | 3,545,910 | 11,052 | (52,166) | (1) | (72,186) | (2,960,636) | 33,484,449 |

## 7. PROPERTY, PLANT AND EQUIPMENT (continued)

**Group**

| | <------ At 30.6.2016 ------> | | |
|---|---|---|---|
| | **Cost RM** | **Accumulated depreciation RM** | **Carrying amount RM** |
| Long term leasehold land | 2,653,300 | (52,744) | 2,600,556 |
| Buildings on freehold land | 22,802,490 | - | 22,802,490 |
| Building on long term leasehold land | 1,646,700 | (46,520) | 1,600,180 |
| Electrical installation | 668,957 | (443,769) | 225,188 |
| Furniture, fittings and counter fixtures | 18,375,676 | (13,731,469) | 4,644,207 |
| Motor vehicles under hire purchase and lease | 376,763 | (345,365) | 31,398 |
| Office equipment | 3,377,912 | (2,201,856) | 1,176,056 |
| Plant and machinery | 33,994 | (14,220) | 19,774 |
| Renovation | 1,656,889 | (1,272,289) | 384,600 |
| | 51,592,681 | (18,108,232) | 33,484,449 |

## 7. PROPERTY, PLANT AND EQUIPMENT (continued)

**Company**

| Carrying amount | Balance as at 1.7.2016 RM | Additions RM | Depreciation charge for the financial year RM | Balance as at 30.6.2017 RM |
|---|---|---|---|---|
| Electrical installation | 41,156 | 6,870 | (7,792) | 40,234 |
| Furniture and fittings | 81,420 | 3,840 | (17,465) | 67,795 |
| Motor vehicles under hire purchase and lease | 31,398 | - | (31,397) | 1 |
| Office equipment | 313,313 | 180,704 | (120,764) | 373,253 |
| Renovation | 31,937 | 94,900 | (17,488) | 109,349 |
| | 499,224 | 286,314 | (194,906) | 590,632 |

| | <—— At 30.6.2017 —— | | —> |
|---|---|---|---|
| | Cost RM | Accumulated depreciation RM | Carrying amount RM |
| Electrical installation | 55,962 | (15,728) | 40,234 |
| Furniture and fittings | 124,221 | (56,426) | 67,795 |
| Motor vehicles under hire purchase and lease | 376,763 | (376,762) | 1 |
| Office equipment | 809,982 | (436,729) | 373,253 |
| Renovation | 159,813 | (50,464) | 109,349 |
| | 1,526,741 | (936,109) | 590,632 |

**Company**

| Carrying amount | Balance as at 1.7.2015 RM | Additions RM | Depreciation charge for the financial year RM | Balance as at 30.6.2016 RM |
|---|---|---|---|---|
| Electrical installation | 1,680 | 44,892 | (5,416) | 41,156 |
| Furniture and fittings | 20,598 | 73,710 | (12,888) | 81,420 |
| Motor vehicles under hire purchase and lease | 106,751 | - | (75,353) | 31,398 |
| Office equipment | 260,127 | 155,094 | (101,908) | 313,313 |
| Renovation | 4 | 38,320 | (6,387) | 31,937 |
| | 389,160 | 312,016 | (201,952) | 499,224 |

## 7. PROPERTY, PLANT AND EQUIPMENT (continued)

| **Company** | **<------------- At 30.6.2016 ------------->** | | |
|---|---|---|---|
| | **Cost RM** | **Accumulated depreciation RM** | **Carrying amount RM** |
| Electrical installation | 49,092 | (7,936) | 41,156 |
| Furniture and fittings | 120,381 | (38,961) | 81,420 |
| Motor vehicles under hire purchase and lease | 376,763 | (345,365) | 31,398 |
| Office equipment | 629,278 | (315,965) | 313,313 |
| Renovation | 64,913 | (32,976) | 31,937 |
| | 1,240,427 | (741,203) | 499,224 |

(a) During the financial year, the Group and the Company made the following cash payments to purchase property, plant and equipment:

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2017 RM** | **2016 RM** | **2017 RM** | **2016 RM** |
| Purchase of property, plant and equipment | 3,682,075 | 3,545,910 | 286,314 | 312,016 |
| Provision for restoration costs capitalised (Note 20) | 11,868 | (231,174) | - | - |
| Unsettled and remained as other payables | (149,458) | (99,772) | - | (25,914) |
| Cash payments on purchase of property, plant and equipment | 3,544,485 | 3,214,964 | 286,314 | 286,102 |

(b) As at the end of the reporting period, carrying amount of property, plant and equipment pledged as securities for banking facilities granted to the Group and the Company as disclosed in Note 19 to the financial statements are as follows:

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2017 RM** | **2016 RM** | **2017 RM** | **2016 RM** |
| Long term leasehold land | 2,562,730 | 2,600,556 | - | - |
| Buildings on freehold land | 20,619,703 | 21,404,090 | - | - |
| Building on long term leasehold land | 1,568,069 | 1,600,180 | - | - |
| | 24,750,502 | 25,604,826 | - | - |

## 8. GOODWILL

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **RM** | **RM** |
| Balance as at 1 July/30 June | 19,750 | 19,750 |

For the purpose of impairment testing, the recoverable amount of the Cash Generating Unit ("CGU") is determined based on a "value-in-use" calculation. The value-in-use of the CGU is determined by discounting the future cash flows to be generated from continuing use of the CGU. The value-in-use is derived based on management's cash flow projections for three (3) financial years from 2018 to 2020.

The key assumptions used in the value-in-use calculations are as follows:

(i) The anticipated average annual revenue growth rates used in the cash flow projections of the was 10.0% (2016: 10.0%) per annum.

(ii) Profit margins are projected based on the historical profit margin achieved for the products.

(iii) Pre-tax discount rate of 6.3% (2016: 6.1%) was applied over the projection periods in determining the recoverable amount of the CGU. The discount rate used is pre-tax and reflects the overall weighted average cost of capital of the holding company.

Based on these assumptions, the Directors are of the view that no impairment loss is required as the recoverable amount determined is higher than the carrying amount of the CGU.

With regard to the assessment of value-in-use of the goodwill, the management believes that no reasonably possible change in any of the above key assumptions would cause the carrying amounts of the CGU to materially exceed their recoverable amounts.

## 9. INVESTMENT PROPERTIES

| **Company** | **Balance as at 1.7.2016 RM** | **Additions RM** | **Disposals RM** | **Balance as at 30.6.2017 RM** |
|---|---|---|---|---|
| **At fair value** | | | | |
| Freehold land and buildings | 22,802,490 | - | - | 22,802,490 |

| | **Balance as at 1.7.2015 RM** | **Additions RM** | **Disposals RM** | **Balance as at 30.6.2016 RM** |
|---|---|---|---|---|
| **At fair value** | | | | |
| Freehold land and buildings | 22,802,490 | - | - | 22,802,490 |

## 9. INVESTMENT PROPERTIES (continued)

(a) As at the end of reporting period, the carrying amount of RM21,404,090 (2016: RM21,404,090) included in investment properties have been pledged as securities for banking facilities granted to the Company as disclosed in Note 19 to the financial statements.

(b) The fair value of investment properties of the Company are categorised as follows:

| | Level 1 RM | Level 2 RM | Level 3 RM | Total RM |
|---|---|---|---|---|
| **2017** | | | | |
| Freehold land and buildings | - | - | 22,802,490 | 22,802,490 |
| **2016** | | | | |
| Freehold land and buildings | - | - | 22,802,490 | 22,802,490 |

(i) There were no transfers between Level 1 and Level 2 fair value measurements during the financial year ended 30 June 2017.

(ii) As at 30 June 2017, the valuation of investment properties at Level 3 fair value amounting to RM22,802,490 (2016: RM22,802,490) were recommended by the Directors based on an indicative market value from the valuation exercise carried out on an open market value basis by an external and independent property valuer having appropriate recognised professional qualifications and recent experience in the location and category of property being valued.

The valuations were made based on the comparison method that makes reference to recent sales transactions of similar properties in the same locality on a price per square feet basis. Adjustments are then made for differences in location, size, facilities available, market conditions and other factors in order to arrive at a common basis.

(iii) The fair value measurements of the investment properties are based on the highest and best use which does not differ from their actual use. The investment properties of the Company are mainly used to generate rental income.

(c) As at the end of reporting period, rental income of the Company derived from the investment properties amounted to RM907,500 (2016: RM678,252).

(d) Direct operating expenses arising from investment properties generating rental income during the financial year are as follows:

| | 2017 RM | 2016 RM |
|---|---|---|
| Building management fee | - | 14,925 |
| Repairs and maintenance | 157,623 | 71,140 |
| Quit rent and assessment | 16,066 | 16,284 |

## 10. INVESTMENTS IN SUBSIDIARIES

| | Company 2017 RM | Company 2016 RM |
|---|---|---|
| Unquoted shares - at cost | 28,120,192 | 27,914,317 |
| Less: Impairment losses | (3,237,065) | (2,500,002) |
| | 24,883,127 | 25,414,315 |

(a) The details of the subsidiaries are as follows:

| Name of company | Country of incorporation | Effective interest in equity 2017 % | Effective interest in equity 2016 % | Principal activities |
|---|---|---|---|---|
| CR Boutique Sdn. Bhd. | Malaysia | 100 | 100 | Retailing of leather goods and apparels |
| CRF Marketing Sdn. Bhd. | Malaysia | 100 | 100 | Designing, promoting and marketing of fashionable ladies' footwear |
| CRL Marketing Sdn. Bhd. | Malaysia | 100 | 100 | Designing, promoting and marketing of fashionable leather goods |
| CRI Sdn. Bhd. | Malaysia | 100 | 100 | Manufacturing and marketing of fashionable goods |
| CRV Sdn. Bhd. ("CRV") | Malaysia | 100 | 100 | Marketing and distribution of fashionable goods and accessories |
| CRG Viet Nam Company Limited ("CRGV") (1) | Vietnam | 99 | 99 | Real estate activities with own or leased property |
| PT CRI Mitra Sejati ("PTCMS") (1) | Indonesia | 100 | 100 | Wholesaling of fashionable goods and accessories |
| CRR Vietnam Co., Ltd ("CRR") (1) | Vietnam | 100 | - | Management consultancy activities and to implement the right of import, distribution, wholesales of goods |

(1) Subsidiaries audited by a firm of auditors other than BDO.

## 10. INVESTMENTS IN SUBSIDIARIES (continued)

(b) During the financial year ended 30 June 2017:

(i) On 18 July 2016, CRR became a wholly-owned subsidiary of the Company via the Company's subscription of 100% equity interest in CRR for a contributed capital of VND1,125,000,000 (approximately RM205,875).

(ii) Impairment losses on investments in subsidiary of CRI amounting to RM737,063 have been recognised due to its recoverable amount being lower than its carrying amount.

(c) In previous financial year:

(i) On 12 April 2016, the Company and CRV had incorporated PTCMS with its intended business activities to engage in the field of wholesale of textile goods, clothing, complementary accessories, footwear, cosmetics, watches, bags and wallets. CRG holds 99.50% of the issued and paid-up capital of PTCMS of IDR2,596,552,000 and the remaining 0.50% equity interest in PTCMS of IDR13,048,000 is held by CRV.

## 11. DEFERRED TAX

(a) The deferred tax assets are as follows:

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| | **RM** | **RM** | **RM** | **RM** |
| Balance as at 1 July 2016/2015 | 540,000 | 574,000 | 31,000 | 22,000 |
| Recognised in profit or loss (Note 27) | 163,000 | (34,000) | 32,000 | 9,000 |
| Balance as at 30 June 2017/2016 | 703,000 | 540,000 | 63,000 | 31,000 |

## 11. DEFERRED TAX (continued)

(b) The components and movements of deferred tax during the financial year prior to offsetting are as follows:

| Group | Property, plant and equipment RM | Other deductible temporary differences RM | Total RM |
|---|---|---|---|
| Balance as at 1 July 2016 | 328,000 | 212,000 | 540,000 |
| Recognised in profit or loss | (144,000) | 307,000 | 163,000 |
| Balance as at 30 June 2017 | 184,000 | 519,000 | 703,000 |
| Balance as at 1 July 2015 | 354,000 | 220,000 | 574,000 |
| Recognised in profit or loss | (26,000) | (8,000) | (34,000) |
| Balance as at 30 June 2016 | 328,000 | 212,000 | 540,000 |

| Company | Property, plant and equipment RM | Other taxable temporary differences RM | Total RM |
|---|---|---|---|
| As at 1 July 2016 | (57,000) | 88,000 | 31,000 |
| Recognised in profit or loss | 34,000 | (2,000) | 32,000 |
| As at 30 June 2017 | (23,000) | 86,000 | 63,000 |
| As at 1 July 2015 | (46,000) | 68,000 | 22,000 |
| Recognised in profit or loss | (11,000) | 20,000 | 9,000 |
| As at 30 June 2016 | (57,000) | 88,000 | 31,000 |

(c) The amounts of temporary differences for which no deferred tax assets had been recognised in the statements of financial position were as follows:

| | Group 2017 RM | Group 2016 RM |
|---|---|---|
| Unused tax losses | 2,534,000 | 3,094,000 |
| Unabsorbed capital allowances | 75,000 | 29,000 |
| Other taxable temporary differences | (102,000) | (11,000) |
| | 2,507,000 | 3,112,000 |

Deferred tax assets of certain subsidiaries have not been recognised in respect of these items as it is not probable that future taxable profits of the subsidiaries would be available against which the deductible temporary differences could be utilised.

The deductible temporary differences do not expire under current tax legislation.

## 12. INVENTORIES

| | Group 2017 RM | Group 2016 RM |
|---|---|---|
| Raw materials | 598,660 | 929,392 |
| Work-in-progress | 16,007 | 30,850 |
| Finished goods | 17,628,690 | 18,127,805 |
| | 18,243,357 | 19,088,047 |

During the financial year, inventories of the Group recognised as cost of sales amounted to RM42,824,667 (2016: RM54,222,865).

## 13. TRADE AND OTHER RECEIVABLES

| | Group 2017 RM | Group 2016 RM | Company 2017 RM | Company 2016 RM |
|---|---|---|---|---|
| **Trade receivables** | | | | |
| Third parties | 14,258,993 | 15,423,066 | - | - |
| Subsidiaries | - | - | 1,325,992 | 1,273,602 |
| Related companies | 1,221,970 | 1,371,470 | 19,000 | 19,000 |
| | 15,480,963 | 16,794,536 | 1,344,992 | 1,292,602 |
| Less: Impairment loss on related companies | (1,092,664) | (1,295,791) | (19,000) | (19,000) |
| | 14,388,299 | 15,498,745 | 1,325,992 | 1,273,602 |
| **Other receivables and deposits** | | | | |
| Amounts owing by related companies | 5,086 | 4,740 | 187 | - |
| Amounts owing by subsidiaries | - | - | 6,698,535 | 1,601,272 |
| Other receivables | 2,645,727 | 444,487 | 16,357 | 11,587 |
| Deposits | 3,216,376 | 2,862,976 | 82,168 | 82,168 |
| | 5,867,189 | 3,312,203 | 6,797,247 | 1,695,027 |
| **Loans and receivables** | 20,255,488 | 18,810,948 | 8,123,239 | 2,968,629 |
| **Prepayments** | 1,981,280 | 2,878,181 | 18,920 | - |
| | 22,236,768 | 21,689,129 | 8,142,159 | 2,968,629 |

(a) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group and by the Company range from 30 to 120 days (2016: 30 to 120 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

## 13. TRADE AND OTHER RECEIVABLES (continued)

(b) Amounts owing by holding company represents advances and payments made on behalf, which are unsecured, interest-free and payable upon demand in cash and cash equivalents.

(c) Non-trade amounts owing by related companies represent advances and payments made on behalf, which are unsecured, interest-free and payable upon demand in cash and cash equivalents.

(d) Non-trade amounts owing by subsidiaries represent advances and payments made on behalf, which are unsecured, interest-free and payable upon demand in cash and cash equivalents.

(e) Information on the financial risks of trade and other receivables is disclosed in Note 31 to the financial statements.

(f) The currency exposure profile receivables (excluding prepayments) are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM | 2016 RM | 2017 RM | 2016 RM |
| Ringgit Malaysia | 14,939,500 | 15,843,746 | 2,550,112 | 2,968,629 |
| Indonesian Rupiah | 2,746,640 | 5,490 | 4,929,027 | - |
| Singapore Dollar | 20,994 | - | - | - |
| U.S. Dollar | 2,252,938 | 2,691,002 | 644,100 | - |
| Vietnamese Dong | 295,416 | 270,710 | - | - |
| | 20,255,488 | 18,810,948 | 8,123,239 | 2,968,629 |

(g) The ageing analysis of trade receivables of the Group and of the Company are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM | 2016 RM | 2017 RM | 2016 RM |
| Neither past due nor impaired | 9,013,612 | 12,415,630 | 1,325,992 | 945,689 |
| Past due, not impaired | | | | |
| 1 to 30 days | 2,403,418 | 763,616 | - | 327,913 |
| 31 to 60 days | 529,058 | 72,781 | - | - |
| 61 to 90 days | 356,447 | 3,416 | - | - |
| More than 90 days | 2,085,764 | 2,243,302 | - | - |
| | 5,374,687 | 3,083,115 | - | - |
| Past due and impaired | 1,092,664 | 1,295,791 | 19,000 | 19,000 |
| | 15,480,963 | 16,794,536 | 1,344,992 | 1,292,602 |

## 13. TRADE AND OTHER RECEIVABLES (continued)

(g) The ageing analysis of trade receivables of the Group and of the Company are as follows (continued):

Receivables that are neither past due nor impaired

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

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

Receivables that are past due but not impaired

Trade receivables that are past due but not impaired mainly arose from customers where the Group has healthy business relationship with, whereby the management is of the opinion that the amount are recoverable based on past payments history.

The trade receivables of the Group that are past due but not impaired are unsecured in nature.

Receivables that are past due and impaired

Trade receivables of the Group and of the Company that are past due and impaired at the end of each reporting period are as follows:

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| | **RM** | **RM** | **RM** | **RM** |
| Trade receivables, gross | 1,092,664 | 1,295,791 | 19,000 | 19,000 |
| Less: Impairment losses | (1,092,664) | (1,295,791) | (19,000) | (19,000) |
| | - | - | - | - |

(h) The reconciliation of movements in the impairment loss is as follows:

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| | **RM** | **RM** | **RM** | **RM** |
| **Trade receivables** | | | | |
| At 1 July | 1,295,791 | 1,092,664 | 19,000 | 19,000 |
| Charge for the financial year | - | 203,127 | - | - |
| Reversal of impairment loss | (203,127) | - | - | - |
| At 30 June | 1,092,664 | 1,295,791 | 19,000 | 19,000 |

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

## 14. CASH AND BANK BALANCES

| | Group 2017 RM | Group 2016 RM | Company 2017 RM | Company 2016 RM |
|---|---|---|---|---|
| Cash and bank balances | 11,749,803 | 12,574,820 | 2,344,156 | 2,340,597 |
| Deposits with licensed bank | 4,814,300 | - | - | - |
| Cash and bank balances | 16,564,103 | 12,574,820 | 2,344,156 | 2,340,597 |

(a) Information on the financial risks of cash and bank balances is disclosed in Note 31 to the financial statements.

(b) The currency exposure profile of the cash and bank balances are as follows:

| | Group 2017 RM | Group 2016 RM | Company 2017 RM | Company 2016 RM |
|---|---|---|---|---|
| Ringgit Malaysia | 12,935,695 | 8,895,247 | 1,142,060 | 979,931 |
| Vietnamese Dong | 1,057,214 | 1,150,408 | 982,611 | 1,149,451 |
| U.S. Dollar | 518,773 | 1,334,781 | 3,997 | 5,388 |
| Chinese Renminbi | 104,563 | 128,441 | 2,891 | - |
| Indonesian Rupiah | 1,843,268 | 1,006,744 | 200,185 | - |
| Others | 104,590 | 59,199 | 12,412 | 205,827 |
| | 16,564,103 | 12,574,820 | 2,344,156 | 2,340,597 |

(c) For the purpose of the statement of cash flows, cash and cash equivalents comprise the following as at the end of each reporting period:

| | Group 2017 RM | Group 2016 RM | Company 2017 RM | Company 2016 RM |
|---|---|---|---|---|
| Cash and bank balances | 11,749,803 | 12,574,820 | 2,344,156 | 2,340,597 |
| Deposits with a licensed bank (not more than 3 months) | 4,814,300 | - | - | - |
| | 16,564,103 | 12,574,820 | 2,344,156 | 2,340,597 |

## 15. SHARE CAPITAL

| | Company 2017 Number of shares | Company 2017 RM | Company 2016 Number of shares | Company 2016 RM |
|---|---|---|---|---|
| **Ordinary shares:** | | | | |
| Issued and fully paid | 20,000,000 | 20,000,000 | 20,000,000 | 20,000,000 |

The holder of ordinary shares of the Company is entitled to receive dividends as and when declared by the Company and is entitled to one (1) vote per ordinary share at general meetings of the Company. All ordinary shares rank pari passu with regard to the residual assets of the Company.

Upon the enforcement of the Companies Act 2016 ("CA2016") on 31 January 2017:

(a) the Company is no longer required to state its authorised capital;

(b) the Company's share capital is in a no par value regime since 31 January 2017; and

(c) the Company's share capital is not affected by Section 618 of the CA2016 as there is no amount standing to the credit of the Company's share premium account and capital redemption reserve upon the enforcement of the CA2016.

## 16. RESERVES

| | Group 2017 RM | Group 2016 RM | Company 2017 RM | Company 2016 RM |
|---|---|---|---|---|
| **Non-distributable** | | | | |
| Exchange translation reserve | 296,711 | 261,341 | - | - |
| **Distributable** | | | | |
| Retained earnings | 48,001,226 | 44,667,503 | 23,126,835 | 18,501,933 |
| | 48,297,937 | 44,928,844 | 23,126,835 | 18,501,933 |

Exchange translation reserve

The exchange translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of a foreign operation whose functional currencies is different from that of the presentation currency of the Group. It is also used to record the exchange differences arising from monetary items which form part of the net investment of the Group in the foreign operation, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

## 17. BORROWINGS

| | Note | Group 2017 RM | Group 2016 RM | Company 2017 RM | Company 2016 RM |
|---|---|---|---|---|---|
| **Current liabilities** | | | | | |
| **Secured** | | | | | |
| Hire purchase and lease creditor | 18 | - | 31,031 | - | 31,031 |
| Term loans | 19 | 684,211 | 651,991 | 477,523 | 454,341 |
| | | 684,211 | 683,022 | 477,523 | 485,372 |
| **Non-current liabilities** | | | | | |
| **Secured** | | | | | |
| Term loans | 19 | 15,914,003 | 16,634,442 | 13,146,295 | 13,656,109 |
| **Total borrowings** | | | | | |
| Hire purchase and lease creditor | 18 | - | 31,031 | - | 31,031 |
| Term loans | 19 | 16,598,214 | 17,286,433 | 13,623,818 | 14,110,450 |
| | | 16,598,214 | 17,317,464 | 13,623,818 | 14,141,481 |

(a) All borrowings are denominated in RM.

(b) Information on financial risks of borrowings is disclosed in Note 31 to the financial statements.

## 18. HIRE PURCHASE AND LEASE CREDITOR

| | Group and Company 2017 RM | Group and Company 2016 RM |
|---|---|---|
| Minimum hire purchase and lease payments: | | |
| - not later than one (1) year | - | 32,423 |
| - later than one (1) year but not later than (5) five years | - | - |
| Total minimum hire purchase and lease payments | - | 32,423 |
| Less: Future interest charges | - | (1,392) |
| Present value of hire purchase and lease payments | - | 31,031 |

## 18. HIRE PURCHASE AND LEASE CREDITOR (continued)

| | Group and Company 2017 RM | Group and Company 2016 RM |
|---|---|---|
| Repayable as follows: | | |
| **Current liabilities** | | |
| - not later than one (1) year | - | 31,031 |
| **Non-current liabilities** | | |
| - later than one (1) year but not later than (5) five years | - | - |
| | - | 31,031 |

## 19. TERM LOANS

| | Group 2017 RM | Group 2016 RM | Company 2017 RM | Company 2016 RM |
|---|---|---|---|---|
| **Secured** | | | | |
| Term loan I is repayable as follows: - 240 equal monthly instalments of RM91,894 each commencing December 2014 | 13,623,818 | 14,110,450 | 13,623,818 | 14,110,450 |
| Term loan II is repayable as follows: - 180 monthly instalments of RM27,774 each commencing November 2013 | 2,974,396 | 3,175,983 | - | - |
| | 16,598,214 | 17,286,433 | 13,623,818 | 14,110,450 |
| Repayable as follows: | | | | |
| **Current liabilities** | | | | |
| - not later than one (1) year | 684,211 | 651,991 | 477,523 | 454,341 |
| **Non-current liabilities** | | | | |
| - later than one (1) year but not later than five (5) years | 3,072,013 | 2,927,327 | 2,148,664 | 2,044,356 |
| - later than five (5) years | 12,841,990 | 13,707,115 | 10,997,631 | 11,611,753 |
| | 15,914,003 | 16,634,442 | 13,146,295 | 13,656,109 |
| | 16,598,214 | 17,286,433 | 13,623,818 | 14,110,450 |

## 19. TERM LOANS (continued)

Term loan I is secured by means of legal charges over freehold land and buildings of the Group (Note 7) and investment properties of the Company (Note 9) and is guaranteed by its holding company.

Term loan II is secured by means of legal charges over leasehold land and buildings of a subsidiary (Note 7) and is guaranteed by the Company.

As at the end of the reporting period, total of RM46,527 (2016: RM46,527) and RM35,578 (2016: RM35,578) of the Group and of the Company respectively have been drawdown in regards to Term loans I and II.

## 20. PROVISION FOR RESTORATION COSTS

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **RM** | **RM** |
| **Non-current** | | |
| Provision for restoration costs | 586,538 | 601,135 |
| **Current** | | |
| Provision for restoration costs | 51,528 | - |
| | 638,066 | 601,135 |

(a) Provision for restoration costs comprises estimates of reinstatement costs for stores upon termination of tenancy.

(b) A reconciliation of the provision for restoration costs is as follows:

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **RM** | **RM** |
| Balance as at 1 July 2016/2015 | 601,135 | 354,735 |
| Recognised in property, plant and equipment (Note 7) | (11,868) | 231,174 |
| Recognised in profit or loss | 48,799 | 15,226 |
| Balance as at 30 June 2017/2016 | 638,066 | 601,135 |

## 21. TRADE AND OTHER PAYABLES

| | Group 2017 RM | Group 2016 RM | Company 2017 RM | Company 2016 RM |
|---|---|---|---|---|
| **Trade payables** | | | | |
| Third parties | 2,700,935 | 1,675,495 | - | - |
| Related companies | 11,583 | - | - | - |
| | 2,712,518 | 1,675,495 | - | - |
| **Other payables, deposits and accruals** | | | | |
| Amounts owing to related companies | 597,940 | 380,197 | 449,714 | 282,446 |
| Amounts owing to subsidiaries | - | - | 1,124,317 | 876,014 |
| Other payables | 2,078,341 | 990,116 | 89,074 | 93,393 |
| Deposits | 60,500 | 686,625 | - | - |
| Accruals | 2,162,991 | 1,173,841 | 345,806 | 275,888 |
| | 4,899,772 | 3,230,779 | 2,008,911 | 1,527,741 |
| | 7,612,290 | 4,906,274 | 2,008,911 | 1,527,741 |

(a) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 90 days (2016: 30 to 90 days).

(b) Non-trade amounts owing to related companies represent advances and payments made on behalf, which are unsecured, interest-free and payable upon demand in cash and cash equivalents.

(c) Amounts owing to subsidiaries represent advances and payments made on behalf, which are unsecured, interest-free and payable upon demand in cash and cash equivalents.

(d) Information on the financial risks of trade and other payables is disclosed in Note 31 to the financial statements.

(e) The currency exposure profile of payables are as follows:

| | Group 2017 RM | Group 2016 RM | Company 2017 RM | Company 2016 RM |
|---|---|---|---|---|
| Ringgit Malaysia | 6,191,959 | 4,178,792 | 886,250 | 651,727 |
| Vietnamese Dong | 1,181,951 | 47,015 | 1,122,660 | 876,014 |
| Singapore Dollar | 115,091 | 45,912 | - | - |
| U.S. Dollar | 89,924 | 606,297 | - | - |
| Chinese Renminbi | 17,891 | - | - | - |
| Indonesian Rupiah | 15,474 | 28,258 | - | - |
| | 7,612,290 | 4,906,274 | 2,008,910 | 1,527,741 |

## 22. COMMITMENTS

(a) Operating lease commitments

The Group had entered into non-cancellable lease arrangements for boutiques and hostels, resulting in future rental commitments. The Group has aggregate future minimum lease commitments as at the end of each reporting period as follows:

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **RM** | **RM** |
| Not later than one (1) year | 8,608,217 | 4,950,119 |
| Later than one (1) year but not later than five (5) years | 4,749,089 | 2,202,194 |
| | 13,357,306 | 7,152,313 |

Certain lease rentals are subject to contingent rental, which are determined based on a percentage of sales generated from boutiques.

## 23. CONTINGENT LIABILITIES

**Company - Unsecured**

As at 30 June 2017, the Company has given a corporate guarantee amounting to RM3,655,000 (2016: RM3,655,000) to a financial institution for a banking facility granted to and utilised by a subsidiary. The amount of the banking facility utilised by a subsidiary as at the end of each reporting period is as follows:

| | **2017** | **2016** |
|---|---|---|
| | **RM** | **RM** |
| Secured borrowing | 2,974,396 | 3,175,893 |

The Directors are of the view that the chance of the financial institution to call upon the corporate guarantee is remote. Accordingly, the Directors are of the view that the fair value of the above corporate guarantee for banking facility of a subsidiary is negligible.

## 24. REVENUE

| | Group | | Company | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| | **RM** | **RM** | **RM** | **RM** |
| Management fee | - | - | 8,108,020 | 7,453,800 |
| Rental income | - | - | 907,500 | 678,252 |
| Sale of goods | 95,314,951 | 112,751,683 | - | - |
| Dividend income from unquoted investments in subsidiaries | - | - | 5,000,000 | 9,500,003 |
| | 95,314,951 | 112,751,683 | 14,015,520 | 17,632,055 |

## 25. COST OF SALES

| | Group 2017 RM | Group 2016 RM |
|---|---|---|
| Inventories sold | 42,824,667 | 54,222,865 |

## 26. PROFIT BEFORE TAX

Other than those disclosed elsewhere in the financial statements, the profit before tax is arrived at:

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM | 2016 RM | 2017 RM | 2016 RM |
| After charging: | | | | |
| Auditors' remuneration: | | | | |
| - statutory | | | | |
| - current year | 73,904 | 57,791 | 8,500 | 8,100 |
| - non statutory | | | | |
| - current year | 10,450 | 8,500 | - | - |
| - under provision in prior year | - | 11,733 | - | - |
| Interest expense on: | | | | |
| - bank guarantees | 965 | - | - | - |
| - bank overdrafts | - | 232 | - | - |
| - bankers' acceptances | - | 58,103 | - | - |
| - hire purchase and lease creditor | 395 | 2,823 | 395 | 2,823 |
| - term loans | 701,015 | 796,464 | 580,391 | 658,058 |
| Realised loss on foreign exchange | 51,652 | 58,279 | - | - |
| Rental commission | 1,044,109 | 1,037,706 | - | - |
| Rental of premises paid/ payable to: | | | | |
| - related companies | 1,082,092 | 1,416,538 | 293,308 | 211,499 |
| - others | 8,604,261 | 8,386,856 | - | - |
| Unrealised loss on foreign exchange | 171,243 | 7,604 | 303,556 | - |
| And crediting: | | | | |
| Gain on disposal of property, plant and equipment | 7,490 | 4,716 | - | - |
| Interest income from deposits with licensed banks | 48,419 | 752 | 1 | 1 |
| Realised gain on foreign exchange | 64,196 | 360,947 | - | 1,167 |

## 26. PROFIT BEFORE TAX (continued)

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2017 | 2016 | 2017 | 2016 |
| | Note | RM | RM | RM | RM |
| And crediting: (continued) | | | | | |
| Rental of premises received/ receivable from : | | | | | |
| - a related company | | - | 3,000 | - | - |
| - subsidiaries | | - | - | 907,500 | 678,252 |
| Unrealised gain on foreign exchange | | - | 116,074 | - | 60,412 |

## 27. TAX EXPENSE

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | RM | RM | RM | RM |
| Current tax expense based on profit for the financial year | 2,001,000 | 3,518,000 | 276,000 | 97,000 |
| Over-provision in prior years | (249,060) | (83,917) | (1,929) | (11,420) |
| | 1,751,940 | 3,434,083 | 274,071 | 85,580 |
| Deferred tax (Note 11) | | | | |
| Relating to origination and reversal of temporary differences | (149,000) | 110,000 | (49,000) | 75,000 |
| (Over)/Under-provision in prior years | (14,000) | (76,000) | 17,000 | (84,000) |
| | (163,000) | 34,000 | (32,000) | (9,000) |
| | 1,588,940 | 3,468,083 | 242,071 | 76,580 |

The Malaysian income tax is calculated at the statutory tax rate of 24% (2016: 24%) of the estimated taxable profits for the fiscal year.

## 27. TAX EXPENSE (continued)

The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rates of the Group and of the Company are as follows:

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2017 RM** | **2016 RM** | **2017 RM** | **2016 RM** |
| Profit before tax | 4,922,663 | 14,432,719 | 4,866,974 | 10,021,551 |
| Tax at Malaysian statutory tax rate of 24% (2016: 24%) | 1,181,439 | 3,463,853 | 1,168,074 | 2,405,172 |
| Tax effects in respect of: | | | | |
| Non-allowable expenses | 779,290 | 348,252 | 260,966 | 48,773 |
| Non-taxable income | (2,040) | (1,945) | (1,202,040) | (2,281,945) |
| Lower tax rates in foreign jurisdiction | 38,511 | - | - | - |
| Deferred tax assets not recognised | 3,488 | 16,320 | - | - |
| Utilisation of previously unrecognised deferred tax assets | (148,688) | (198,480) | - | - |
| | 1,852,000 | 3,628,000 | 227,000 | 172,000 |
| Over-provision of tax expense in prior years | (249,060) | (83,917) | (1,929) | (11,420) |
| (Over)/Under-provision of deferred tax in prior years | (14,000) | (76,000) | 17,000 | (84,000) |
| | 1,588,940 | 3,468,083 | 242,071 | 76,580 |

Tax savings of the Group are as follows:

| | **Group** | |
|---|---|---|
| | **2017 RM** | **2016 RM** |
| Arising from utilisation of previously unrecognised deferred tax assets | 148,688 | 198,480 |

Tax on each component of other comprehensive income is as follows:

| | **Group** | | |
|---|---|---|---|
| | **Before tax RM** | **Tax effect RM** | **After tax RM** |
| **Items that may be reclassified subsequently to profit or loss** | | | |
| **2017** | | | |
| Foreign currency translations | 35,370 | - | 35,370 |
| **2016** | | | |
| Foreign currency translations | 42,884 | - | 42,884 |

## 28. EMPLOYEE BENEFITS

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM | 2016 RM | 2017 RM | 2016 RM |
| Wages, salaries and bonuses | 11,319,470 | 9,357,582 | 3,212,402 | 2,573,484 |
| Contributions to defined contribution plan | 1,712,970 | 1,502,382 | 455,577 | 367,569 |
| Social security contributions | 205,919 | 168,058 | 33,360 | 25,184 |
| Other benefits | 3,696,945 | 3,597,896 | 309,262 | 299,264 |
| | 16,935,304 | 14,625,918 | 4,010,601 | 3,265,501 |

Included in the employee benefits of the Group and of the Company are Executive Directors' remuneration amounting to RM1,179,888 (2016: RM1,185,173) and RM758,449 (2016: RM726,670) respectively.

## 29. RELATED PARTIES DISCLOSURES

(a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties could be individuals or other entities.

Related parties of the Company include:

(i) Its holding company, subsidiaries, fellow subsidiaries, and associates;

(ii) Any entities with joint control of, or significant influence over the Company;

(iii) Joint venture in which the Company is a joint venturer; and

(iv) Key management personnel of the Company or its holding company.

Related parties other than those disclosed elsewhere in the financial statements and their relationship with the Group are as follows:

| **Related parties** | **Relationship** |
|---|---|
| Bonia International Holdings Pte. Ltd. | A company in which a Director, who is also a substantial shareholder of the holding company has substantial financial interests. |

**29. RELATED PARTIES DISCLOSURES (continued)**

(b) In addition to the transactions and balances detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

| | Group | | Company | |
|---|---|---|---|---|
| | **2017 RM** | **2016 RM** | **2017 RM** | **2016 RM** |
| **Received/receivable from subsidiaries of holding company** | | | | |
| Counter commission | 32,989 | 37,381 | - | - |
| Rental income | - | 3,000 | - | - |
| Sale of goods | 371,492 | 577,182 | - | - |
| Property, plant and equipment | - | 52,166 | - | - |
| **Received/receivable from subsidiaries** | | | | |
| Dividend income | - | - | 5,000,000 | 9,500,003 |
| Maintenance fees | - | - | 301,442 | 200,962 |
| Management fees | - | - | 8,108,020 | 7,453,800 |
| Rental income | - | - | 907,500 | 678,252 |
| **Paid/payable to subsidiaries of holding company** | | | | |
| Management fees | 2,149,000 | 2,470,000 | 2,149,000 | 2,470,000 |
| Counter commission | 33,700 | 51,875 | - | - |
| Rental fees | 1,071,895 | 1,413,817 | 293,308 | 211,499 |
| Staff voucher | 78,865 | 13,622 | 10,565 | 8,486 |
| Property, plant and equipment (Note 7) | 57,065 | 11,052 | - | - |
| Purchase of goods | 370,550 | 7,946 | - | - |
| **Paid/payable to other related parties** | | | | |
| Royalties | | | | |
| - Bonia International Holdings Pte. Ltd. | 50,278 | 46,884 | - | - |

Save for the dividend income and payment, the related parties transactions described above were carried out in the normal course of business and have been established under negotiated and mutually agreed terms.

## 29. RELATED PARTY DISCLOSURES (continued)

(c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any director (whether executive or otherwise) of the Group and of the Company.

The remuneration of Directors during the financial year was as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2017** **RM** | **2016** **RM** | **2017** **RM** | **2016** **RM** |
| Director fees | 31,000 | 84,000 | 12,000 | 12,000 |
| Short term employee benefits | 1,022,454 | 973,640 | 665,221 | 636,827 |
| Contributions to defined contribution plan | 126,434 | 127,533 | 81,228 | 77,843 |
| | 1,179,888 | 1,185,173 | 758,449 | 726,670 |

## 30. FINANCIAL INSTRUMENTS

(a) Capital management

The primary objective of the capital management of the Group is to ensure that entities of the Group would be able to continue as going concerns whilst maximising the return to shareholder through the optimisation of the debt and equity balance. The overall strategy of the Group remains unchanged from that in the previous year.

The Group manages its capital structure and makes adjustments to it in response to economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholder, return capital to shareholder or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 30 June 2017 and 30 June 2016.

The Group is not subject to any externally imposed capital requirements.

## 30. FINANCIAL INSTRUMENTS (continued)

(b) Financial instruments

| **Group** | **Loans and receivables** | |
|---|---|---|
| | **2017** | **2016** |
| | **RM** | **RM** |
| **Financial assets** | | |
| Trade and other receivables, net of prepayments | 20,255,488 | 18,810,948 |
| Cash and bank balances | 16,564,103 | 12,574,820 |
| | 36,819,591 | 31,385,768 |

| | **Other financial liabilities** | |
|---|---|---|
| | **2017** | **2016** |
| | **RM** | **RM** |
| **Financial liabilities** | | |
| Borrowings | 16,598,214 | 17,317,464 |
| Trade and other payables | 7,612,290 | 4,906,274 |
| | 24,210,504 | 22,223,738 |

| **Company** | **Loans and receivables** | |
|---|---|---|
| | **2017** | **2016** |
| | **RM** | **RM** |
| **Financial assets** | | |
| Trade and other receivables, net of prepayments | 8,123,239 | 2,968,629 |
| Cash and bank balances | 2,344,156 | 2,340,597 |
| | 10,467,395 | 5,309,226 |

| | **Other financial liabilities** | |
|---|---|---|
| | **2017** | **2016** |
| | **RM** | **RM** |
| **Financial liabilities** | | |
| Borrowings | 13,623,818 | 14,141,481 |
| Trade and other payables | 2,008,911 | 1,527,741 |
| | 15,632,729 | 15,669,222 |

**30. FINANCIAL INSTRUMENTS (continued)**

(c) Methods and assumptions used to estimate fair value

The fair values of financial assets and financial liabilities are determined as follows:

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

The carrying amounts of financial assets and liabilities, such as trade and other receivables, trade and other payables and borrowings, are reasonable approximation of fair value, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

The carrying amounts of the current portion of loans and borrowings are reasonable approximations of fair values due to insignificant impact of discounting.

ii. Hire purchase and lease creditors

The fair values of these financial instruments are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the end of each reporting period.

(d) Fair value hierarchy

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**30. FINANCIAL INSTRUMENTS (continued)**

(d) Fair value hierarchy (continued)

The following tables set out the financial instruments carried at fair values and those not carried at fair values for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

| **Group and Company** | **Fair values of financial instruments carried at fair value** | | | | **Fair values of financial instruments not carried at fair value** | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** | **Level 1** | **Level 2** | **Level 3** | **Total** | **Total fair value** | **Carrying amount** |
| | **RM** | **RM** | **RM** | **RM** | **RM** | **RM** | **RM** | **RM** | **RM** | **RM** |
| **2016** | | | | | | | | | | |
| **Financial liability** | | | | | | | | | | |
| **Other financial liability** | | | | | | | | | | |
| Hire purchase and lease creditor | - | - | - | - | - | 31,426 | - | 31,426 | 31,426 | 31,031 |

## 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial risk management objective of the Group is to safeguard the shareholders' investment and the Group's assets whilst minimising the potential adverse impact arising from fluctuations in foreign currency exchange and interest rates and the unpredictability of the financial markets.

The Group operates within an established risk management framework and clearly defined guidelines set by its holding company. Financial risk management is carried out through risk review programs and internal control systems. The Group is exposed to financial risks arising from its operations and the use of financial instruments, mainly to credit risk, liquidity and cash flow risk, interest rate risk and foreign currency risk. Information on the management of the related exposures is detailed below.

(i) Credit risk

Cash deposits and trade receivables could give rise to credit risk, which requires the loss to be recognised if a counter party fails to perform as contracted. The counter parties are major international institutions and reputable multinational organisations. It is the policy of the Group to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

The Group's primary exposure to credit risk arises through its trade receivables while the Company's primary exposure is through the amounts owing by subsidiaries. The trading terms of the Group with its customers are mainly on credit, except for boutique sales, where the transactions are done in cash term. The credit period is generally for a period of 30 days, extending up to 120 days for major customers. Each customer has a maximum credit limit and the Group seek to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management.

Exposure to credit risk

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

Credit risk concentration profile

At the end of each reporting period, there were no significant concentration of credit risk for the Group and the Company other than the amounts owing by subsidiaries.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 13 to the financial statements. Deposits with licensed banks and other financial institutions that are neither past due nor impaired are placed with reputable financial institutions with no history of default.

## 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Credit risk (continued)

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 13 to the financial statements.

(ii) Liquidity and cash flow risk

The Group actively manages its debt maturity profile, operating cash flows and availability of funding so as to ensure that all operating, investing and financing needs are met. In executing its liquidity risk management strategy, the Group measures and forecasts its cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the activities of the Group.

The table below summarises the maturity profile of the liabilities of the Group and of the Company at the end of each reporting period based on contractual undiscounted repayment obligations.

| | **On demand or within one year RM** | **One to five years RM** | **Over five years RM** | **Total RM** |
|---|---|---|---|---|
| **As at 30 June 2017** | | | | |
| **Group** | | | | |
| **Financial liabilities** | | | | |
| Trade and other payables | 7,612,290 | - | - | 7,612,290 |
| Borrowings | 1,436,016 | 5,744,064 | 16,912,611 | 24,092,691 |
| Total undiscounted financial liabilities | 9,048,306 | 5,744,064 | 16,912,611 | 31,704,981 |
| **Company** | | | | |
| **Financial liabilities** | | | | |
| Trade and other payables | 2,008,911 | - | - | 2,008,911 |
| Borrowings | 1,102,728 | 4,410,912 | 14,795,076 | 20,308,716 |
| Financial guarantee | 206,688 | 923,349 | 1,844,359 | 2,974,396 |
| Total undiscounted financial liabilities | 3,318,327 | 5,334,261 | 16,639,435 | 25,292,023 |

## 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Liquidity and cash flow risk (continued)

The table below summarises the maturity profile of the liabilities of the Group and of the Company at the end of each reporting period based on contractual undiscounted repayment obligations (continued).

| | On demand or within one year RM | One to five years RM | Over five years RM | Total RM |
|---|---|---|---|---|
| **As at 30 June 2016** | | | | |
| **Group** | | | | |
| **Financial liabilities** | | | | |
| Trade and other payables | 4,906,274 | - | - | 4,906,274 |
| Borrowings | 1,467,047 | 5,744,064 | 17,731,000 | 24,942,111 |
| Total undiscounted financial liabilities | 6,373,321 | 5,744,064 | 17,731,000 | 29,848,385 |
| **Company** | | | | |
| **Financial liabilities** | | | | |
| Trade and other payables | 1,527,741 | - | - | 1,527,741 |
| Borrowings | 1,133,759 | 4,410,912 | 15,273,701 | 20,818,372 |
| Financial guarantee | 197,650 | 882,972 | 2,095,361 | 3,175,983 |
| Total undiscounted financial liabilities | 2,859,150 | 5,293,884 | 17,369,062 | 25,522,096 |

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments of the Group and of the Company would fluctuate because of changes in market interest rates.

The exposure of the Group and of the Company to interest rate risk relates primarily to their interest-bearing borrowings on floating rates. The Group does not use derivative financial instruments to hedge this risk.

The following table demonstrates the sensitivity analysis of the Group and Company if interest rates at the end of each reporting period changed by fifty (50) basis points with all other variables held constant:

## 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iii) Interest rate risk (continued)

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| | **RM** | **RM** | **RM** | **RM** |
| **Profit after tax** | | | | |
| - increase by 0.5% (2016: 0.5%) | (63,073) | (65,688) | (51,771) | (53,620) |
| - decrease by 0.5% (2016: 0.5%) | 63,073 | 65,688 | 51,771 | 53,620 |

The sensitivity is lower in 2017 than in 2016 because of a decrease in outstanding borrowings during the financial year. The assumed movement in basis points for interest rate sensitivity analysis is based on current observable market environment.

## 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iii) Interest rate risk (continued)

The following table set out the carrying amounts, the weighted average effective interest rate as at the end of each reporting period and the remaining maturities of the financial instruments of the Group and of the Company that are exposed to interest rate risk:

| | Note | Weighted average effective interest rate % | Within 1 year RM | 1 - 2 years RM | 2 - 3 years RM | 3 - 4 years RM | 4 - 5 years RM | More than 5 years RM | Total RM |
|---|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | | |
| **At 30 June 2017** | | | | | | | | | |
| **Fixed rate** | | | | | | | | | |
| Deposits with licensed bank | 14 | 3.18 | 4,814,300 | - | - | - | - | - | 4,814,300 |
| **Floating rate** | | | | | | | | | |
| Term loans | 19 | 4.61 | (684,211) | (716,225) | (749,444) | (784,809) | (821,535) | (12,841,990) | (16,598,214) |

## 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iii) Interest rate risk (continued)

The following table set out the carrying amounts, the weighted average effective interest rate as at the end of each reporting period and the remaining maturities of the financial instruments of the Group and of the Company that are exposed to interest rate risk (continued):

| | Note | Weighted average effective interest rate % | Within 1 year RM | 1 - 2 years RM | 2 - 3 years RM | 3 - 4 years RM | 4 - 5 years RM | More than 5 years RM | Total RM |
|---|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | | |
| **At 30 June 2016** | | | | | | | | | |
| **Fixed rate** | | | | | | | | | |
| Hire purchase and lease creditor | 18 | 4.66 | (31,031) | - | - | - | - | - | (31,031) |
| **Floating rate** | | | | | | | | | |
| Term loans | 19 | 4.60 | (651,991) | (682,496) | (714,430) | (747,561) | (782,840) | (13,707,115) | (17,286,433) |

## 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iii) Interest rate risk (continued)

The following table set out the carrying amounts, the weighted average effective interest rate as at the end of each reporting period and the remaining maturities of the financial instruments of the Group and of the Company that are exposed to interest rate risk (continued):

| | Note | Weighted average effective interest rate % | Within 1 year RM | 1 - 2 years RM | 2 - 3 years RM | 3 - 4 years RM | 4 - 5 years RM | More than 5 years RM | Total RM |
|---|---|---|---|---|---|---|---|---|---|
| **Company** | | | | | | | | | |
| **At 30 June 2017** | | | | | | | | | |
| **Floating rate** | | | | | | | | | |
| Term loan | 19 | 4.65 | (477,523) | (500,270) | (524,102) | (549,068) | (575,224) | (10,997,631) | (13,623,818) |
| **At 30 June 2016** | | | | | | | | | |
| **Fixed rate** | | | | | | | | | |
| Hire purchase and lease creditor | 18 | 4.66 | (31,031) | - | - | - | - | - | (31,031) |
| **Floating rate** | | | | | | | | | |
| Term loan | 19 | 4.65 | (454,341) | (475,984) | (498,659) | (522,413) | (547,300) | (11,611,753) | (14,110,450) |

## 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iv) Foreign currency exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument would fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign currency exchange risk as a result of certain transactions of the Group which are denominated in foreign currencies. The Group monitors the movement in foreign currency exchange rates closely to ensure their exposures are minimised.

The Group also holds cash and bank balances denominated in foreign currencies for working capital purposes.

The Group did not enter into any material forward foreign exchange contract in the current financial year.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group and the Company to a reasonably possible change in the U.S. Dollar ('USD') and Vietnamese Dong ('VND') exchange rates against the respective functional currencies of the Group entities, with all other variables held constant:

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2017 | 2016 | 2017 | 2016 |
| **Profit after tax** | | **RM** | **RM** | **RM** | **RM** |
| USD/RM | - strengthen by 3% (2016: 3%) | 61,145 | 77,964 | 4,564 | 4,578 |
| | - weaken by 3% (2016: 3%) | (61,145) | (77,964) | (4,564) | (4,578) |
| IDR/RM | - strengthen by 3% (2016: 3%) | 104,297 | 22,139 | 91 | 100 |
| | - weaken by 3% (2016: 3%) | (104,297) | (22,139) | (91) | (100) |
| VND/RM | - strengthen by 3% (2016: 3%) | 3,891 | 31,330 | 3,193 | 6,257 |
| | - weaken by 3% (2016: 3%) | (3,891) | (31,330) | (3,193) | (6,257) |

## 32. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

On 12 July 2017, the issued and paid-up share capital of PTCMS was increased from USD200,000 to USD890,000 by way of an issuance of 690,000 ordinary shares through the capitalisation of the amounts due from PTCMS to the Company.

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 30 JUNE 2017 TOGETHER WITH THE ACCOMPANYING NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON**

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Malaysia

The Board of Directors
Bonia Corporation Berhad
Level 6, Ikon Connaught,
Lot 160, Jalan Cerdas,
Taman Connaught, Cheras,
56000 Kuala Lumpur.

Date: 4 May 2018

Dear Sirs

**BONIA CORPORATION BERHAD ("BONIA" OR "THE COMPANY") AND ITS SUBSIDIARIES**
**REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2017**

We have completed our assurance engagement to report on the compilation of the Pro Forma Consolidated Statements of Financial Position of Bonia and its subsidiaries ("Bonia Group" or "the Group") as at 30 June 2017 and its related notes prepared by the Directors of Bonia.

The Pro Forma Consolidated Statements of Financial Position of the Group and its related notes as at 30 June 2017, as set out in Appendix I for which we have stamped for the purpose of identification, have been compiled by the Directors of the Company for inclusion in the Circular to Shareholders ("Circular") to be dated 8 May 2018 in connection with the proposed demerger of the subsidiaries of Bonia, CRG Incorporated Sdn. Bhd. ("CRG") and its subsidiaries ("collectively as CRG Group") ("Proposed Demerger") for the purpose of the proposed listing of CRG Group on the LEAP Market of Bursa Malaysia Securities Berhad ("Proposed Listing").

The applicable criteria on the basis of which the Directors of Bonia have compiled the Pro Forma Consolidated Statements of Financial Position are described in the notes to the Pro Forma Consolidated Statements of Financial Position in Appendix I.

The Pro Forma Consolidated Statements of Financial Position have been compiled by the Directors of Bonia, for illustrative purposes only, to show the effects of the Proposed Demerger on the audited consolidated statements of financial position of the Group as at 30 June 2017 had the Proposed Demerger been effected at that date. As part of this process, information about the consolidated statements of financial position of the Group has been extracted by the Directors of Bonia from the audited consolidated financial statements of the Group for the financial year ended 30 June 2017.

**Director's Responsibilities**

The Directors of Bonia are responsible for preparing the Pro Forma Consolidated Statements of Financial Position on the basis set out in the notes to the Pro Forma Consolidated Statements of Financial Position in Appendix I.

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the *By-Laws (On Professional Ethics, Conduct and Practice)* issued by the Malaysian Institute of Accountants ('By-Laws') and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ('IESBA Code'), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

BDO

**BONIA CORPORATION BERHAD ("BONIA" OR "THE COMPANY") AND ITS SUBSIDIARIES**
**REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2017 (continued)**

**Our Independence and Quality Control (continued)**

Our firm applies *International Standard on Quality Control ("ISQC") 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Our Responsibilities**

Our responsibility is to express an opinion about whether the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, by the Directors of Bonia on the basis set out in the notes to the Pro Forma Consolidated Statements of Financial Position in Appendix I.

We conducted our engagement in accordance with International Standard on Assurance Engagements ("ISAE") 3420 "*Assurance Engagements to Report on the Compilation of Proforma Financial Information Included in a Prospectus*", issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Directors of Bonia have compiled, in all material respects, the Pro Forma Consolidated Statements of Financial Position on the basis set out in the notes to the Pro Forma Consolidated Statements of Financial Position in Appendix I.

For the purposes of this engagement, we are not responsible for updating or reissuing any report or opinion on any historical financial information used in compiling the Pro Forma Consolidated Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Consolidated Statements of Financial Position.

The purpose of Pro Forma Consolidated Statements of Financial Position included in the Circular of the Company is solely to illustrate the impact of significant events or transactions on unadjusted financial information of the entity as if the events had occurred or the transactions had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors of Bonia in the compilation of the pro forma consolidated statements of financial position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions enumerated in the notes to the Pro Forma Consolidated Statements of Financial Position as set out in Appendix I and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Consolidated Statements of Financial Position reflect the proper application of those adjustments to the unadjusted financial information.

**BONIA CORPORATION BERHAD ("BONIA" OR "THE COMPANY") AND ITS SUBSIDIARIES**
**REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2017 (continued)**

**Our Responsibilities (continued)**

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the event or transaction in respect of which the Pro Forma Consolidated Statements of Financial Position has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Statements of Financial Position.

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

**Opinion**

In our opinion, the Pro Forma Consolidated Statements of Financial Position have been properly compiled, in all material respects, on the basis set out in the notes to the Pro Forma Consolidated Statements of Financial Position.

**Other Matter**

This report is issued for the sole purpose of inclusion in the Circular to be dated at a specified date in connection with the Proposed Listing. It is not to be reproduced, or used or relied upon or circulated, quoted or otherwise referred to for any other purposes, including but not limited to the sale and purchase of securities, nor is it to be filed with or referred to in whole or in part in the Circular or any other document without our prior written consent. We accept no duty of responsibility to and deny any liability to any party in respect of any use of, or reliance upon this report, other than for the purposes of the Proposed Listing.

BDO

**BDO**
AF: 0206
Chartered Accountants
Kuala Lumpur

**Chan Wai Leng**
02893/08/2019 J
Chartered Accountant

BONIA CORPORATION BERHAD
(223934-T)

Appendix I

## BONIA CORPORATION BERHAD ("BONIA" OR "THE COMPANY")
**Pro forma Consolidated Statements of Financial Position as at 30 June 2017**

The Pro Forma Consolidated Statements of Financial Position of Bonia and its subsidiaries ("Bonia Group" or "the Group") as at 30 June 2017 set out below is provided for illustrative purposes only to show the effects on the audited consolidated statements of financial position of the Group as at 30 June 2017 had the events as disclosed in the notes to the Pro Forma Consolidated Statements of Financial Position been effected on that date, and should be read in conjunction with the accompanying notes. Further, such information does not purport to predict the Group's future financial position.

| | Note | Audited as at 30.6.2017 RM'000 | Pro forma I After the Proposed Demerger RM'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | 183,125 | 149,469 |
| Investment properties | | 34,544 | 34,544 |
| Intangible assets | | 90,145 | 90,145 |
| Interests in associates | | 679 | 679 |
| Other investments | | 1,299 | 1,299 |
| Deferred tax assets | | 2,501 | 1,798 |
| Other receivables | | 11,197 | 11,197 |
| | | 323,490 | 289,131 |
| **Current assets** | | | |
| Inventories | | 132,938 | 114,694 |
| Trade and other receivables | | 121,783 | 100,290 |
| Current tax assets | | 8,209 | 6,334 |
| Short term funds | | 4,942 | 4,942 |
| Cash and bank balances | 4 | 119,648 | 102,584 |
| | | 387,520 | 328,844 |
| **TOTAL ASSETS** | | 711,010 | 617,975 |

Stamped for the purpose of identification only.
0 4 MAY 2018
BDO (AF0206)
Chartered Accountants
Kuala Lumpur



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BONIA CORPORATION BERHAD
(223934-T)

Appendix I

**BONIA CORPORATION BERHAD ("BONIA" OR "THE COMPANY")**
**Pro forma Consolidated Statements of Financial Position as at 30 June 2017**

The Pro Forma Consolidated Statements of Financial Position of Bonia and its subsidiaries ("Bonia Group" or "the Group") as at 30 June 2017 set out below is provided for illustrative purposes only to show the effects on the audited consolidated statements of financial position of the Group as at 30 June 2017 had the events as disclosed in the notes to the Pro Forma Consolidated Statements of Financial Position been effected on that date, and should be read in conjunction with the accompanying notes. Further, such information does not purport to predict the Group's future financial position (continued).

| | Note | Audited as at 30.6.2017 RM'000 | Pro forma I After the Proposed Demerger RM'000 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to owners of the parent** | | | |
| Share capital | 5 | 201,572 | 201,572 |
| Available-for-sale reserve | 5 | (65) | (65) |
| Exchange translation reserve | 5 | 13,622 | 13,334 |
| Treasury shares | 5 | (355) | (355) |
| Retained earnings | 5 | 218,156 | 148,583[1] |
| | | 432,930 | 363,069 |
| Non-controlling interests | 5 | 22,337 | 22,337 |
| **TOTAL EQUITY** | 5 | 455,267 | 385,406 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | | 98,225 | 82,311 |
| Other payables | | 4,978 | 4,978 |
| Provision for restoration costs | | 3,443 | 2,856 |
| Deferred tax liabilities | | 8,525 | 8,525 |
| | | 115,171 | 98,670 |

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04 MAY 2018
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BONIA CORPORATION BERHAD
(223934-T)

Appendix I

**BONIA CORPORATION BERHAD ("BONIA" OR "THE COMPANY")**
**Pro forma Consolidated Statements of Financial Position as at 30 June 2017**

The Pro Forma Consolidated Statements of Financial Position of Bonia and its subsidiaries ("Bonia Group" or "the Group") as at 30 June 2017 set out below is provided for illustrative purposes only to show the effects on the audited consolidated statements of financial position of the Group as at 30 June 2017 had the events as disclosed in the notes to the Pro Forma Consolidated Statements of Financial Position been effected on that date, and should be read in conjunction with the accompanying notes. Further, such information does not purport to predict the Group's future financial position (continued).

| | Audited as at 30.6.2017 RM'000 | Pro forma I After the Proposed Demerger RM'000 |
|---|---|---|
| **Current Liabilities** | | |
| Trade and other payables | 90,929 | 85,144 |
| Borrowings | 44,601 | 43,917 |
| Provision for restoration costs | 110 | 58 |
| Current tax liabilities | 4,932 | 4,780 |
| | 140,572 | 133,899 |
| **TOTAL LIABILITIES** | 255,743 | 232,569 |
| **TOTAL EQUITY AND LIABILITIES** | 711,010 | 617,975 |
| Number of Bonia Shares in issue | 806,287,400 | 806,287,400 |
| Number of Bonia Shares in issue (excluding treasury shares) | 805,651,400 | 805,651,400 |
| Net Assets per Bonia Share (RM)$^{(2)}$ | 0.54 | 0.45 |
| Total borrowings | 142,826 | 126,228 |
| Gearing (times) | 0.33 | 0.35 |

Notes:
(1) Inclusive of the estimated expenses relating to the Proposed Demerger of approximately RM500,000.
(2) Computed based on the number of issued Bonia Shares (excluding treasury shares).

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0 4 MAY 2018
BDO (AF0206)
Chartered Accountants
Kuala Lumpur

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**BONIA CORPORATION BERHAD**
**(Incorporated in Malaysia)**

**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2017**

**1. The Proposals**

In conjunction with the proposed listing of the subsidiaries of Bonia, CRG Incorporated Sdn. Bhd. ("CRG") and its subsidiaries ("collectively as CRG Group") on the LEAP Market of Bursa Malaysia Securities Berhad ("Proposed Listing"), Bonia will undertake the proposed demerger of CRG Group which comprises the Proposed Capitalisation, Proposed Subdivision, Proposed Conversion and Proposed Dividend-in-Specie (collectively as "Proposed Demerger").

The Proposed Demerger of CRG Group from Bonia involves the following series of transactions and shall be implemented in the following sequence:

**(a) Proposed Capitalisation**

To facilitate the Proposed Capitalisation, CRF Marketing Sdn. Bhd. ("CRF") and CRL Marketing Sdn. Bhd. ("CRL") (both wholly-owned subsidiaries of CRG), propose to declare up to RM7,000,000 and RM18,000,000 dividend respectively to CRG ("Proposed Dividend by CRG's Subsidiaries").

Upon completion of the Proposed Dividend by CRG's Subsidiaries, CRG proposes to declare up to RM48,000,000 dividend to Bonia ("Proposed Dividend by CRG").

Concurrently with the Proposed Dividend by CRG, CB Marketing Sdn. Bhd. ("CBM") proposes to declare up to RM9,999,995 dividend to Bonia ("Proposed Dividend by CBM").

Both the Proposed Dividend by CRG and the Proposed Dividend by CBM are to facilitate the Proposed Dividend-in-Specie by the Company as detailed in Note 1(d) of the notes.

The Proposed Dividend by CRG and the Proposed Dividend by CBM will be substantially settled by way of capitalisation via issuance of up to 48,000,000 new ordinary shares in CRG and up to 1,408,450 new ordinary shares in CBM, respectively, to Bonia.

**(b) Proposed Subdivision**

CRG's issued share capital as at the latest practicable date of the Circular ("LPD") comprises 20,000,000 ordinary shares in CRG. Upon completion of the Proposed Capitalisation, the total number of ordinary shares in CRG in issue will increase from 20,000,000 to 68,000,000.

**BONIA CORPORATION BERHAD**
**(Incorporated in Malaysia)**

**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2017 (CONTINUED)**

**1. The Proposals (continued)**

The Proposed Demerger of CRG Group from Bonia involves the following series of transactions and shall be implemented in the following sequence (continued):

**(b) Proposed Subdivision (continued)**

To facilitate the Proposed Dividend-in-Specie and to avoid the incidence of odd lots after the implementation of the Proposed Dividend-in-Specie, it is proposed that the 68,000,000 ordinary shares in CRG be subdivided into up to 806,287,400 ordinary shares in CRG such that CRG will have the same total number of issued shares as Bonia (inclusive of its treasury shares). Upon completion of the Proposed Subdivision, the issued share capital of CRG will be RM68,000,000 comprising up to 806,287,400 ordinary shares in CRG.

For information purposes, the Proposed Subdivision will be effected before the implementation of the Proposed Dividend-in-Specie.

**(c) Proposed Conversion**

To facilitate the Proposed Dividend-in-Specie and Proposed Listing, CRG will be converted into a public limited company prior to the implementation of the Proposed Dividend-in-Specie.

**(d) Proposed Dividend-in-Specie**

Following the completion of the Proposed Capitalisation, Proposed Subdivision and Proposed Conversion as well as after the receipt of approval-in-principle from Bursa Malaysia Securities Berhad for the Proposed Listing, Bonia will distribute via a dividend-in-specie, its entire shareholdings in CRG and rights to the ordinary shares in CRG to the shareholders of Bonia whose names appear in Bonia's Record of Depositors ("Entitled Shareholders") on the basis of one (1) ordinary share in CRG for every one (1) ordinary share in Bonia ("Bonia Share") held on an entitlement date to be determined and announced later ("Entitlement Date') from its retained earnings.

The completion of the Proposed Dividend-in-Specie will result in the demerger of CRG Group from Bonia.

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04 MAY 2018
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**BONIA CORPORATION BERHAD**
**(Incorporated in Malaysia)**

**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2017 (CONTINUED)**

**2. Basis of Preparation**

The Pro Forma Consolidated Statements of Financial Position of the Group, for which the Board of Directors of Bonia is solely responsible, were prepared to illustrate the effects of the Proposed Demerger on the audited consolidated statements of financial position of the Group as at 30 June 2017 on the assumption that the Proposed Demerger was effected on 30 June 2017, and should be read in conjunction with the notes in this section.

The Pro Forma Consolidated Statements of Financial Position as at 30 June 2017 together with the notes have been prepared based on the Audited Consolidated Financial Statements of the Group as at 30 June 2017 prepared in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards and in a manner consistent with both the format of the financial statements and accounting policies adopted by the Group for its Audited Consolidated Financial Statements for the financial year ended 30 June 2017.

**3. Effects on the Pro Forma Consolidated Statements of Financial Position**

The Proposed Capitalisation, Proposed Subdivision and Proposed Conversion will not have any effect on the Pro Forma Consolidated Statements of Financial Position of the Group.

**Pro forma I**

Pro forma I is arrived at after incorporating the effects of the Proposed Dividend-in-Specie (following the completion of the Proposed Capitalisation, Proposed Subdivision and Proposed Conversion) and the estimated expenses in relation to the Proposed Demerger, which would result in a pro forma loss on Proposed Demerger of approximately RM31,000 as follows:

| **The Group** | **RM'000** |
|---|---|
| Retained earnings to be utilised for the Proposed Dividend-in-Specie ^ | 69,542 |
| Less: | |
| Consolidated net assets of CRG Group as at 30 June 2017 * | (69,073) |
| Gain on Proposed Dividend-in-Specie | 469 |
| Estimated expenses in relation to the Proposed Demerger | (500) |
| Estimated loss on Proposed Demerger | (31) |

^ *Being the net assets of CRG Group as at 31 December 2017, computed based on the net assets per ordinary share of CRG as at 31 December 2017 (post completion of the Proposed Subdivision) of RM0.08625 (rounded to 5 decimal places) multiplied by the number of ordinary shares of CRG in issue (post completion of the Proposed Subdivision).*

* *Consolidated net assets of CRG Group as at 30 June 2017 after consolidation adjustments.*

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04 MAY 2018
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Kuala Lumpur

BONIA CORPORATION BERHAD
(223934-T)

Appendix I

**BONIA CORPORATION BERHAD**
**(Incorporated in Malaysia)**

**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2017 (CONTINUED)**

**3. Effects on the Pro Forma Consolidated Statements of Financial Position (continued)**

**Pro forma I (continued)**

Upon completion of the Proposed Dividend-in-Specie, Bonia will cease to consolidate CRG Group and will no longer hold any equity interest in CRG. The Entitled Shareholders of Bonia will directly hold the ordinary shares in CRG.

**4. Movement in Cash and Bank Balances**

The movements in cash and bank balances as at 30 June 2017 after the effects of the adjustments set out in Note 1 above are as follows:

| | **RM'000** |
|---|---|
| **Cash and bank balances as at 30 June 2017** | 119,648 |
| Less: | |
| Cash and bank balances of CRG Group upon Proposed Demerger | (16,564) |
| Payment of estimated expenses in relation to Proposed Demerger | (500) |
| **Cash and bank balances as per Pro Forma I** | 102,584 |

**5. Movement in Share capital and Reserves**

| | **Share capital RM'000** | **Available-for-sale reserve RM'000** | **Exchange translation reserve RM'000** | **Treasury shares RM'000** | **Retained earnings RM'000** | **Total attributable to owners of the parent RM'000** | **Non-controlling interests RM'000** | **Total equity RM'000** |
|---|---|---|---|---|---|---|---|---|
| **Audited as at 30 June 2017** | 201,572 | (65) | 13,622 | (355) | 218,156 | 432,930 | 22,337 | 455,267 |
| Proposed Demerger | - | - | (288) | - | (69,573) | (69,861) | - | (69,861) |
| **Pro forma I** | 201,572 | (65) | 13,334 | (355) | 148,583 | 363,069 | 22,337 | 385,406 |

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04 MAY 2018
BDO (AF0206)
Chartered Accountants
Kuala Lumpur

**FURTHER INFORMATION**

## 1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by our Board and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or information contained in this Circular, or other facts and information the omission of which would make any statement in this Circular false or misleading.

## 2. CONSENTS

### 2.1 Adviser

TA Securities, being the Adviser for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they so appear in this Circular.

### 2.2 Reporting Accountants

BDO, being the Reporting Accountants for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name, the Reporting Accountants' letter in relation to the Pro Forma Consolidated Statements of Financial Position of our Group as at 30 June 2017, and all references thereto, in the form and context in which they so appear in this Circular.

## 3. CONFLICT OF INTERESTS

### 3.1 Adviser

TA Securities has confirmed that it is not aware of any conflict of interest which exists or is likely to exist in its capacity as the Adviser for the Proposals.

### 3.2 Reporting Accountants

BDO has confirmed that it is not aware of any conflict of interest which exists or is likely to exist in its capacity as the Reporting Accountants for the Proposals.

## 4. MATERIAL CONTRACTS

Save as disclosed below, as at the LPD, neither our Company nor our subsidiary companies have entered into any contracts which are or may be material (not being contracts entered into in the ordinary course of business of our Group) during the 2 years immediately preceding the date of this Circular:

(i) Option to purchase agreement dated 26 April 2016 entered into between Active World Pte Ltd (a wholly-owned subsidiary of our Company) and Mr. Ernest Ong Ning How for Active World Pte Ltd to dispose a freehold condominium property known as 158, Haig Road, #16-01, Haig Court, Singapore 438794 to Ernest Ong Ning How for a total consideration of SGD1,780,000 (equivalent RM5,171,612, based on the exchange rate of RM2.9054: SGD1 as at 30 April 2016). The transaction was completed on 5 July 2016; and

(ii) Deed of amendment dated 22 September 2016 to amend certain terms and condition of sale and purchase agreement dated 29 January 2016 executed between Jeco (Pte) Limited ("**Jeco**") (70% subsidiary of our Company) and Helgo Neugebauer ("**Helgo**") for the acquisition of 100 ordinary shares representing 100% of the equity interest in IBB Pte Ltd by Jeco from Helgo for a revised cash consideration of SGD4,000,000 (equivalent to RM11,674,800, based on the exchange rate of RM2.9187: SGD1 as at 29 January 2016), the completion of which was on 15 February 2016. The remaining balance purchase price was duly paid on 6 September 2017.

## 5. MATERIAL LITIGATION, CLAIMS AND ARBITRATION

As at the LPD, our Group is not engaged in any material litigation, claims or arbitration either as plaintiff or defendant, which has a material effect on the financial position of our Group and there is no proceedings, pending or threatened, or of any facts likely to give rise to any proceedings, which might materially and adversely affect the business or financial position of our Group, except for the following:

Apex Marble Sdn Bhd ("**AMSB**") and Mcore Sdn Bhd ("**Mcore**") (collectively as "**Plaintiffs**") vs Leong Tat Yan ("**Defendant**")

AMSB and Mcore, our 60%-owned subsidiaries, being the Plaintiffs had filed a civil suit on 31 October 2016 against Leong Tat Yan as the Defendant.

The Plaintiffs claimed against the Defendant for a sum of RM946,496.39 and RM2,249,751.08 respectively, being the proceeds of sale from a joint venture business. The Plaintiffs have further claimed an inquiry as to damages, an account of profits, general damages, exemplary damages, interest and costs.

The Defendant owns 40% of the equity interest in AMSB and he is also a controlling shareholder of 388 Venture Corporation Sdn Bhd which owns 40% of the equity interest in Mcore.

On 21 November 2016, the Defendant filed 2 separate applications for a declaration that the Malaysian Court has no jurisdiction over the Defendant and for consequential relief (Enclosure 10) and for a declaration that the Malaysian Court is not the appropriate forum to try the Plaintiffs' claim and consequently for a stay of proceedings (Enclosure 11).

On 16 December 2016, the Defendant filed 2 separate applications to strike out the Writ of Summons dated 31 October 2016 for lack of authority (Enclosure 20) and for a stay of proceedings pending arbitration (Enclosure 22).

On 25 January 2017, the Defendant withdrew Enclosure 20 with no order as to costs.

On 25 April 2017, the High Court dismissed Enclosures 10 and 11 with costs of RM5,000 for each enclosure.

On 3 May 2017, the Defendant filed 2 appeals against the High Court's decisions on Enclosures 10 and 11 ("**Appeals**").

On 8 May 2017, the Defendant filed an application to stay the proceedings pending the disposal of the Appeals (Enclosure 43).

On 11 May 2017, the Defendant filed 2 separate applications for an extension of time to file his Defence (Enclosure 47) and to strike out the Writ of Summons for abuse of process (Enclosure 50).

On 23 May 2017, the High Court dismissed Enclosure 43 with costs of RM1,500. The Judge also granted Enclosure 47 with no order as to costs and directed the Defendant to file his Defence by 23 June 2017. The Defendant also withdrew Enclosure 50, which was accordingly struck out with no order as to costs.

On 22 June 2017, the Defendant filed his Defence and Counterclaim claiming general damages, exemplary damages, and costs for abuse of process. The Plaintiffs filed their Reply and Defence to Counterclaim on 24 July 2017.

On 17 October 2017, the Court of Appeal dismissed the Appeals with costs of RM5,000 for each appeal.

On 5 January 2018, the High Court allowed Enclosure 22 and stayed the suit pending reference to arbitration with costs of RM5,000 to follow the outcome of the arbitration.

On 26 January 2018, the Plaintiffs appealed to the Court of Appeal against the High Court's decision on Enclosure 22.

The appeal has been fixed for hearing on 26 June 2018.

The solicitors acting for the case is of the view that the prospects of success of the Plaintiffs' appeal and the Plaintiffs' claim in the High Court are good.

## 6. MATERIAL COMMITMENT

Save as disclosed below, as at the LPD, our Board is not aware of any material commitment incurred or known to be incurred by our Company or our Group, which upon becoming enforceable, may have material impact on the financial position of our Group:

| | **Group level<br>As at the LPD<br>RM'000** |
|---|---|
| Capital commitments (property, plant and equipment) | 406 |
| Operating lease commitments (lease arrangements for boutiques, offices and staff hostels) | 69,204 |
| **Total** | **69,610** |

## 7. CONTINGENT LIABILITIES

Save as disclosed below, as at the LPD, our Board is not aware of any contingent liability incurred or known to be incurred by our Company or our Group, which upon becoming enforceable, may have a material impact on the financial position of our Group:

| | **As at the LPD<br>RM'000** |
|---|---|
| Corporate guarantees to financial institutions for banking facilities granted to our subsidiaries | 117,006 |
| Corporate guarantees to landlords for tenancy agreements entered by our subsidiaries | 5,318 |
| **Total** | **122,324** |

For the avoidance of doubt, all corporate guarantees extended by our Company to CRG Group will be discharged upon completion of the Proposed Demerger.

## 8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at our registered office at No. 17-1, Plaza Danau Desa 2, Jalan 4/109F Taman Danau Desa, Off Jalan Kelang Lama, 58100 Kuala Lumpur, Wilayah Persekutuan, Malaysia during normal business hours from 9.00 a.m. to 5.00 p.m. from Monday to Friday (excluding public holidays) for the period commencing from the date of this Circular up to and including the date of our forthcoming EGM:

(i) the Memorandum and Articles of Association of our Company;

(ii) our Group's audited financial statements for the past 2 FYEs 2016 and 2017 as well as our latest unaudited results for the 6M-FPE 2017;

(iii) the Memorandum and Articles of Association of CRG;

(iv) audited financial statements of CRG Group for the past 2 FYEs 2016 and 2017 as well as latest unaudited results for the 6M-FPE 2017;

FURTHER INFORMATION *(CONT'D)*

(v) pro forma consolidated statements of financial position of our Company as at 30 June 2017 together with the notes and Reporting Accountants' letter thereon as referred to in Appendix II of this Circular;

(vi) the letters of consent and conflict of interest as referred to in Sections 2 and 3 of Appendix IV above;

(vii) the cause papers for the material litigation as referred to in Section 5 of Appendix IV above; and

(viii) the material contracts as referred to in Section 4 of Appendix IV above.

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**BONIA CORPORATION BERHAD**
(Company No. 223934-T)
(Incorporated in Malaysia)

## NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of Bonia Corporation Berhad ("**Bonia**" or "**Company**") will be held at Le Quadri Hotel, Block E (Grand Ballroom), South Wing, No. 1, Jalan Menara Gading 1, UCSI Heights, Taman Connaught, 56000 Cheras, Kuala Lumpur, Wilayah Persekutuan, Malaysia on Friday, 25 May 2018 at 10.00 a.m. or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modifications, the following resolution:

**ORDINARY RESOLUTION**

**PROPOSED LISTING OF CRG INCORPORATED SDN BHD ("CRG") AND ITS SUBSIDIARIES ("CRG GROUP") ON THE LEAP MARKET OF BURSA MALAYSIA SECURITIES BERHAD ("BURSA SECURITIES") ("PROPOSED LISTING")**

"THAT, subject to the relevant approvals being obtained and the completion of the Proposed Demerger (details of which were set out in Section 2 of the Circular to Shareholders of the Company dated 8 May 2018 in relation to the Proposed Listing) and approval of the relevant authorities for the admission of CRG Group to the Official List of Bursa Securities and the listing of and quotation for the entire enlarged issued share capital of CRG on the LEAP Market of Bursa Securities, approval be and is hereby given for the Company to list the entire enlarged issued share capital of CRG on the LEAP Market of Bursa Securities.

AND THAT, the Board of Directors of the Company ("**Board**") be and is hereby empowered and authorised to do or procure to be done all acts, deeds and things and to execute, sign and deliver on behalf of the Company and any of its subsidiaries, all such documents as it may deem necessary, expedient and/or appropriate to implement, give full effect to and complete the Proposed Demerger and the Proposed Listing, with full powers to assent to any conditions, modifications, variations and/or amendments as the Board may deem fit and/or as may be imposed by any relevant authorities."

By Order of the Board

**CHONG CHIN LOOK (MIA 8043)**
**CHOK KWEE WAH (MACS 00550)**
**TAN KEAN WAI (MAICSA 7056310)**
Company Secretaries

8 May 2018
Kuala Lumpur

Notes:
1. Only a depositor whose name appears on the Record of Depositors of the Company as at 17 May 2018 shall be entitled to attend, participate, speak and vote at this Meeting as well as for appointment of any person as his proxy(ies) to exercise all or any of his rights to attend, participate, speak and vote at the Meeting on his stead.
2. Where a member appoints more than 1 proxy, the appointments shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy. However, a member shall not, subject to Paragraphs (3) and (4) below, be entitled to appoint more than 2 proxies to attend and vote at the same meeting.
3. Where a member is an exempt authorised nominee (EAN) 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 EAN may appoint in respect of each omnibus account it holds.
4. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least 1 proxy but not more than 2 proxies in respect of each securities account it holds which is credited with ordinary shares of the Company. The appointment of 2 proxies in respect of any particular securities account shall be invalid unless the authorised nominee specifies the proportion of its shareholding to be represented by each proxy.
5. Where a member is a corporation, it may also by resolution of its board or other governing body authorising a person or persons to act as its representative or representatives to exercise all or any of its rights to attend, participate, speak and vote at the Meeting on its stead.
6. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the office of the Share Registrar of the Company, Bina Management (M) Sdn Bhd at Lot 10, The Highway Centre, Jalan 51/205, 46050 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than 48 hours before the time for holding the Meeting or any adjournment thereof at which the person named in the instrument proposes to vote, or in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid. An instrument appointing a proxy to vote at this Meeting shall be deemed to include the power to demand, or join in demanding a poll on behalf of the appointor. Faxed, photocopied and electronically scanned copies of the duly executed Form of Proxy are not acceptable.

# FORM OF PROXY

BONIA CORPORATION BERHAD
(Company No. 223934-T)
(Incorporated in Malaysia)

I/We ______________________________________________

NRIC/Passport/Company No. ____________________ Tel No. ____________________

CDS Account No. ____________________ Number of shares held: ____________________

Address: ______________________________________________

______________________________________________

being a member of BONIA CORPORATION BERHAD (223934-T) hereby appoint:

1. Name of Proxy ____________________ NRIC/Passport No. ____________________

Address: ______________________________________________

____________________ Number of shares represented ____________________

2. Name of Proxy ____________________ NRIC/Passport No. ____________________

Address: ______________________________________________

____________________ Number of shares represented ____________________

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf, at the Extraordinary General Meeting of the Company to be held at Le Quadri Hotel, Block E (Grand Ballroom), South Wing, No. 1, Jalan Menara Gading 1, UCSI Heights, Taman Connaught, 56000 Cheras, Kuala Lumpur, Wilayah Persekutuan, Malaysia on Friday, 25 May 2018 at 10.00 a.m. or at any adjournment thereof, as indicated below:

| Ordinary Resolution | FOR | AGAINST |
|---|---|---|
| Proposed Listing | | |

Please indicate with an "X" or "√" in the space provided above how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his/her discretion.

Signature/Seal of the Shareholder: ______________________________ Date: ______________

Notes:

1. Only a depositor whose name appears on the Record of Depositors of the Company as at 17 May 2018 shall be entitled to attend, participate, speak and vote at this Meeting as well as for appointment of any person as his proxy(ies) to exercise all or any of his rights to attend, participate, speak and vote at the Meeting on his stead.
2. Where a member appoints more than 1 proxy, the appointments shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy. However, a member shall not, subject to Paragraphs (3) and (4) below, be entitled to appoint more than 2 proxies to attend and vote at the same meeting.
3. Where a member is an exempt authorised nominee (EAN) 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 EAN may appoint in respect of each omnibus account it holds.
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6. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the office of the Share Registrar of the Company, Bina Management (M) Sdn Bhd at Lot 10, The Highway Centre, Jalan 51/205, 46050 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than 48 hours before the time for holding the Meeting or any adjournment thereof at which the person named in the instrument proposes to vote, or in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid. An instrument appointing a proxy to vote at this Meeting shall be deemed to include the power to demand, or join in demanding a poll on behalf of the appointor. Faxed, photocopied and electronically scanned copies of the duly executed Form of Proxy are not acceptable.

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AFFIX
STAMP

The Share Registrar of Bonia Corporation Berhad
Bina Management (M) Sdn Bhd
Lot 10, The Highway Centre, Jalan 51/205
46050 Petaling Jaya, Selangor Darul Ehsan, Malaysia
Tel: +603-7784 3922

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