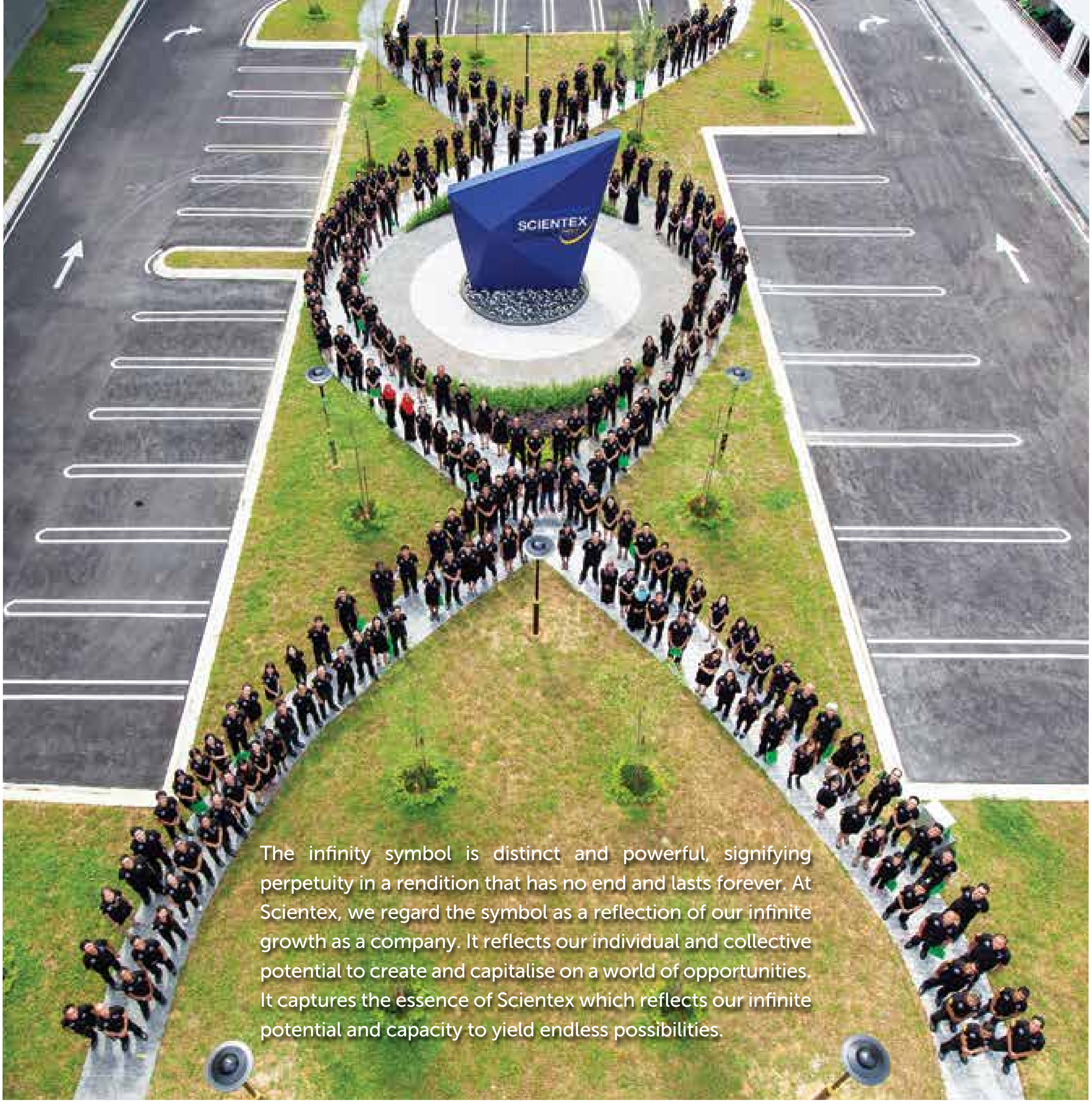
SCIENTEX®

healthy, friendly & happy ...

ANNUAL REPORT 2017

SCIENTEX BERHAD

(7867-P)



The infinity symbol is distinct and powerful, signifying perpetuity in a rendition that has no end and lasts forever. At Scientex, we regard the symbol as a reflection of our infinite growth as a company. It reflects our individual and collective potential to create and capitalise on a world of opportunities. It captures the essence of Scientex which reflects our infinite potential and capacity to yield endless possibilities.

Contents

CORPORATE INFORMATION

Board of Directors

Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim Chairman & Independent Non-Executive Director
Lim Peng Jin Managing Director
Lim Peng Cheong Non-Independent Non-Executive Director
Cham Chean Fong @ Sian Chean Fong Independent Non-Executive Director
Ang Kim Swee Independent Non-Executive Director
Dato' Noorizah Binti Hj Abd Hamid Independent Non-Executive Director
Wong Chin Mun Independent Non-Executive Director

Company Secretary

Ng Boon Ngee (MAICSA 7053979)

Audit Committee

Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim
Chairman

Cham Chean Fong @ Sian Chean Fong
Member

Ang Kim Swee
Member

Dato' Noorizah Binti Hj Abd Hamid
Member

Nomination and Remuneration Committee

Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim
Chairman

Cham Chean Fong @ Sian Chean Fong
Member

Risk Management Committee

Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim
Chairman

Lim Peng Jin
Member

Ang Kim Swee
Member

Auditors

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

Solicitors

Koh Kim Leng & Co.
Shearn Delamore & Co.

Principal Bankers

HSBC Bank Malaysia Berhad
RHB Bank Berhad
Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad
Sumitomo Mitsui Banking Corporation Malaysia Berhad
Malayan Banking Berhad
Public Bank Berhad

Registered Office & Principal Place of Business

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

Stock Exchange Listing

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

Share Registrar

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

GROUP STRUCTURE

SCIENTEX®

Scientex Berhad
(Company No. 7867-P)

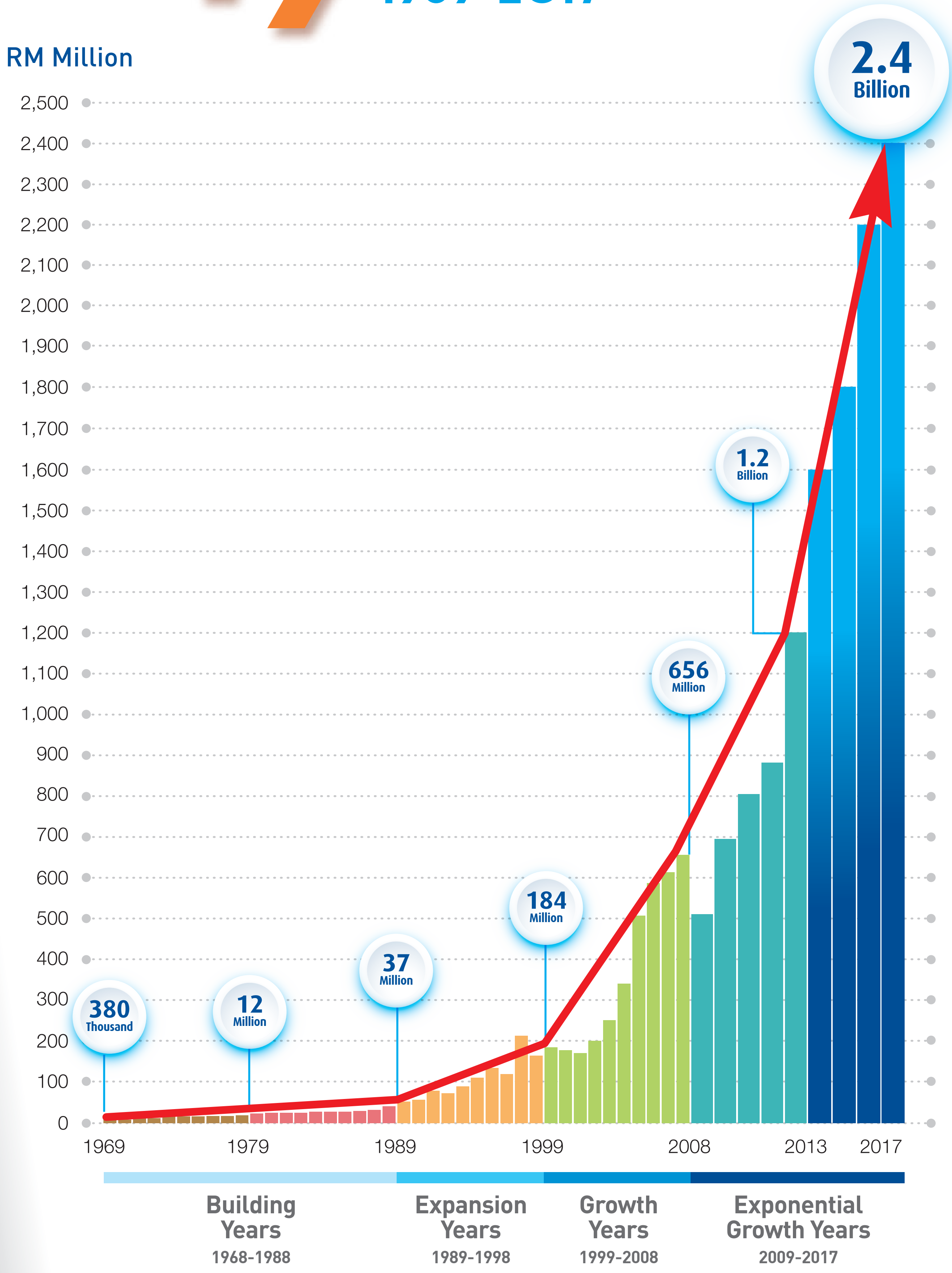
MANUFACTURING

- Industrial Packaging
- Consumer Packaging
- Automotive Interior
- Green Energy Products

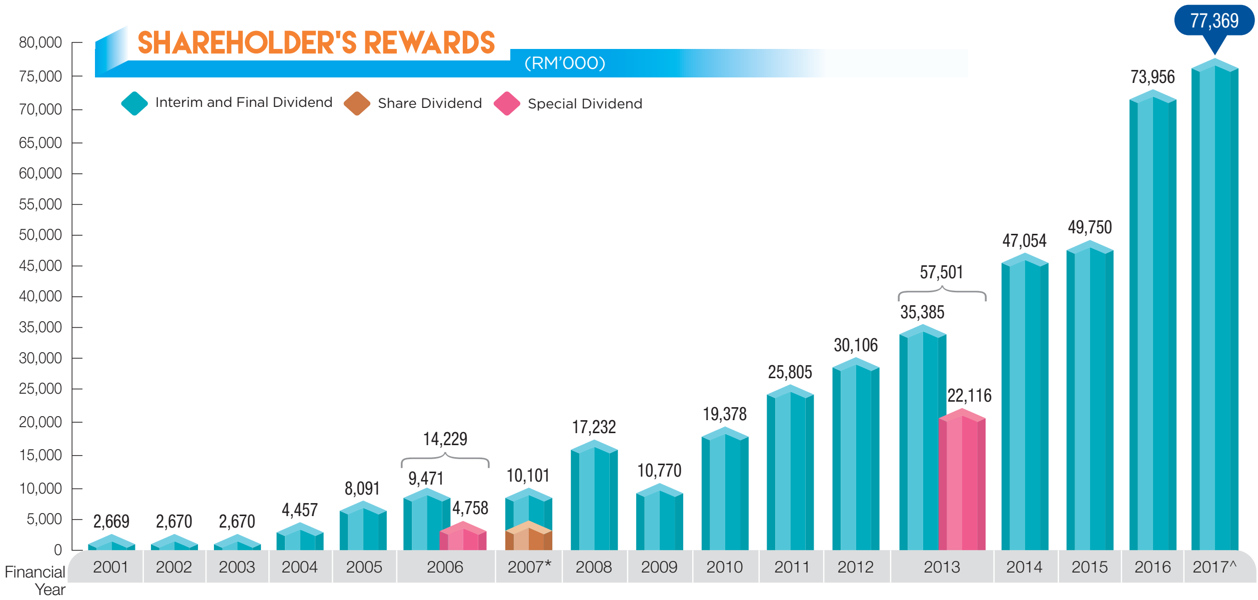
PROPERTY

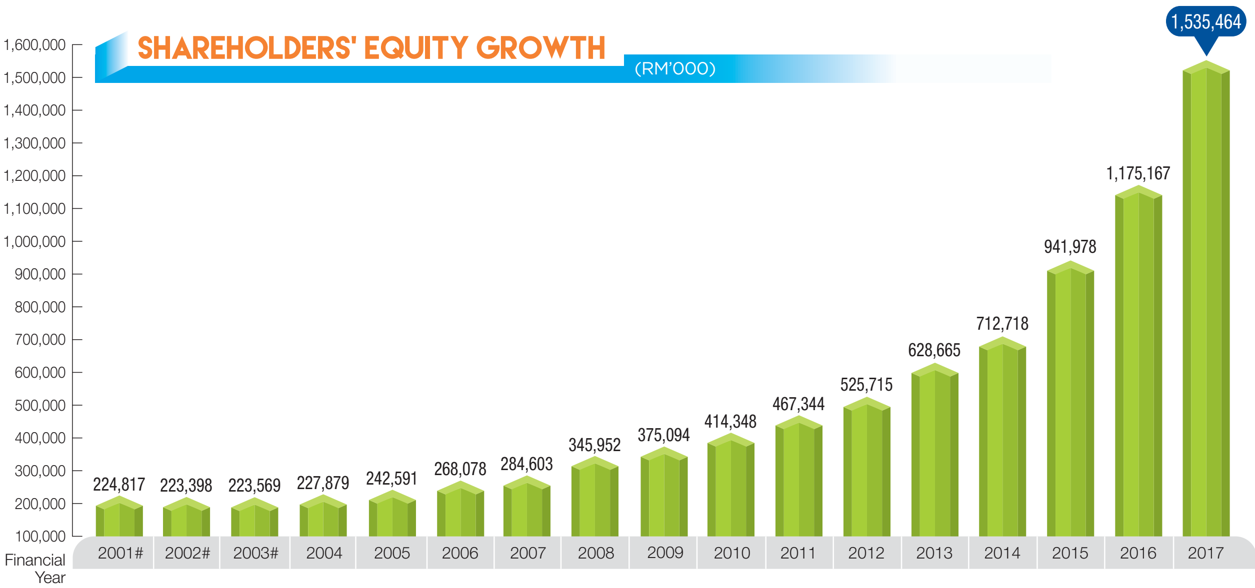
- Scientex Johor
  - Pasir Gudang
  - Kulai 1 & 2
  - Skudai
  - Senai 1 & 2
  - Pulai
- Scientex Melaka
  - Ayer Keroh
  - Durian Tunggal
- Scientex Perak, Ipoh
  - Klebang
  - Meru 1 & 2

49 YEARS OF REVENUE GROWTH 1969-2017



SCIENTEX PERFORMANCE RECORD





* *Includes a share dividend on the basis of one (1) treasury share for every fifty (50) existing ordinary shares held based on market value.*
^ *Includes a single tier final dividend of 10 sen per share proposed for shareholders' approval.*
\# *The figures have been restated for consistency.*

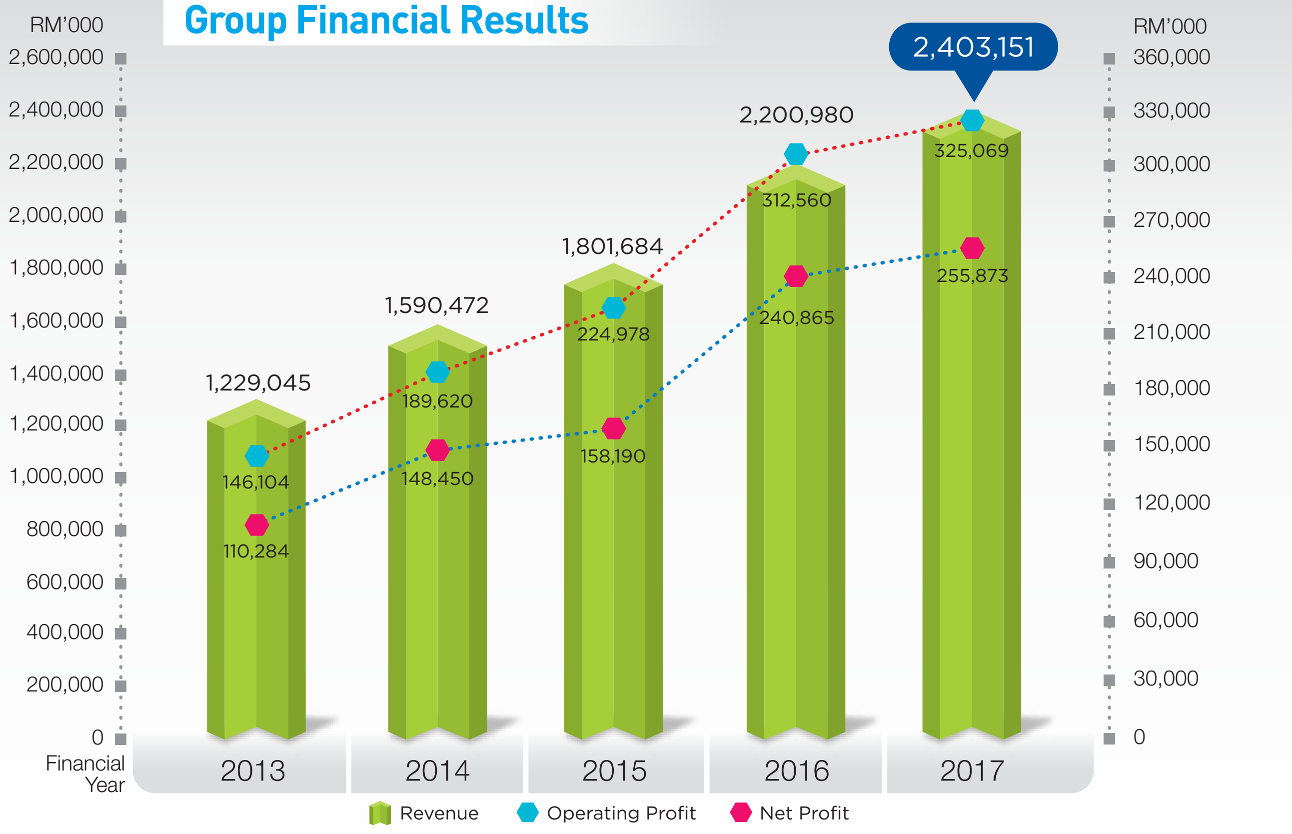
5-YEAR GROUP FINANCIAL HIGHLIGHTS

Year ended 31 July	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000	2013 RM'000
Results					
Revenue	2,403,151	2,200,980	1,801,684	1,590,472	1,229,045
Operating Profit	325,069	312,560	224,978	189,620	146,104
EBITDA	395,222	374,541	273,052	232,949	178,977
Profit Before Taxation	317,968	306,332	220,962	186,266	142,980
Profit After Taxation	259,941	246,567	162,096	151,501	112,497
Net Profit	255,873	240,865	158,190	148,450	110,284
Group Assets					
Non-current Assets	1,624,709	1,487,971	979,099	859,537	789,512
Current Assets	953,080	763,130	660,776	540,841	496,857
Total Assets Employed	2,577,789	2,251,101	1,639,875	1,400,378	1,286,369
Financed by					
Share Capital	411,843	115,000	115,000	115,000	115,000
Reserves	1,123,621	1,060,167	826,978	597,718	513,665
Equity attributable to owners of the Company	1,535,464	1,175,167	941,978	712,718	628,665
Non-controlling Interests	68,416	66,495	62,784	22,705	19,972
Current Liabilities	743,663	711,753	500,147	546,500	436,887
Non-current Liabilities	230,246	297,686	134,966	118,455	200,845
Total Funds Employed	2,577,789	2,251,101	1,639,875	1,400,378	1,286,369
Performance Indicators					
Earnings Per Share (Sen)*	54.83	52.94	35.22	33.56	25.52
Net Dividend Per Share (Sen)*	16.00 #	16.00	11.00	10.50	13.00
Net Assets Per Share (RM)*	3.18	2.55	2.09	1.61	1.42
Net Gearing Ratio (Times)	0.18	0.32	0.14	0.36	0.29
Return on Equity ("ROE") (%)	16.66	20.50	16.79	20.83	17.54

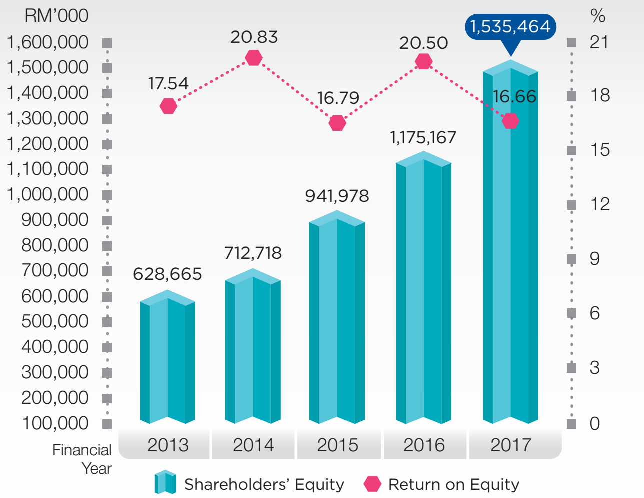
* For year 2013 to 2016, the figures have been restated to reflect the bonus issue of 230,000,000 new ordinary shares in the Company ("Scientex Share") in August 2016 on the basis of one (1) bonus share for every one (1) existing Scientex Share held by the entitled shareholders.

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

Group Financial Results

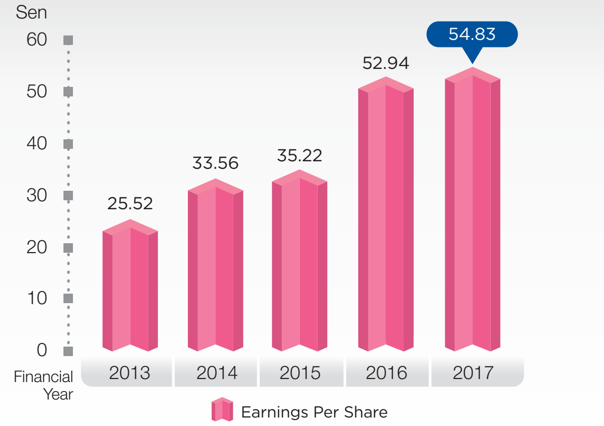


ROE & Shareholders' Equity



Net Gearing Ratio & Net Borrowings

Earnings Per Share



Net Dividend Per Share

Media Highlights

Scientex eyeing a bigger piece of US market

It will mull another stretch film plant there if the new one pays off

BY YIMIE YONG

KUALA LUMPUR: Packaging manufacturer Scientex Bhd, which reported a 14% decline in net profit in the first quarter yesterday, is eyeing to expand its customer base in the US with its new stretch film plant in Arizona, from which it expects significant contribution to come in starting from the financial year ending July 31, 2019 (FY19).

Scientex executive director Josselyn Chang said the plant in Arizona, in which the company will invest US$25 million (RM111.5 million), is located on the south-western side of the country and will serve its US customers in the west coast.

"Moving forward, if this is successful, we might set up [another] new plant, maybe on the east coast, and serve the other side of the market," she told reporters after the group's annual general meeting yesterday.

Currently under construction, the plant should be completed by the end of next year.

Chang said there is still room for the group to increase the capacity of the plant to 60,000 tonnes if necessary.

"The new plant will serve our existing clients and we will also look to [securing] new customers in the US," Chang said, adding that there will not be any significant contribution seen in FY18. "The numbers will only come in by FY19, FY20."

"For Asia-Pacific, demand for stretch film is about 550,000 tonnes per year. It is 700,000 tonnes a year for North America and 300,000 tonnes for South America. We see there is room for us to grow further there.

"[The] US is a new opportunity. We foresee in the longer run, with US shale gas, the main raw material, resin, is expected to be cheaper over there. Currently, we are supplying to the US market. But due to the dis-

Scientex to build RM107mil stretch film plant in Arizona

...funds and bank borrowings.

Slated for completion by the end of 2017, the plant would house two stretch film lines with annual production capacity of 30,000 tonnes.

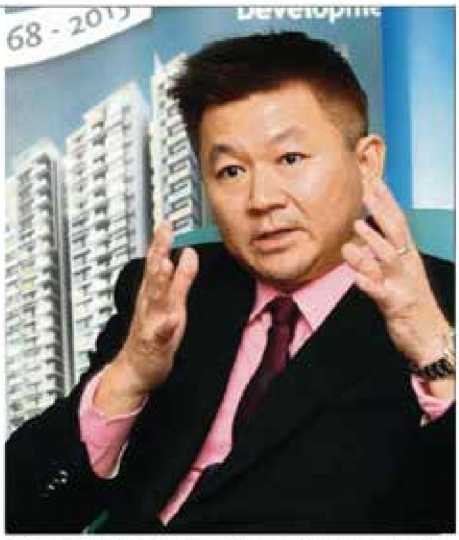
"Being the largest stretch film producer in Asia Pacific, Scientex is the leading supplier of stretch film for Japan. With this new Arizona plant, we will bring into the market ...e quality stretch ...rtise in cost-effi...

...ate job opportu... supporting the ...e government," ...ent.

... was already ...s stretch film to ... said its strategic ... beneficial since ... source of raw ...bles the compa...titive prices and ...tics, he added.

...tting up a manufacturing base close to customers would also enable Scientex to establish a significant foothold in the US market by catering to their requirements to a greater degree and in a quicker manner.

This would boost Scientex's reputation as a leading stretch film supplier for various industries worldwide, he said.



Lim: 'We will bring into the market our proven Japanese quality stretch film, using our expertise in cost-efficient production.'

Scientex buys land for Klang Valley foray

BY ADAM AZIZ

KUALA LUMPUR: Scientex Bhd announced yesterday it is buying a 65.3-acre (26.4ha) piece of land in Rawang for RM85.38 million cash, marking its maiden foray into the Klang Valley property market.

The packaging manufacturer cum property developer said its wholly-owned unit Scientex Park (M) Sdn Bhd inked a sale and purchase agreement with Medius Developments Sdn Bhd to acquire the land, which is near the Rawang town centre, for a mixed development.

"Our venture into ... Valley property ma... sents a new chapter ... porate history, and g... opportunity to bring ... efficient property de... model here," said Sc... managing director Li...

"We are confident ... ing our successes in ... affordably priced yet ... ity homes, especially ... where home owne... creasingly a challenge ... price points," added ...

Scientex currently ... billion worth of ongoing property projects across Johor, Melaka and Perak.

Scientex expects the acquisition to be completed by June 2018. The company has yet to determine the gross development value (GDV) of the upcoming mixed development.

The purchase would increase its land bank to 2,700 acres to last the group for the next 10 years to 15 years of development, with projects worth approximately RM9 billion GDV to be launched in the coming decade.

Lim said the group will also

财经 BUSINESS NEWS

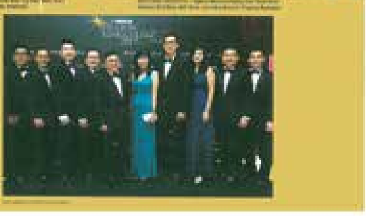
派息10仙
森德末季赚7213万

林炳仁

BILLION RINGGIT Club

THE EDGE BILLION RINGGIT Club

GOLD



BUSINESS

B6 | BUSINESS / News

IMPROVED PERFORMANCE

SCIENTEX RECORDS BEST-EVER QUARTER

Q2 net profit rises to RM65.19m on back of higher revenue contribution from consumer packaging business

SunBIZ ON THURSDAY MAY 18, 2017

Scientex raises RM156m from private placement

PETALING JAYA: Scientex Bhd has raised RM156 million in proceeds via a private placement exercise, which will be used as working capital and to expand its manufacturing and property development

BH BISNES

Scientex beli tanah RM123.6j

Ambil alih 48.4 hektar kawasan di Kulai dengan bayaran tunai

Oleh Ahmad Fiesal Othman
faisal@bh.com.my

Scientex Bhd, pengeluar pembungkusan global dan pemaju hartanah, membe...

Senai serta kira-kira 30 minit dari projek Scientex yang sedia ada, iaitu Taman Scientex Senai yang berkeluasan 160 hektar dan Taman Pulai Mutiara dengan keluasan 130.4 hektar.

Pengarah Urusan Scientex, Lim Peng Jin, berkata pengambilalihan itu adalah peluang pertumbuhan baharu bagi kumpulan, yang membolehkannya melanjutkan kepakaran dalam menyediakan hartanah mampu milik bagi populasi pendaduk yang lebih besar di Johor.

Beliau berkata, lebih penting lagi, ia mengukuhkan lagi kekuatan kewangan kumpulan dan aspirasi berterusan walaupun dalam keadaan ekonomi yang sukar.

...nan tanah 960 hektar

...pengambilalihan itu, jumlah ...nan tanah Scientex kini ...gkat kepada kira-kira 960 ...dan memantapkan perkem...n segmen pembangunan ...ah kami untuk tempoh 10 hingga 15 tahun akan datang.

"Kami akan teruskan pendirian dalam menghasilkan produk yang selaras dengan daya kemampuan dan keutamaan pembeli untuk mengukuhkan prestasi segmen ini pada masa depan," katanya dalam kenyataan, semalam.

Antara mercu tanda yang berada di kawasan itu termasuk Lapangan Terbang Antarabangsa Senai, Johor Premium Outlets serta sekolah swasta dan antarabangsa Seri Omega.

Pengambilalihan itu tertakluk kepada syarat terdahulu dan kelulusan daripada Lembaga Tanah Ladang, yang dijangka akan diselesaikan pada separuh kedua 2017.

Janji niaga itu akan dibiayai oleh dana dalaman dan pinjaman bank dalam nisbah yang masih belum ditentukan.

Scientex ketika ini sedang melaksanakan projek bernilai RM1.6 bilion, terutama membabitkan lima bandar di Johor iaitu Pasir Gudang, Kulai, Skudai, Senai dan Pulai serta pembangunan bercampur di Melaka.

Bagi tahun kewangan berakhir 31 Julai 2016, segmen pembangunan hartanah menyumbang RM652 juta, mewakili 30 peratus daripada pendapatan kumpulan.

Baki pendapatannya diperoleh daripada segmen pembuatan yang terdiri daripada pembungkusan pengguna dan industri untuk pasaran tempatan dan antarabangsa.

Peng Jin berkata, Scientex terus komited melaksanakan strategi berlamber untuk pertumbuhan dalam sektor pembuatan dan hartanah.

Beliau berkata, pihaknya baru sahaja selesai melaksanakan perbelanjaan modal RM450 juta dalam tempoh tiga tahun untuk mengembangkan kapasiti tahunan pembungkusan pembungkusan pengguna dari 30,000 tan kepada 126,000 tan menjelang 2017.

"Lebih penting lagi, ia mengukuhkan lagi kekuatan kewangan kumpulan dan aspirasi berterusan walaupun dalam keadaan ekonomi yang sukar"

Lim Peng Jin, Pengarah Urusan Scientex

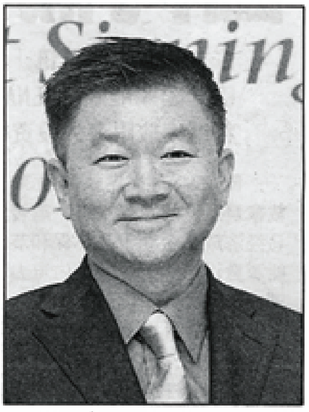
B4 国内财经 東方日報 2016年12月16日|星期五

森德预期2年市场吸纳新产能

吉隆坡15日讯｜刚在9月启用新的拉伸聚丙薄膜（BOPP）生产厂房的森德公司（SCIENTX，4731，主板工业股）订下目标，要在未来2年内，让该厂房的产能获得市场全面吸纳。

上述新厂房的每年产能达6万公吨，主要是用来满足区域的伸缩包装膜需求，并进一步充实森德公司的产品组合，其另外2种产品为聚乙烯（PE）薄膜和浇铸聚丙烯薄膜。

森德公司董事经理林炳仁表示，这3种产品让该公司成为本区域一个强大且全面的消费品包装供应商。



林炳仁▶森德董事经理

NIKKEI ASIAN REVIEW　Print

July 31, 2017 4:31 pm JST

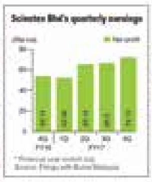
INTERVIEW: Scientex Targets Acquisitions To Help Meet MYR5 Billion Revenue Aim-Official

THE EDGE FINANCIAL DAILY MAKE BETTER DECISIONS
www.theedgemarkets.com

8 HOME BUSINESS　WEDNESDAY SEPTEMBER 20, 2017

Scientex posts record 4Q earnings

...perty development and manufacturing segments



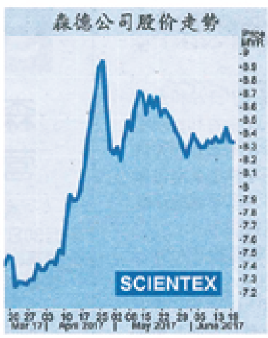
B2 国内财经 2017年6月21日｜星期三 東方日報

森德Q3净利起9% 营业额突破6亿

吉隆坡20日讯｜森德公司（SCIENTX，4731，主板工业股）2017财政年第3季（截至4月30日止）业绩继续向好，其净利从上财政年同期的6126万令吉，按年提高8.56%，至6650万令吉；单季营业额也首次突破6亿令吉关口，从去年同期的5亿4390万令吉，上涨9226万令吉或16.96%，至6亿3615万令吉。

首9个月而言，该公司净利则按年微跌1.60%，至1亿8375万令吉；营业额则增加7.14%，至17亿5709万令吉。

配合公布业绩，森德公司宣



8 CORPORATE MALAYSIA　WEDNESDAY, JUNE 21, 2017　Malaysian Reserve

Scientex plans to double packaging plant capacity

by IZZAT RATNA

GLOBAL packaging manufacturer and property developer Scientex Bhd plans to double the annual capacity of its consumer packaging plant in Ipoh to 24,000 metric tonnes when expansion is completed in August 2017.

MD Lim Peng Jin said the increased capacity, particularly for form-fill-seal (FFS) bags, hygiene bags, and label films, would pave the way for additional growth in the consumer packaging division.

"We are positive on the expansion plans for the consumer packaging segment and will concentrate on maximising capacity on completion of facility expansion by the end of the year," he said.

"Our consumer packaging reported

Our consumer packaging reported growth in demand from export customers, especially for CPP and BOPP films in 2016, says Lim

"We also expect to complete the purchase of another 49.04ha of land located in Senai, Johor in the second-half of 2017 (2H17)," he added.

Lim said with the demand for affordable homes still on the rise, Scientex is looking at launching developments in this segment to capture a larger share of the market.

For the third-quarter ended April 30, 2017 (3Q17), Scientex recorded 8.6% increase in net profit to RM66.5 million from RM61.26 million previously and 17% rise in revenue to RM636.2 million against RM543.9 million recorded in the preceding year of the corresponding quarter.

The stronger performance was mainly attributed to stronger exports in the manufacturing segment and higher progress billings for ongoing

"As a recognised leader in affordable developments, we will continue to focus on bringing reasonably priced quality houses to the masses, and look forward to consistently growing our property division," Lim said.

In 3Q17, almost 70% of total revenue came from the manufacturing segment which recorded RM442.8 million, a 15.7% increase from RM382.8 million previously, he added.

Lim said the increase in revenue was led by exports of industrial and consumer packaging. Exports made up 75.9% of manufacturing segment revenue in 3Q17 compared to 72.4% in 3Q16.

While the property segment contributed the remaining RM193.4 million to 3Q17 revenue, growing 20% from RM161.1 million a year ago on higher progress billings for ongoing deve-

progressing smoothly.

"We have also acquired five stretch film rewinders that are set to commence in October 2017, and two cast film production lines to be installed in December 2017 and early-2018 respectively," he said.

Scientex declared an interim dividend of six sen per share in respect of financial year ending July 31, 2017 (FY17) with ex-date on July 5, 2017, and payable on July 21, 2017.

The estimated payout stands at RM29 million or 15.8% of 9M17 net profit. The company has a dividend policy to distribute at least 30% of net profit to shareholders.

Cumulatively, revenue for the nine months ended April 30, 2017 (9M17) amounted to RM1.8 billion, increasing 7.1% from RM1.6 billion previ-

PROFILE OF THE BOARD OF DIRECTORS

Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim

Chairman and Independent Non-Executive Director

Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim, a Malaysian, male, aged 78, is an Independent Non-Executive Director and Chairman of the Company. He was appointed to the Board as Non-Executive Chairman on 20 June 2003. He is also the Chairman of the Board's Audit Committee, Nomination and Remuneration Committee and Risk Management Committee.

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

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

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

He does not have any family relationship with any Director and/or major shareholder of Scientex Berhad and has no conflict of interest with the Company. He has not been convicted for any offences within the past 5 years. There were no public sanctions or penalties imposed on him by any regulatory bodies during the financial year 2017.

Lim Peng Jin

Managing Director

Lim Peng Jin, a Malaysian, male, aged 50, is currently the Managing Director of the Company. He was appointed to the Board on 20 January 1995 as the Group Executive Director and was re-designated as Managing Director on 6 November 2001. He is also a member of the Board's Risk Management Committee.

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

He is the brother of Lim Peng Cheong, who is also a Director and major shareholder of Scientex Berhad. He has no conflict of interest with the Company. He has not been convicted for any offences within the past 5 years. There were no public sanctions or penalties imposed on him by any regulatory bodies during the financial year 2017.

Lim Peng Cheong

Non-Independent Non-Executive Director

Lim Peng Cheong, a Malaysian, male, aged 55, is a Non-Independent Non-Executive Director of the Company. He was appointed to the Board as an Executive Director on 9 September 1988, and has held this position until 10 November 2003 when he was re-designated as Non-Executive Director. He graduated with a Bachelor of Science (Honours) in Business Studies from the City University, London, UK in June 1984. He is currently the Managing Director of Malacca Securities Sdn Bhd.

He is the brother of Lim Peng Jin, who is also a Director and major shareholder of Scientex Berhad. He has no conflict of interest with the Company. He has not been convicted for any offences within the past 5 years. There were no public sanctions or penalties imposed on him by any regulatory bodies during the financial year 2017.

Cham Chean Fong @ Sian Chean Fong

Independent Non-Executive Director

Cham Chean Fong @ Sian Chean Fong, a Malaysian, male, aged 50, is an Independent Non-Executive Director of the Company. He was appointed to the Board on 24 May 2001 as a Non-Executive Director. He is also a member of the Board's Audit Committee and Nomination and Remuneration Committee. He graduated with a LLB (Honours) from Bristol Polytechnic, UK in 1991 and obtained a Certificate of Legal Practice in 1993. He was called to Bar in September 1995 and since then, he has been in private practice. Currently, he is a partner of a law firm in Kuala Lumpur.

He does not have any family relationship with any Director and/or major shareholder of Scientex Berhad and has no conflict of interest with the Company. He has not been convicted for any offences within the past 5 years. There were no public sanctions or penalties imposed on him by any regulatory bodies during the financial year 2017.

Ang Kim Swee

Independent Non-Executive Director

Ang Kim Swee, a Malaysian, male, aged 59, is an Independent Non-Executive Director. He was appointed to the Board on 17 December 2014. He is also a member of the Board's Audit Committee and Risk Management Committee.

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

He does not have any family relationship with any Director and/or major shareholder of Scientex Berhad and has no conflict of interest with the Company. He has not been convicted for any offences within the past 5 years. There were no public sanctions or penalties imposed on him by any regulatory bodies during the financial year 2017.

Profile of The Board of Directors

Dato' Noorizah Binti Hj Abd Hamid

Independent Non-Executive Director

Dato' Noorizah Binti Hj Abd Hamid, a Malaysian, female, aged 57, is an Independent Non-Executive Director of the Company. She was appointed to the Board as a Non-Executive Director on 7 November 2016. She is also a member of the Board's Audit Committee.

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

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

She does not have any family relationship with any Director and/or major shareholder of Scientex Berhad and has no conflict of interest with the Company. She has not been convicted for any offences within the past 5 years. There were no public sanctions or penalties imposed on her by any regulatory bodies during the financial year 2017.

Wong Chin Mun

Independent Non-Executive Director

Wong Chin Mun, a Malaysian, male, aged 73, is an Independent Non-Executive Director of the Company. He was appointed to the Board as a Non-Executive Director on 6 October 2017.

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

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

He does not have any family relationship with any Director and/or major shareholder of Scientex Berhad and has no conflict of interest with the Company. He has not been convicted for any offences within the past 5 years. There were no public sanctions or penalties imposed on him by any regulatory bodies during the financial year 2017.

PROFILE OF KEY MANAGEMENT

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

Koay Teik Chuan

Executive Director - Property Business

Koay Teik Chuan, a Malaysian, male, aged 57, joined Scientex in 1997. During the early stages, he was involved in the construction and development of Scientex's flagship development in Johor. Prior to joining Scientex, he was handling various construction projects in different parts of the country. He was appointed as the Executive Director of Scientex's property business on 1 November 2009. He received his higher education from the Institut Teknologi Butterworth in 1978 and has more than 25 years of experience in various aspects of construction and property development including township projects. Presently, he is also the Assistant to the Managing Director since 2001.

He does not have any family relationship with any Director and/or major shareholder of Scientex Berhad and has no conflict of interest with the Company. He has not been convicted for any offences within the past 5 years. There were no public sanctions or penalties imposed on him by any regulatory bodies during the financial year 2017.

Choo Seng Hong

Executive Director - Manufacturing Business

Choo Seng Hong, a Malaysian, male, aged 49, graduated with a Bachelor of Accountancy from Universiti Putra Malaysia in 1993 and is also a member of the Malaysian Institute of Accountants. He was formerly the Finance and Administration Manager of Scientex. Currently, he holds various senior positions in the Company's subsidiaries. Prior to joining Scientex in 1997, he was attached to KPMG from 1993 to 1997 and has experience in the fields of banking, oil and gas, and manufacturing. He was appointed as the Executive Director of Scientex's manufacturing business on 1 March 2003 and presently, is the Head of Manufacturing Division.

He does not have any family relationship with any Director and/or major shareholder of Scientex Berhad and has no conflict of interest with the Company. He has not been convicted for any offences within the past 5 years. There were no public sanctions or penalties imposed on him by any regulatory bodies during the financial year 2017.

Khaw Giet Thye

Executive Director - Property Business

Khaw Giet Thye, a Malaysian, male, aged 49, joined Scientex's property division in 1996. Starting off as a project manager in Scientex's subsidiary, Scientex Quatari Sdn. Bhd., he was promoted to General Manager on 1 February 2004 and subsequently, as Executive Director of Scientex's property business on 1 August 2013. He graduated from University Science of Malaysia with a Degree in Housing, Building & Planning and has over 20 years of experience in construction and property development.

He does not have any family relationship with any Director and/or major shareholder of Scientex Berhad and has no conflict of interest with the Company. He has not been convicted for any offences within the past 5 years. There were no public sanctions or penalties imposed on him by any regulatory bodies during the financial year 2017.

Gan Kok Khye

Executive Director – Corporate Affairs

Gan Kok Khye, a Malaysian, male, aged 55, graduated from North East London Polytechnic, London in 1985 with a Bachelor of Arts (Honours) in Business Studies. He joined the Scientex Group in 1988 and since then, has held various management positions in the subsidiaries of the Company. He was appointed as an Executive Director of the Group's subsidiary, Scientex Packaging Film Sdn Bhd in 2002. Subsequently, he was appointed as the Executive Director of Scientex's manufacturing business on 1 April 2002. Presently, he is the Executive Director overseeing the corporate affairs of the Group.

He does not have any family relationship with any Director and/or major shareholder of Scientex Berhad and has no conflict of interest with the Company. He has not been convicted for any offences within the past 5 years. There were no public sanctions or penalties imposed on him by any regulatory bodies during the financial year 2017.

Chang Siew Sian

Executive Director – Corporate Planning

Chang Siew Sian, a Malaysian, female, aged 45, is an accountant by profession. She graduated from University of Malaya with a Bachelor Degree in Accounting. She is a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants. She joined Scientex Berhad in 2002 as Corporate Finance Manager and subsequently promoted to Group Financial Controller on 15 May 2003. She was appointed as the Executive Director overseeing corporate planning of the Group since 2014. She completed the Advanced Management Program in Harvard Business School in 2015.

She does not have any family relationship with any Director and/or major shareholder of Scientex Berhad and has no conflict of interest with the Company. She has not been convicted for any offences within the past 5 years. There were no public sanctions or penalties imposed on her by any regulatory bodies during the financial year 2017.

Yau Kuan Yee

Executive Director – Manufacturing Facilities

Yau Kuan Yee, a Malaysian, male, aged 56, joined Scientex in 1996 as a Division General Manager of stretch film business. He was appointed as the Senior Technical General Manager on 1 March 2015 and presently, is the Executive Director of Manufacturing Facilities since 1 August 2017. He has almost 30 years of experience in the plastics packaging industry and 25 years in stretch film segment. He graduated from Swinburne Institute of Technology, Melbourne, Australia with a degree in Manufacturing Engineering.

He does not have any family relationship with any Director and/or major shareholder of Scientex Berhad and has no conflict of interest with the Company. He has not been convicted for any offences within the past 5 years. There were no public sanctions or penalties imposed on him by any regulatory bodies during the financial year 2017.

Choo Chee Meng
Senior General Manager - Property Business

Choo Chee Meng, a Malaysian, male, aged 39, joined Scientex's property division in 2006 as an Assistant Finance Manager. He was promoted to Senior General Manager of Scientex's property business on 1 August 2013. He graduated from University of South Australia, Adelaide with a Degree in Accounting and has more than 10 years' experience in the field of accounting and property development.

He does not have any family relationship with any Director and/or major shareholder of Scientex Berhad and has no conflict of interest with the Company. He has not been convicted for any offences within the past 5 years. There were no public sanctions or penalties imposed on him by any regulatory bodies during the financial year 2017.

Goh Tian Chin
Senior General Manager – Manufacturing Business

Goh Tian Chin, a Malaysian, male, aged 52, joined Scientex Polymer Sdn Bhd in September 1995 as Assistant Production Manager. He was promoted to General Manager in February 2001 and since 1 July 2010, he has assumed the responsibilities of a Senior General Manager for the stretch film business. He is a graduate of University Science of Malaysia with a Bachelor's Degree in Technology and has more than 10 years of experience in the polymer industry.

He does not have any family relationship with any Director and/or major shareholder of Scientex Berhad and has no conflict of interest with the Company. He has not been convicted for any offences within the past 5 years. There were no public sanctions or penalties imposed on him by any regulatory bodies during the financial year 2017.

Phang Chi Ming
Legal & Corporate Affairs Manager

Phang Chi Ming, a Malaysian, male, aged 52, graduated from the National University of Singapore in 1989 with a Bachelor of Laws (Honours) degree. He has been in legal practice since 1990 and obtained his Master of Laws from University of Malaya in 1996. He has various experience in commercial and corporate work as well as litigation. He was appointed as the Legal & Corporate Affairs Manager of Scientex Berhad since 14 January 2008.

He does not have any family relationship with any Director and/or major shareholder of Scientex Berhad and has no conflict of interest with the Company. He has not been convicted for any offences within the past 5 years. There were no public sanctions or penalties imposed on him by any regulatory bodies during the financial year 2017.

Ng Boon Ngee

Company Secretary

Ng Boon Ngee, a Malaysian, female, aged 41, joined Scientex Berhad in 2005 and was appointed Company Secretary on 30 September 2009. Since 1 August 2011, she heads the Corporate Secretarial Department of Scientex Group. She has more than a decade of experience in handling corporate secretarial matters in professional secretarial firms and the corporate sector. She is a Chartered Secretary (ICSA) and is an associate member of the Malaysian Institute of Chartered Secretaries and Administrators.

She does not have any family relationship with any Director and/or major shareholder of Scientex Berhad and has no conflict of interest with the Company. She has not been convicted for any offences within the past 5 years. There were no public sanctions or penalties imposed on her by any regulatory bodies during the financial year 2017.

Chairman's Statement

Dear Fellow Shareholders,

On behalf of the Board of Directors ("the Board"), I am pleased to present the Annual Report and Audited Financial Statements of Scientex Berhad ("Scientex" or "the Group") for the financial year ended 31 July 2017.

The Group has again proved its resilience and fortitude in writing new records and this financial year 2017 marks another historic year for the Group as it surpassed RM2.4 billion in terms of revenue which was achieved against the backdrop of continued volatility and uncertainty in the world economy. The results demonstrate that the pro-active action plans implemented by the Management are beginning to bear fruits with increased contribution to both the top and bottom line.

FINANCIAL PERFORMANCE

The Group recorded its highest consolidated revenue of RM2.4 billion, representing a growth of 9.2% compared to RM2.2 billion in the previous financial year. Correspondingly, net profit jumped by 6.2% to RM255.9 million from RM240.9 million the year before. With the one-for-one share bonus issue, issuance of shares pursuant to the Scientex Berhad Share Grant Plan ("SGP") and the private placement undertaken during the financial year, the Group has a dilutive effect on the earnings per share ("EPS") which rose marginally by 3.6% to 54.8 sen for the current year under review. Viewed from the perspective of the post-bonus issue, the Group's EPS has effectively more than doubled compared to the restated EPS of 25.5 sen in 2013, reflecting the strong and sustained growth over the last 4 years.

The Group's strong performance for this financial year has been largely underpinned by the phenomenal results posted by its property division whilst the Group's manufacturing division continues to expand its capacity to lay the path for future growth. Manufacturing revenue grew by 7.8% from RM1.5 billion in the previous financial year to RM1.7 billion. The increase was mainly attributed to the higher contribution from the consumer packaging segment which resulted from the higher demand for its diverse range of products. The property division found its niche with its focus on affordable housing to counter the slowing domestic high-end property market and this strategy has seen revenue rising to RM733.5 million, an increase of 12.6% over the previous year's performance of RM651.5 million.

DIVIDENDS

Scientex had declared a single tier interim dividend of 6 sen per share, with the dividend payout of RM29.0 million made to shareholders on 21 July 2017. In view of the outstanding results for the year, the Board would like to reward our shareholders with a single tier final dividend of 10 sen per share amounting to a proposed dividend payout of RM48.4 million, subject to shareholders' approval at the forthcoming Annual General Meeting. The aggregated dividend will amount to a total dividend payout of approximately RM77.4 million, representing approximately 30.2% of the Group's net profit. Once again, this highlights Scientex's commitment to pay out at least 30% of its net profit to our loyal shareholders.

The Company had, on 3 October 2017 proposed to undertake a Dividend Reinvestment Plan ("Proposed DRP"). The Proposed DRP will give the Company flexibility to offer its shareholders an option to elect to reinvest their future dividend in new ordinary shares of the Company, subject to the approval by the relevant authorities as well as the shareholders of the Company at an Extraordinary General Meeting which will be convened.

CORPORATE DEVELOPMENTS

Scientex implemented the one-for-one bonus issue exercise in March 2016 and the exercise was completed in the first quarter of the financial year 2017. Pursuant thereto, the issued shares of the Company has increased from 230,000,000 shares to 460,000,000 shares. The newly issued bonus shares were listed and quoted on the Main Market of the Bursa Malaysia Securities Berhad on 15 August 2016.

For the financial year under review, an additional 3,558,000 new ordinary shares were allocated and granted to eligible employees in November 2016, pursuant to the SGP. This SGP was implemented to reward and incentivise key management and eligible employees towards attaining specific goals and targets set for each financial year. The intention is to ensure long term growth of the Group and enhancement of shareholders' value as Scientex seeks to reach higher goals in both its manufacturing and property development sectors.

On 10 November 2016, Scientex announced that its wholly-owned subsidiary, Scientex Packaging Film Sdn Bhd had formed a wholly-owned subsidiary, Scientex Phoenix, LLC in Arizona, United States of America which would be dealing with the manufacturing and trading of stretch film and other related packaging products. The key objective for Scientex Phoenix, LLC is to expand its market reach in the Americas and to be in close proximity to its customers within the region as well as to procure its raw materials at highly competitive prices which will enable the Group to manufacture its products at competitive prices to penetrate the large markets there.

During the financial year, Scientex also streamlined its corporate structure and moved to its new headquarters, which serves as the centralised base of operations and acts as an enabling platform for better planning and allocation of resources to tap and realise the Group's operational efficiency.

On 28 December 2016, Scientex, through its wholly-owned subsidiary, Scientex Quatari Sdn Bhd ("SQSB"), entered into a conditional sale and purchase agreement to purchase development lands measuring approximately 121.2 acres in the Mukim of Kulai, Johor. The sale and purchase agreement became unconditional in May 2017 and the acquisition was completed in mid-August 2017.

On 27 April 2017, Scientex proposed to place out up to 10% of its total number of issued shares (excluding treasury shares) to third party investors and pursuant thereto, Scientex successfully placed out 20,000,000 ordinary shares representing 4.3% of its issued shares at the price of RM7.80 per share to third party investors. Gross proceeds of approximately RM156 million were raised pursuant to this exercise which would be used for expansion and working capital requirements of the Group. As at 31 July 2017, the total number of issued shares of the Company was 483,558,000 ordinary shares, including 100 treasury shares which were repurchased from the open market of Bursa Malaysia Securities Berhad during the financial year.

After the conclusion of the current financial year, Scientex had, on 9 August 2017 via SQSB's subsidiary, Scientex Park (M) Sdn Bhd entered into a conditional sale and purchase agreement for the purchase of a prime development land measuring approximately 65.3 acres in Rawang, Selangor as the Group expand its footprint into the Klang Valley property development scene. The strategic location of the land with close proximity to mature amenities and facilities, easy access and a growing population in a high growth region would be its major selling point. The conditional agreement, which is expected to be completed by first half of 2018, will contribute positively to the Group's performance in the years ahead.

AWARDS

It is indeed heartening to know that the Group has once again been recognised by its peers and industry leaders in the prestigious "The Edge Billion Ringgit Club 2017" awards ceremony which was held on 21 August 2017 at one of Kuala Lumpur's premier hotels. The Group garnered two gold awards under the industrial products sector for recording Highest Growth in Profit After Tax over Three Years and for posting the Highest Return on Equity over Three Years. These awards not only marked another major achievement for Scientex but more importantly it is also a proven testimony displayed by all Scientex employees for their dedication and commitment over the past few years and many more years to come.

ECONOMIC OUTLOOK AND PROSPECTS

Scientex has laid the foundations for the future growth of its manufacturing and property development divisions through the implementation of the various action plans taken and these on-going activities will reinforce and continue to drive the growth and expansion of the Group in the coming years.

The International Monetary Fund has in its World Economic Outlook Update released on 23 July 2017 maintained that global recovery is on track to grow by 3.5% in 2017 and 3.6% in 2018. However, we remain mindful that the uncertainty and volatility in the global financial markets and business challenges such as volatility in exchange rates and raw material pricing will continue to persist. We will continue to monitor these developments closely to ensure that the volatility is duly managed in a prudent and effective manner. We will also strive to mitigate these challenges through better operational efficiency and controls.

On the domestic front, apart from the challenges faced by the manufacturing and property industries, the rising costs of living have also generally affected the consumer sentiment, the demand for goods and services and investors confidence. Nonetheless, the Group has every confidence to address these issues and has also taken steps to remedy or address these issues by setting out appropriate business strategies which take into account these risks. The Group will continue to remain prudent and exercise discipline in carrying out its functions whilst enhancing its own competency and efficiency to achieve sustainable growth in the coming years.

ACKNOWLEDGEMENT

The current financial year under review has been an outstanding one for Scientex despite the challenges it faced, both globally and on the domestic front. The Board extends its heartiest congratulations to the Managing Director, Mr Lim Peng Jin and his Management team for having risen to the multiple challenges confronting them and overcoming these challenges to deliver results which were beyond expectations. With a hands-on leadership style, the Managing Director and his Management team have provided great comfort to the Board when carrying out the tasks and projects set for the period under review. On the whole, the Board is confident that the Group will continue to perform well for the coming financial year.

On behalf of the Board, I would like to inform that one of our fellow Board member, Mr Teow Her Kok @ Chang Choo Chau has retired effective 30 September 2017. We would like to thank Mr Teow Her Kok @ Chang Choo Chau for his valuable contribution and guidance during his tenure as a Board member and we wish him a happy retirement. The Board would also like to extend a warm welcome to Mr Wong Chin Mun to the Board. He was appointed as Independent Non-Executive Director on 6 October 2017 and brings with him a wealth of experience that will benefit the Group. The Board looks forward to working closely with Mr Wong Chin Mun during his tenure as Director of the Company.

On a personal note, I would like to express my gratitude to my fellow Board members for their invaluable guidance and sound counsel throughout the year.

Lastly, the Board would also like to thank our shareholders, valued customers, bankers and business partners for your continuous and overwhelming support to the Group.

Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim
Chairman

Pernyataan Pengerusi

Para Pemegang Saham yang Dihormati,

Bagi pihak Lembaga Pengarah ("Lembaga"), saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Teraudit bagi Scientex Berhad ("Scientex" atau "Kumpulan") untuk tahun kewangan berakhir 31 Julai 2017.

Kumpulan sekali lagi membuktikan daya tahan dan kecekalannya dalam mencatatkan rekod baharu, dan tahun kewangan 2017 ini menandakan satu lagi tahun bersejarah bagi Kumpulan kerana berjaya memperoleh lebih RM2.4 bilion dari segi hasil, yang dicapai dalam keadaan ketidaktentuan dan ketidakpastian berterusan ekonomi dunia. Keputusan tersebut menunjukkan bahawa pelan tindakan proaktif yang dilaksanakan oleh pihak Pengurusan telah mula membuahkan hasil, dengan peningkatan sumbangan kepada hasil kasar *(top line)* dan untung bersih *(bottom line)*.

PRESTASI KEWANGAN

Kumpulan mencatatkan hasil terkumpul yang tertinggi, iaitu RM2.4 bilion, mewakili pertumbuhan sebanyak 9.2% berbanding RM2.2 bilion pada tahun kewangan sebelumnya. Selaras dengan itu, keuntungan bersih melonjak sebanyak 6.2% kepada RM255.9 juta daripada RM240.9 juta pada tahun sebelumnya. Dengan pengeluaran bonus saham satu untuk satu, terbitan saham menurut Pelan Geran Saham Scientex Berhad ("SGP") dan penempatan persendirian yang dilaksanakan dalam tahun kewangan tersebut, Kumpulan memberikan kesan pencairan terhadap perolehan sesaham ("EPS"), yang meningkat sedikit sebanyak 3.6% kepada 54.8 sen bagi tahun semasa di bawah tinjauan. Jika dilihat dari perspektif pascapengeluaran bonus, EPS Kumpulan telah meningkat lebih daripada dua kali ganda berbanding EPS yang dinyatakan semula, iaitu 25.5 sen pada 2013, mencerminkan pertumbuhan yang kukuh dan mampan sejak empat tahun yang lalu.

Prestasi Kumpulan yang kukuh bagi tahun kewangan ini sebahagian besarnya disokong oleh keputusan luar biasa yang dicatatkan oleh bahagian hartanahnya, manakala bahagian perkilangan Kumpulan terus meningkatkan keupayaannya untuk membuka jalan bagi pertumbuhan pada masa depan. Hasil perkilangan meningkat sebanyak 7.8% daripada RM1.5 bilion pada tahun kewangan sebelumnya kepada RM1.7 bilion. Peningkatan ini berpunca terutamanya daripada sumbangan yang lebih tinggi daripada segmen pembungkusan pengguna, yang disebabkan oleh permintaan yang lebih tinggi untuk produknya yang pelbagai. Bahagian hartanah telah menemui bidang khususnya dengan tumpuan pada perumahan mampu milik sebagai tindak balas terhadap pasaran hartanah mewah domestik yang perlahan, dan strategi ini menyaksikan hasil meningkat kepada RM733.5 juta, peningkatan sebanyak 12.6% berbanding prestasi tahun sebelumnya, iaitu RM651.5 juta.

DIVIDEN

Scientex telah mengisytiharkan dividen interim satu peringkat sebanyak 6 sen sesaham, dengan bayaran dividen berjumlah RM29.0 juta dibuat kepada pemegang saham pada 21 Julai 2017. Berdasarkan keputusan cemerlang bagi tahun tersebut, Lembaga akan memberikan ganjaran kepada pemegang saham kami dengan dividen akhir satu peringkat sebanyak 10 sen sesaham, dengan bayaran dividen yang dicadangkan berjumlah RM48.4 juta, tertakluk pada kelulusan para pemegang saham pada Mesyuarat Agung Tahunan yang akan datang. Dividen agregat akan menghasilkan jumlah bayaran dividen yang bernilai kira-kira RM77.4 juta, mewakili kira-kira 30.2% daripada keuntungan bersih Kumpulan. Sekali lagi, hal ini menunjukkan komitmen Scientex untuk membayar sekurang-kurangnya 30% daripada keuntungan bersihnya kepada pemegang saham kami yang setia.

Pada 3 Oktober 2017, Syarikat mengemukakan cadangan untuk melaksanakan Pelan Pelaburan Semula Dividen ("DRP yang Dicadangkan"). DRP yang Dicadangkan itu akan memberi fleksibiliti kepada Syarikat untuk menawarkan kepada pemegang sahamnya pilihan untuk melaburkan semula dividen yang mereka terima pada masa depan dalam saham biasa baharu Syarikat, tertakluk pada kelulusan pihak berkuasa yang berkenaan dan pemegang saham Syarikat pada Mesyuarat Agung Luar Biasa yang akan diadakan.

PEMBANGUNAN KORPORAT

Scientex melaksanakan usaha mengeluarkan bonus satu untuk satu pada Mac 2016 dan pelaksanaan tersebut selesai pada suku pertama tahun kewangan 2017. Sehubungan dengan itu, modal saham diterbitkan Syarikat telah meningkat daripada 230,000,000 saham kepada 460,000,000 saham. Saham bonus baharu diterbitkan telah disenaraikan dan disebut di Pasaran Utama Bursa Malaysia Securities Berhad pada 15 Ogos 2016.

Bagi tahun kewangan di bawah tinjauan, sebanyak 3,558,000 saham biasa baharu telah diperuntukkan dan diberikan kepada pekerja yang layak pada November 2016, selaras dengan SGP. SGP ini dilaksanakan untuk memberikan ganjaran dan insentif kepada pengurusan dan pekerja utama yang layak, untuk mencapai matlamat dan sasaran khusus yang ditetapkan bagi setiap tahun kewangan. Tujuannya adalah untuk memastikan pertumbuhan jangka panjang Kumpulan dan peningkatan nilai pemegang saham dalam usaha Scientex untuk mencapai matlamat yang lebih tinggi dalam sektor perkilangan dan pembangunan hartanah.

Pada 10 November 2016, Scientex mengumumkan bahawa subsidiari milik penuhnya, Scientex Packaging Film Sdn Bhd telah menubuhkan sebuah subsidiari milik penuh, iaitu Scientex Phoenix, LLC di Arizona, Amerika Syarikat yang akan menangani operasi perkilangan dan perdagangan filem regang dan produk pembungkusan lain yang berkaitan. Objektif utama Scientex Phoenix, LLC adalah untuk meluaskan jangkauan pasarannya di benua Amerika dan beroperasi berdekatan dengan pelanggannya di rantau itu serta mendapatkan bahan mentahnya pada harga yang sangat kompetitif bagi membolehkan Kumpulan mengilang produknya pada harga yang kompetitif untuk menembusi pasaran besar di sana.

Dalam tahun kewangan tersebut, Scientex juga memperkemas struktur korporatnya dan berpindah ke ibu pejabatnya yang baharu, yang menjadi pusat operasi berpusat dan berfungsi sebagai platform bagi membolehkan sumber dirancang dan diperuntukkan dengan lebih baik untuk memanfaatkan dan merealisasikan kecekapan operasi Kumpulan.

Pada 28 Disember 2016, Scientex, melalui subsidiari milik penuhnya, Scientex Quatari Sdn Bhd ("SQSB"), mengikat perjanjian jual beli bersyarat untuk membeli tanah pembangunan berukuran kira-kira 121.2 ekar di Mukim Kulai, Johor. Perjanjian jual beli itu menjadi tidak bersyarat pada Mei 2017 dan pemerolehan tersebut selesai pada pertengahan Ogos 2017.

Pada 27 April 2017, Scientex mengemukakan cadangan untuk menjual sehingga 10% daripada jumlah saham terbitannya (tidak termasuk saham perbendaharaan) kepada pelabur pihak ketiga dan ekoran cadangan tersebut, Scientex berjaya menjual 20,000,000 saham biasa, mewakili 4.3% daripada modal saham terbitannya, pada harga RM7.80 sesaham kepada pelabur pihak ketiga. Hasil kasar berjumlah kira-kira RM156 juta telah diperoleh ekoran usaha ini, yang akan digunakan untuk pengembangan dan keperluan modal kerja Kumpulan. Setakat 31 Julai 2017, jumlah modal saham diterbitkan Syarikat ialah 483,558,000 saham biasa, termasuk 100 saham perbendaharaan yang dibeli semula dari pasaran terbuka Bursa Malaysia Securities Berhad dalam tahun kewangan tersebut.

Selepas tahun kewangan semasa berakhir, Scientex, melalui subsidiari SQSB, iaitu Scientex Park (M) Sdn Bhd, telah mengikat perjanjian jual beli bersyarat pada 9 Ogos 2017 untuk membeli kira-kira 65.3 ekar tanah pembangunan utama di Rawang, Selangor dalam usaha Kumpulan untuk mengembangkan sayapnya dalam segmen pembangunan hartanah di Lembah Klang. Lokasi strategik bidang tanah ini, yang terletak berdekatan dengan kemudahan dan kelengkapan yang sempurna, selain mudah diakses dan mempunyai bilangan penduduk yang semakin bertambah di kawasan pertumbuhan tinggi, merupakan faktor pelaris yang utama. Perjanjian bersyarat tersebut, yang dijangka selesai menjelang separuh pertama 2018, akan menyumbang secara positif kepada prestasi Kumpulan dalam tahun-tahun yang akan datang.

ANUGERAH

Sememangnya menggembirakan apabila mendapat tahu bahawa Kumpulan telah sekali lagi diiktiraf oleh rakan-rakannya dan pemimpin industri di majlis penyampaian anugerah berprestij "The Edge Billion Ringgit Club 2017", yang diadakan pada 21 Ogos 2017 di salah sebuah hotel utama di Kuala Lumpur. Kumpulan meraih dua anugerah emas di bawah sektor produk perindustrian kerana mencatatkan Pertumbuhan Tertinggi dalam Keuntungan Selepas Cukai sepanjang Tiga Tahun dan Pulangan Ekuiti Tertinggi sepanjang Tiga Tahun. Anugerah ini bukan sahaja menandakan satu lagi pencapaian besar untuk Scientex, malah lebih penting lagi, ia juga merupakan testimoni yang membuktikan dedikasi dan komitmen yang ditunjukkan oleh semua pekerja Scientex sejak beberapa tahun yang lepas dan dalam tahun-tahun yang akan datang.

TINJAUAN EKONOMI DAN PROSPEK

Scientex telah menyediakan asas untuk pertumbuhan bahagian perkilangan dan pembangunan hartanahnya pada masa depan menerusi pelaksanaan pelbagai pelan tindakan, dan aktiviti yang sedang dilaksanakan ini akan memperkukuh dan terus memacu pertumbuhan dan pengembangan Kumpulan dalam tahun-tahun yang akan datang.

Dalam "World Economic Outlook Update" yang dikeluarkan pada 23 Julai 2017, Tabung Kewangan Antarabangsa menyatakan bahawa pemulihan global berada di jalan yang betul untuk meningkat sebanyak

Pernyataan Pengerusi

3.5% pada 2017 dan 3.6% pada 2018. Namun begitu, kami tetap sedar bahawa ketidakpastian dan ketidaktentuan dalam pasaran kewangan global serta cabaran perniagaan, seperti turun naik kadar pertukaran dan penentuan harga bahan mentah, akan berterusan. Kami akan terus memantau rapi perkembangan ini bagi memastikan ketidaktentuan tersebut diurus sewajarnya dengan berhemat dan berkesan. Kami juga akan berusaha untuk mengurangkan cabaran ini menerusi kecekapan dan kawalan operasi yang lebih baik.

Dari sudut domestik pula, selain cabaran yang dihadapi oleh industri perkilangan dan hartanah, kos sara hidup yang semakin meningkat pada umumnya juga telah menjejaskan sentimen pengguna dan permintaan untuk barangan dan perkhidmatan serta keyakinan pelabur. Namun begitu, Kumpulan amat yakin bahawa ia mampu menangani isu ini dan juga telah mengambil langkah untuk memulihkan atau menangani isu ini dengan mengatur strategi perniagaan yang sesuai yang mengambil kira risiko ini. Kumpulan akan terus kekal berhemat dan berdisiplin dalam menjalankan fungsinya, pada masa yang sama, meningkatkan kompetensi dan kecekapannya sendiri bagi mencapai pertumbuhan yang mampan dalam tahun-tahun yang akan datang.

PENGHARGAAN

Tahun kewangan semasa di bawah tinjauan merupakan tahun yang cemerlang bagi Scientex, meskipun berdepan dengan pelbagai cabaran di peringkat global dan domestik. Lembaga menyampaikan setinggi-tinggi tahniah kepada Pengarah Urusan, Encik Lim Peng Jin dan pasukan Pengurusannya kerana telah menyahut pelbagai cabaran yang mendepani mereka dan mengatasi cabaran ini untuk memberikan hasil yang melebihi jangkaan. Dengan gaya kepimpinan praktikal, Pengarah Urusan dan pasukan Pengurusannya menyenangkan hati Lembaga semasa menjalankan tugas dan projek yang ditetapkan bagi tempoh di bawah tinjauan. Pada keseluruhannya, Lembaga yakin Kumpulan akan terus menunjukkan prestasi yang baik bagi tahun kewangan yang akan datang.

Bagi pihak Lembaga, saya ingin memaklumkan bahawa salah seorang ahli Lembaga kami, iaitu Encik Teow Her Kok @ Chang Choo Chau telah bersara pada 30 September 2017. Kami ingin mengucapkan terima kasih kepada Encik Teow Her Kok @ Chang Choo Chau atas sumbangan dan bimbingan beliau yang tidak ternilai semasa memegang jawatan sebagai ahli Lembaga dan kami mendoakan semoga beliau selamat bersara. Kami juga ingin mengalu-alukan penyertaan Encik Wong Chin Mun dalam Lembaga. Beliau telah dilantik sebagai Pengarah Bebas Bukan Eksekutif pada 6 Oktober 2017 dan membawa bersamanya pelbagai pengalaman yang bakal memberi manfaat kepada Kumpulan. Lembaga berharap dapat bekerjasama rapat dengan beliau sepajang tempoh perkhidmatan beliau sebagai Pengarah Syarikat.

Secara peribadinya, saya juga ingin menyatakan rasa terima kasih saya kepada rakan-rakan saya yang juga ahli Lembaga atas panduan yang tidak ternilai dan nasihat yang bernas sepanjang tahun tersebut.

Akhir sekali, Lembaga juga ingin mengucapkan terima kasih kepada pemegang saham, pelanggan, bank dan rakan perniagaan kami yang dihargai atas sokongan padu anda yang berterusan kepada Kumpulan.

Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim
Pengerusi

主席报告书

各位股东，

我谨此非常荣幸的代表董事部，为大家汇报森德公司截至2017年7月31日财政年的常年报告与已审核财务报表。

凭着具弹性与坚韧的执行态度，集团再度于2017财政年创下业绩新高纪录。尽管面对全球经济持续波动与不明朗因素的冲击，森德公司的营业额还是冲破了24亿令吉的历史新高。这意味着管理层采取的主动进取型策略凑效，推高了营业额和盈利表现。

业绩表现

森德公司在本财政年创下24亿令吉的营业额新高纪录，比上财政年的22亿令吉，高出9.2%。与此同时，净盈利按年成长了6.2%，从去年同期的2亿4090万令吉增长至2亿5590万令吉。随着集团在本财政年以1配1比例派发红股，股权配给奖掖计划及私下配售新股，森德公司2017财政年稀释后的每股盈利微幅增长3.6%，至54.8仙。即使派发红股后，集团的每股盈利依然是从2013年调整后的25.5仙，有效的翻倍，凸显了每股盈利在这四年来都取得稳健和持续的增长。

森德公司能取得强稳的业绩，主要归功于旗下产业业务的非凡表现。另外，制造业务也持续扩充产能，为将来的业务增长铺路。制造业的营业额增长了7.8%，从上个财政年的15亿令吉，上扬到17亿令吉，主要是受到消费品包装业务多元产品需求增加的推动。而专注于发展可负担房产来缓和国内高档产业市场放慢的措施，则将产业业务的营业额推高到7亿3350万令吉，比上财政年的6亿5150万令吉，高出12.6%。

股息

较早前，森德公司宣布派发每股6仙的单层中期股息，有关总额达2900万令吉的股息，已经在2017年7月21日派发。随着本财政年的业绩表现出色，董事部建议派发总额4840万令吉，每股10仙的终期单层股息。有关终期股息的派发还有待即将来临的常年股东大会的通过。如此一来，森德公司于2017财政年的股息派发总额将达到约7740万令吉，相等于集团约30.2%的净盈利。再一次凸显了森德公司致力兑现派发最低30%净盈利给忠诚股东的承诺。

另一方面，森德公司也在2017年10月3日献议进行股息再投资计划。有关的计划将给予森德公司的股东以未来分得的股息购入公司新普通股的投资选择。有关的股息再投资计划的献议也有待相关单位的批准以及即将召开的特别股东大会的通过。

企业发展

森德公司在2016年3月执行了以1配1比例派发红股的举措，整个计划也在2017财政年的第一季完成。这项红股派发已把公司的已发行股，从2亿3000万股，提高到4亿6000万股。红股也已经于2016年8月15日，在大马证券交易所主板交易和报价。

此外，集团依据股权奖掖配给计划，在2016年11月，将355万8000股新普通股配给符合资格的员工。推行这项年度股权配给奖掖计划的目的是奖赏和激励首要管理层以及员工致力达致公司在每个财政年设下的目标。与此同时，也能在集团致力于推高制造业与产业业务表现之际，确保集团长期的稳健成长以及提高股东价值。

森德公司于2016年11月10日宣布，通过全权持有的子公司，森德包装膜私人有限公司(Scientex Packaging Film Sdn Bhd)在美国亚利桑那州成立了全权持有的子公司，森德凤凰有限责任公司(Scientex Phoenix, LLC)，以生产和销售拉伸膜以及其他相关的包装产品。设立森德凤凰的主要目的是扩大集团在美洲的市场，并且更靠近该区域的客户群。与此同时，也得以用更具优势的价格购买原料，进而协助集团以更具竞争力的价格进行生产并渗透整个大市场。

另一方面，森德公司也在本财政年简化企业架构并迁入新的总部，即集中营运基地，以更好的平台去精心策划和分配资源，提升和体现整体的营运效率。

集团在2016年12月28日，通过全权持有的子公司，森德Quatari私人有限公司(Scientex Quatari Sdn Bhd)跟卖方达致了一项有条件买卖协议，购入位于柔佛州古来约121.2英亩的发展土地。有关的买卖在2017年5月已成为无条件协议，森德也在2017年8月中，完成了这项收购计划。

森德公司在2017年4月27日，献议私下配售已发行新股中的10%（库存股除外）给第三方投资者。随后，集团也成功把每股售价7.80令吉，总数2000万股新普通股配售给第三方投资者，这批新股占森德已发行股的4.3%。筹集到的约1亿5600万令吉将充作扩展业务和营运资本的用途。截至2017年7月31日，森德公司的已发行股是4亿8355万8000股普通股。当中包括了森德公司在本财政年，从大马证券交易所公开市场回购的100股库存股。

主席报告书

在本财政年结束后，森德公司在2017年8月9日，通过全权持有的子公司，森德Quatari私人有限公司旗下的附属公司，森德Park (大马)私人有限公司(Scientex Park (M) Sdn Bhd)跟卖方达致了一项有条件买卖协议，购入位于雪兰莪州万挠，占地约65.3英亩的首要发展地皮。这也是集团把产业业务扩大至巴生谷产业市场的投资。地库地点适中，毗邻设备与设施齐全的地区，交通便利，位于人口增长的高成长区域，都将是森德房产的主要卖点。这项有条件土地收购计划，预计将在2018年的上半年完成，届时将会为集团未来数个财政年的业绩，带来正面的贡献。

森德公司再度受到同行和业界领导者的肯定，荣获声望极高的"2017年The Edge十亿令吉俱乐部"颁布的奖项，是一件令人振奋的事。这一次，森德公司在工业产品领域囊括了两项金奖，分别是过去三年税后盈利成长最高金奖，以及过去三年最高股票回酬金奖。有关的颁奖礼于2017年8月21日在吉隆坡其中一家著名酒店举行。这些奖项不仅标榜着森德再度取得了极大的成就，更重要的是，它印证了森德公司全体员工在过去几年以及未来的日子的诚心奉献与承诺。

经济展望与前景

森德公司已经通过执行多项行动计划，为制造业和产业业务未来的成长奠定基础。这些计划将会巩固和推动集团未来几年的成长与业务扩充。

国际货币基金组织在2017年7月23日发布的全球经济展望报告中指出，他们维持全球经济在2017年和2018年如预期般复苏，分别取得3.5%和3.6%成长的预测。无论如何，森德公司还是会慎重看待市场不明朗因素，全球金融市场的持续波动，汇率波动和原料价格对经商的各种挑战等。我们将会持续密切关注一切的发展趋势，谨慎与妥善的应对。我们也会致力通过更好的营运效益和管制来减低风险。

在国内，除了制造业与产业领域所面对的挑战，整体的生活成本增加也普遍影响消费情绪、消费者对产品与服务的需求以及投资信心。无论如何，集团也有信心能对症下药，采取必要的步骤，理出恰当的商业策略来应对相关风险。我们将继续慎重的管理业务，有纪律的行使职责，提高自身的竞争力和效率，走向永续成长的未来。

感谢篇

尽管面对全球与国内种种外围因素的挑战，集团依然在本财政年取得卓越的表现。董事部诚心恭贺我们的董事经理，林炳仁先生以及他的管理层，挺身面对并克服迎面而来的各种挑战，为集团带来超越预期的业绩表现。亲自掌舵的董事经理与管理层在本财政年度执行任务与计划的魄力，让董事部深感欣慰。整体来说，董事部有信心，集团将持续在未来取得良好的业绩表现。

另外，我谨代表董事部宣布，我们的董事之一，张灼照先生已经从2017年9月30日开始，正式退休。我们非常感谢张灼照先生在担任董事期间，对集团的奉献与指导。我们衷心祝福他退休生活愉快。与此同时，我也要欢迎黄諮宸先生加入我们的董事部。黄諮宸先生在2017年10月6日受委为森德公司的新独立非执行董事。我们坚信，集团也将得益于他的丰富企业经验。我们期盼跟黄董事在他任职期间的密切合作。我也借此机会向各位董事致谢，谢谢你们这一年给予的宝贵指导和可靠的忠告。

最后，董事部也要感谢我们的股东、忠诚客户、众银行与生意伙伴。感谢各造在这些年来对森德公司的鼎力支持。

Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim
森德公司主席

Management Discussion And Analysis

Overview

Established in 1968, Scientex Berhad is now an established and diversified company that is constantly breaking new ground in its twin core businesses of manufacturing and property development. Today, Scientex is one of the world's largest producers of industrial stretch film as well as a leading producer of other industrial and consumer packaging products with plants in Malaysia, Vietnam and United States of America. Scientex is also a reputable property developer with integrated property projects spread over 2,660 acres of land in Peninsular Malaysia. The Group will continue to build on our capabilities and capacities to maintain our competitive edge and enhance innovation.

FINANCIAL REVIEW

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

The Group recorded its highest revenue, surpassing RM2.4 billion, representing a growth of 9.2% over the previous financial year.

Description	FY2017 RM'000	FY2016 RM'000	Change %
Revenue	2,403,151	2,200,980	+ 9.2
Profit before tax ("PBT")	317,968	306,332	+ 3.8
Profit attributable to owners of the Company	255,873	240,865	+ 6.2

The increase in revenue was contributed by better sales from both the manufacturing and the property development business. Manufacturing revenue increased from RM1.5 billion to RM1.7 billion, representing an increase of 7.8%. The increase is mainly driven by export sales. Total export sales for the current financial year stood at RM1.2 billion, driven by the Group's expansion in manufacturing capacity which was put in place since 2014. Property revenue increased by 12.6%, from RM651.5 million to RM733.5 million. The increase in property revenue is mainly attributed by the stable demand for its affordable residential housing, fueled by the maiden contribution from its launches at Taman Pulai Mutiara, Pulai, Johor. Taman Pulai Mutiara is the Group's latest integrated township encompassing a mixed development sprawling over 326 acres of prime freehold land in a strategic location in Pulai, Johor. The Group saw its opening ceremony in July 2016 and has seen very encouraging demand for its maiden launch.

In line with the increase in revenue, profit before tax (PBT) for the Group also increased from RM306.3 million to RM318.0 million, representing an increase of 3.8%.

STATEMENT OF FINANCIAL POSITION

The Group's total assets increased from RM2.3 billion in FY2016 to RM2.6 billion in FY2017.

Total equity attributable to owners of the Company increased from RM1.2 billion in FY2016 to RM1.5 billion in FY2017. The increase is largely due to:

- annual net profit contribution of RM255.9 million offset by total dividend payments of RM75.4 million in FY2017.
- new issue of 20,000,000 ordinary shares pursuant to the private placement undertook by the Company, resulting in an increase in total equity attributable to owners of the Company of RM154.3 million.
- new issue of 3,558,000 ordinary shares pursuant to the Scientex Berhad Share Grant Plan to eligible employees of the Group.

During the current financial year, the Company has also issued 230,000,000 new ordinary shares pursuant to the bonus issue on the basis of one bonus share for every one existing ordinary share held.

Resultant thereto, total issued shares of the Company as at 31 July 2017, stood at 483,558,000 ordinary shares, out of which 100 ordinary shares are held as treasury shares.

STATEMENT OF CASH FLOW AND CAPITAL MANAGEMENT

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

The Group operates a centralised treasury management function to primarily optimise the deployment of its financial resources and minimise the financing costs of its business operations. The Group continues to generate healthy cash flow from its business operations with net cash generated from operating activities of RM322.8 million in FY2017, lower compared to FY2016 mainly due to an increase in cash utilised for working capital purposes as a result of the increase in sales.

For investing activities, the Group utilised RM253.4 million in FY2017 compared to RM560.6 million in FY2016. Capital expenditure incurred in FY2017 was mainly for the acquisition of development land in Melaka and Ipoh for the property division as well as the part payment for the construction and acquisition of plant and machinery for a new stretch film manufacturing plant in Arizona, United States of America for the manufacturing division. In FY2016, capital expenditure incurred was mainly for the acquisition of development land in Pulai, Johor, acquisition of a wholly-owned subsidiary, namely Scientex Great Wall (Ipoh) Sdn Bhd as well as payment for the construction and acquisition of plant and machinery for the biaxially oriented polypropylene (BOPP) and cast polypropylene (CPP) manufacturing plants.

To further strengthen the Group's capital base, the Company has announced a private placement of up to 10% of the total number of issued shares of the Company. To-date, a total of 20,000,000 new ordinary shares have been issued with net proceeds of RM154.3 million raised to finance the Group's expansion in both the manufacturing and property divisions as well as for working capital requirements.

Net borrowing position of the Group for FY2017 has improved with net gearing ratio for the Group reducing from 0.32 times to 0.18 times compared to FY2016.

Description	FY2017 RM'000	FY2016 RM'000
Net debt	275,792	371,007
Equity attributable to owners of the Company	1,535,464	1,175,167
Net gearing ratio (times)	0.18	0.32

DIVIDENDS

The Group is committed to enhance shareholders value and the Group's dividend policy is to distribute at least 30% of net profits to shareholders annually. For the current financial year, the Board has declared a single tier interim dividend of 6 sen per share, with the dividend payout of RM29.0 million paid on 21 July 2017. The Board has also recommended a single tier final dividend of 10 sen per share, subject to the shareholders' approval at the forthcoming Annual General Meeting.

The Company had, on 3 October 2017 proposed to undertake a Dividend Reinvestment Plan ("Proposed DRP"). The Proposed DRP will give the Company flexibility to offer its shareholders an option to elect to reinvest their entitled dividend(s) in new ordinary share of the Company, subject to the approval by the relevant authorities as well as the shareholders of the Company at an Extraordinary General Meeting which will be convened.

Scientex is committed to delivering satisfactory results in the coming financial year and maintaining its minimum dividend payout policy of 30% of its net profits.

MANUFACTURING

State-of-the-art in-line cast machine

For the manufacturing division, under the Group's industrial packaging business, Scientex is ranked one of the world's top producers of stretch film products which are mainly used for pallet wrapping in various industries.

As world demand continues to evolve towards thinner stretch films which are more eco-friendly, we continue to promote our ultra-thin gauge 6 micron stretch film, "Nano6", that is able to match the wrapping performance of the traditionally thicker stretch films, hence providing significant reduction of cost per pallet-wrap.

At present, the Group is the largest producer of PP strapping bands in the Asia region with an annual production capacity of 18,000MT. Our strapping band plant is located in Melaka. Our quality PP strapping band comes in various sizes and colours and are used for the unitisation and bundling of goods in various industries including metalworks and woodworks, electrical and electronics, paper and food and beverage. For the current financial year under review, the Group has further invested to enhance its capacity and capability with the installation of four (4) new silos to store its raw materials and a new printing machine which has the capability to print on the strapping bands as part of its value-added service to its customers. The Group has also successfully introduced its 5mm narrow strapping bands for customers who require the said product for high speed strapping machine used in the carton industry and also introduced new low elongation products, predominantly for use in the agri-based industry.

Sales for our raffia and woven bags continue to see stable demand for the year under review. For the coming year, the Group remains optimistic that demand for these products will remain stable.

Under the Group's consumer packaging business, we offer a wide range of high quality flexible plastic packaging products including but not limited to polyethylene ("PE") based products, such as lamination based film, wicketed bags, printed film, barrier film, form-fill & seals bag ("FFS"), outer wrapper for diaper and hygiene packaging products, biaxially oriented polypropylene ("BOPP") film and cast polypropylene ("CPP") film.

Our PE plant which is located in Rawang, Selangor, has now seen its annual production capacity rise to 60,000MT after a series of capacity expansion which was completed in 2016. In the current financial year, we have further added two (2) new bag making machines, giving us a total of twelve (12) units of bag making machines. The Group seeks to become the biggest producer of wicketed bread bags in the Southeast Asia region.

Blown film extrusion process

In terms of strategy for the converter markets, we focus on competitive pricing to penetrate markets and customer base. For the end-user markets, the focus would be to expand the business with greater market reach for its niche products, such as hygiene packaging products, wicketed bread bags and barrier films.

Our Chemor plant is mainly focused on FFS bags which is now fast becoming a growing product segment. The FFS products are heavy duty sacks mainly used in the petro-chemical industries and chemical industries. As part of its growth strategy, the Group has invested approximately RM27 million for a total of three (3) new co-extruder machines and two (2) new six-colour flexographic printing machines to facilitate the increase in production capacity at the Chemor plant.

Our Sungai Siput plant is specially catered for the manufacturing of hygiene packaging products which requires high quality printing to meet the requirements of our customers. The recent upgrading of its facilities with the installation of new converting machines and a 3-layer co-extruder machine has boosted the production capacity to cater for the growing demand from its customers in the coming financial year. The plant had been stringently audited to ensure compliance with the international standards set by the multinational customers. This has opened up opportunities to the Group as it aspires to serve global customers and to further expand our capability to provide customised products with value-added services to these global customers.

Our purpose-built state-of-the-art BOPP film manufacturing plant is located at Pulau Indah's Selangor Halal Hub and has a capacity of 60,000MT per annum. It was designed and engineered from the onset based on the premise of "Japan Quality, Southeast Asian Cost".

The Group's strategy is to focus on the converter market within Southeast Asia and Asia Pacific regions by developing sales networks and tie-ups with customers. The Group will focus on the high quality of its products to increase market share in existing markets and to penetrate new markets. At the same time, the Group will continue to promote products such as heat sealable film and anti-fog film to cater for specific customers' needs in these niche markets.

Our CPP film plant in Melaka complements its flexible consumer packaging division, offering high quality multi-layer CPP film and high barrier metallised film (MCPP, MBOPP, MPET etc) to the Group's diverse range of customers as the Group positions itself as a key player for high quality flexible consumer packaging products. The prospects for CPP film products remain positive as it is an important component in the flexible food packaging segment which continues to enjoy growing demand worldwide.

Through the Group's associate, the Group produces polyurethane ("PU") adhesives which are predominantly used in the lamination of flexible plastic packaging consumer products. Demand for such products continue to remain strong as population growth will continue to see the growth of the food packaging industry driven by consumption of its large population base. Currently, plans are underway to double up its production capacity in order to cater to the growing demand for its products. The Group is confident that with the production capacity coming on-stream this coming year, revenue and market share will be increased as the Group intends to expand its sales territory into new markets in the Southeast Asia region.

The Group's investment in the Scientex Film Technical Centre is beginning to produce the desired results as an array of the state-of-the-art equipment are put to good use to conduct sample analyses and sample production for technical evaluation. The close cooperation with the Group's multinational customers has led to more innovation and development of new products through the collaborative efforts of both parties to come up with tailor-made products. The successful development of these new products had enabled the Group to enhance its customised and value -added services to its customers whilst enhancing its product quality and applications as the Group strives to gain a foothold in the global arena by meeting the exacting demands and expectations of its global customers.

Our polymer business unit produces polymer products under an original equipment manufacturing arrangement with selected automotive producers. As the nature of its products are niche and customer-centric, the focus will be to emphasize on product development in collaboration with its global customers to produce better products. To further diversify from its traditional polymer products, the Group has expanded the sales of newly developed skin materials which require higher specifications. We anticipate that we would be able to generate sustainable demand for the coming financial year.

Lastly, for our solar encapsulant sheet joint venture entity, the Group will continue to streamline its operations, enhance the productivity and product development as part of its on-going efforts to achieve stable performance in the coming financial year.

ANTICIPATED OR KNOWN RISK

Risk identification, assessment and management is an integral part of the Group. Other than the risk associated with the uncertain global economy, some of the risks that could have a material impact on the Group include raw material supply and raw material price fluctuation risk and financial risk. The cost of resin is the main raw material cost for our manufacturing industry and resin price is subject to the fluctuation of the crude oil price and market demand and supply. The Group continuously monitor such development on a constant basis to ensure that the selling prices of our related products are linked to the prevailing resin prices. An adequate and steady supply of resin is also important to ensure a smooth and efficient production process. The Group has established relationships with its existing suppliers and works very closely with them to ensure a steady supply of raw materials. At the same time, we continue to explore new suppliers to expand our supplier base to meet our growth. Financial risks include foreign exchange currency risk, interest rate risk and the availability of funds to meet its business needs. The Group's functional and reporting currency is Ringgit Malaysia. In FY2017, more than 75% of the manufacturing sales was denominated in foreign currencies, in particularly United States Dollar ("USD"). The Group manages its foreign exchange risk through natural hedging of transactions to minimise foreign exchange exposure. The Group has also obtained certain funding of its working capital with borrowings denominated in foreign currency mainly in USD to balance up its position. In addition, the Group manages its bank borrowings by having a combination of Ringgit and USD borrowings to better manage its interest rate risk.

Management Discussion And Analysis - MANUFACTURING

Scientex Phoenix, LLC


Rewinding Machines


Factory renovation in progress

FORWARD LOOKING

Scientex continues in its effort to expand its presence in its existing markets whilst opening up new markets. The Group has embarked on an expansion plan which will see it investing approximately USD25 million for the setting up of a new plant with two (2) lines to be installed and commissioned in the coming financial year 2018 in Arizona, United States of America. The tremendous and rapid growth in the shale gas industry offers vast opportunities to the Group as the abundance of raw materials extracted using the latest technology will enable the Group to be in a position to procure its raw materials easily due to its proximity to the source of supply of raw materials. This will in turn enable the Group to produce and manufacture its products at competitive prices. The plant shall be the base of operations to serve the immediate market within the United States of America in line with the longer term expansion plans of the Company to continuously expand its geographical reach worldwide. With closer proximity to its markets, it would be better able to serve its customers. Other pull factors include the investment friendly climate and policies of the United States, supported by its authorities committed to facilitating and ensuring that investors are welcome to invest and expand their operations, the availability of good infrastructure with a readily available workforce coupled with the strategic location of the plant are strategic reasons which will provide a strong platform for the Group to succeed as it seeks greater business opportunities in the Americas generally and in the United States of America specifically for its diverse range of industrial and consumer packaging products that can be offered at competitive prices.

Overall, its manufacturing division, with the various action plans and strategies that have been put in place in the past years to address the respective challenges faced by the individual business units, and with its overall capacity expansion being substantially completed for this financial year, the Group looks forward to this coming financial year with renewed vigour against the backdrop of a global recovery taking hold on firmer ground. The Group look forward to ramping up its production and to grow its sales volume with a more aggressive marketing stance with better market sentiments and demand on the recovery path. For this coming financial year, the Group remains on an expansionary trajectory as it endeavours to enter new markets, expanding existing ones and promote itself as a global player in the marketplace for its products.

PROPERTY

Scientex is one of the leading property developers with an established presence in Johor and Melaka and is rapidly expanding its footprint in Perak and Selangor.

Scientex has progressively moved up the value chain to offer the entire spectrum of property solutions as we gain in expertise and grow in experience. Since our debut in 1995 offering affordable housing in Taman Scientex Pasir Gudang, today we have further diversified our range of products to include lifestyle homes, high rise condominiums, commercial and industrial properties, whilst at the same time maintaining our core of affordable residential properties.

Scientex Johor

PASIR GUDANG

Taman Scientex Pasir Gudang sits on 1,100 acres of freehold land which has been progressively developed over the years and was the pioneer development project of the property division when it was first launched in 1995. The project is an integrated mixed development township comprising residential, commercial and industrial developments. To date, more than 10,000 residential and commercial units have been completed and handed over to purchasers with an estimated population of 30,000 people living within the township.

For the financial year under review, Taman Scientex Pasir Gudang has launched 46 units of double storey shoplots and 140 units of Rumah Mampu Milik Johor (RMMJ) in June 2017 in support of the state government's initiative to encourage home ownership amongst the people in the state. We have also handed over vacant possession for 150 units of double storey terrace houses, 310 units of double storey terrace houses with mezzanine floor and 695 units of houses under the RMMJ and Rumah Komuniti Pakej B (PKJ B) scheme. Going forward, various RMMJ and commercial shop projects are being planned and preparations are underway for their launches in the coming financial year.

KULAI 1 & 2

Taman Scientex Kulai 1, our E'roca Hills project, with its signature hilltop panoramic view for its 45 units of zero-lot bungalows was launched in November 2016. The project recorded an encouraging take-up rate of 85% to-date. We have also handed over 42 units of zero-lot bungalows to buyers during the current financial year. For the coming financial year, plans are underway to launch another 115 units of semi-detached homes, zero-lot bungalows and bungalows to cater for the demand for hilltop living.

Taman Scientex Kulai 2 is strategically located in close proximity to Kulai town and enjoys good accessibility from the North-South Highway via the Kulai toll. This has boosted demand for its properties. For the current financial year, Taman Scientex Kulai 2 launched 32 units of cluster and semi-detached homes, which saw an 80% take-up rate to-date. 123 units of double storey terrace houses were also delivered and handed over to the purchasers.

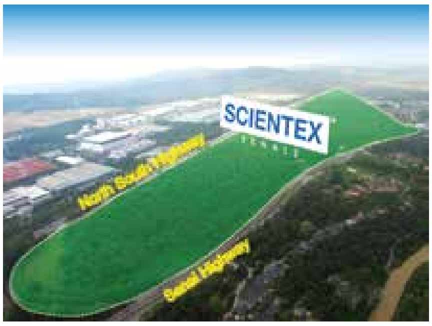
SKUDAI

Taman Mutiara Mas, our mixed development project in Skudai continues to attract property investors and home owners. Sales for The Garden Residences, Tower A, B and C serviced apartments have surpassed 98% of total units available. The final Tower D, with its various sizes and practical layouts designed to cater and accommodate varying categories of house buyers, has achieved 100% sales for its non-bumiputera units.

In August 2016, buoyed by the successful sales for The Garden Residences serviced apartments, we further launched 24 units of retail shoplots located within the tower blocks, providing an immediate market catchment of more than 1,000 residents. More than 90% of the non-bumiputera lots were sold. Our commercial development known as Signature Hub is strategically located within the township and to-date 70% of the units have been sold.

Demand for landed properties in this project continues to remain strong and the Group intends to launch its final edition of landed properties namely the Jade series in the coming financial year. The first phase of the Jade series comprises 84 units of 3-storey cluster homes and 16 units of 3-storey semi-detached homes was launched in July 2017 and enjoy 50% take-up rate to-date.

SENAI 1 & 2



For the financial year under review, Taman Scientex Senai has launched 180 units of townhouse and 68 units of low cost shop and has handed over 616 units of double storey terrace houses of various designs and 70 units of cluster and semi-detached factories to the purchasers.

For Taman Scientex Senai 2, its development is strategically located right next to the North-South Highway and Senai Highway. This marks the beginning of another new development in a growth area and is set to become another prestigious project for Scientex. With excellent frontage accessibility and connectivity to all major highways and destinations, travel distance to places such as Second Link Expressway via Senai Interchange and the Johor Bahru city is only 10km and 15km respectively, making this a highly sought after location.

The proposed first phase launch of its Classical series comprises 283 units of affordable double storey terrace houses and is slated to be held in April 2018.

PULAI

First launched in 2016, Taman Pulai Mutiara is one of the Group's signature developments offering 326 acres of prime freehold land strategically located in the heart of Pulai and Gelang Patah with ready infrastructure and excellent connectivity and access to the Second Link Expressway to Singapore. This development is well poised to become an up-and-coming integrated township encompassing mixed development complete with self-contained amenities. Its maiden launch of its double storey terrace houses saw an overwhelming response from the market. Our Taman Pulai Mutiara has made five successful launches for the year under review with a total of 714 units of double storey and three storey terrace residential homes offered for sale. These projects has seen an overall take up rate of 85% to-date.

For its commercial segment, Taman Pulai Mutiara has also launched 73 units of double storey shop offices in July 2017 and enjoy 50% take-up rate to-date.

The strong sales achieved for the financial year under review together with the high level of interest received from the public provides clear visibility on demand for our project in Taman Pulai Mutiara. Going forward, Taman Pulai Mutiara is expected to be on track to register significant growth for the coming financial year.

Management Discussion And Analysis - PROPERTY

Scientex Melaka

Scientex Melaka has built up a solid reputation amongst locals with its development in Taman Muzaffar Heights, Ayer Keroh, Melaka and we have expanded our land bank with the recently acquired Durian Tunggal land in Alor Gajah, Melaka.

AYER KEROH

Its current high rise development known as The Heights Residence at Taman Muzaffar Heights, Ayer Keroh has seen the successful completion of 2 apartment blocks namely Tower A and Tower B comprising 466 units of serviced apartments and is in the process of being handed over to the purchasers in stages. The remaining 2 apartment blocks, Tower C and Tower D, will be handed over in stages over the next financial year. Strategically located within walking distance to Melaka Multimedia University, The Heights Residence has received outstanding response from buyers and investors with a take-up rate exceeding 90% to-date.

DURIAN TUNGGAL

In November 2016, a signing ceremony was held for the purchase of 197.4 acres of freehold lands at Durian Tunggal, Alor Gajah, Melaka to be known as Scientex Durian Tunggal upon launch. This development will focus on providing affordable housing to the state to cater for the increasing demand for affordable properties within the medium price range market. An awareness event held in July 2017 in conjunction with the Raya festivities received an overwhelming response from the public.

For the coming financial year, several new launches have been planned comprising 648 units of double storey terrace homes and Rumah Mampu Milik Melaka (RMMM) homes.

Scientex Perak, Ipoh

Scientex Perak, Ipoh currently oversees three on-going projects namely Scientex Klebang, Scientex Meru 1 and Scientex Meru 2.

Scientex Klebang has approximately 10.5 acres of development land and Scientex Meru 1 has development land measuring approximately 14.4 acres, both of which were acquired by the Group in March 2016. The acquisitions underscores the property division's strategic move to replenish its existing land bank by moving and venturing out from its traditional strong bases of Johor and Melaka. Scientex Meru 2 has a development land measuring 55 acres of freehold land which was acquired in September 2016 to further strengthen our presence in this northern state.

KLEBANG

Scientex Klebang is strategically located in a convenient locale surrounded by mature amenities including an AEON Mall, McDonalds, Econsave, UNIKL Campus, Maybank as well as prominent primary and secondary schools within its vicinity and it comprises 118 units of terrace and semi-detached homes. The maiden launch for Scientex Klebang was held in March 2017 and to-date the project has achieved an encouraging take-up rate.

MERU 1 & 2

Scientex Meru 1 is situated in a prime location next to Tenby International School and is surrounded by major government offices, banks, a regional bus terminal, a hypermarket and a newly opened themed park known as Movie Animation Park Studios. This low-density development is designed with nature as part of its overall concept and will consist of only 556 units of link terrace houses, semi-detached homes and apartments upon completion. Located close to a forest reserve, the nature themed development concept creates a refreshingly green, relaxing and harmonious living experience for its inhabitants.

For the financial year under review, the first phase of 96 units of link terrace houses has been launched and has achieved an encouraging take-up rate of 85%.

Scientex Meru 2 consist of double storey terrace houses, cluster semi-detached houses and service apartments with a total of 1,064 units. The first phase of 100 units of double storey terrace houses is expected to be launched in February 2018.

ANTICIPATED OR KNOWN RISK

The Group remains cautious on its property development business as uncertainties continue to prevail in the domestic and global economies. Property sales might also be affected by the soft sentiment in the Malaysia property market. Other risk factors which could affect the demand include political conditions of the country, changes in laws and government policies affecting home ownership and credit financing.

For the Malaysian market, the affordable housing segment remains relatively resilient with a growing demand as housing becomes increasingly more expensive and out of reach of the masses due to rising costs of construction. The Group has put in place the bulk purchase policy, products standardisation and adopted the Industrialised Building System (IBS) as part of its construction methods which will bring down the costs of construction, reduce wastage of materials whilst expediting constructional works to ensure speedier delivery and handing over.

Labour shortage in the construction industry remains a concern for our property development business as the employment of skilled workers become increasingly difficult due to the recent change in policies and laws governing foreign workers. Till date, the Group has managed to ensure that it has developed an adequate pool of skilled workers for its in-house construction arm and has engaged reputable contractors and sub-contractors with good track record to ensure that its various projects are completed on time. The strategic locations of most of its projects have generally mitigated the risks of unsold units as the demand for its products remain relatively robust and resilient. Hence, whilst the coming financial year 2018 is expected to remain challenging in line with the domestic and global sentiments, the demand for affordable housing, particularly for the Group's projects at the various strategic locations are expected to remain resilient. The Group will continue to leverage on its strategic land bank and to develop innovative properties that meet the current market needs.

FORWARD LOOKING

As part of its plans and strategies to achieve the objective set by the Management, the property division has taken steps to acquire strategically located development lands to replenish its existing land bank to build more affordable homes as part of its continuous growth momentum. For the year under review, the Group has acquired 197.4 acres of freehold land in Durian Tunggal, Melaka for its future development plans. This forms part of the Group's continuous land bank replenishment exercise to acquire strategic lands which can be transformed into a sizeable and well planned township development.

In addition, in order to venture into cross boundaries beyond its traditional bases in Johor and Melaka, the Group has acquired freehold development lands in Klebang and Meru, Ipoh. On 9 August 2017, the Group also announced the signing of a conditional sale and purchase agreement to further enlarge its land bank by acquiring a piece of land measuring 65.3 acres in Rawang, Selangor, marking its maiden foray into the Klang Valley property market. Upon completion of this recent acquisition, the Group would increase its land bank exceeding 2,700 acres and it is expected to last the Group for the next 10 years of development.

INVESTOR RELATIONS

Scientex is committed to adopt transparent and effective communications with our shareholders and the investment community. We communicate with a broad range of investors and related professionals, including institutional investors and research analysts. These engagements may take place through conference calls, investor briefing events, and other channels, during which management aims to provide insights into the Group's businesses and the markets we operated in, as well as performance and strategies. We also work with a professional investor relations consultancy to implement best practices and enhance the quality of our communications.

INFORMATION DISCLOSURE

Shareholders and the public can access information on Scientex through the following channels:

- **Bursa Malaysia website**

http://www.bursamalaysia.com

We disclose material information on a timely basis on the Bursa Malaysia website under the ticker SCIENTX. These disclosures typically comprise the Group's annual report, financial performance, corporate developments and exercises, and other mandatory regulatory filings.

- **Scientex website**

http://www.scientex.com.my

The Group's website contains latest information on our business operations, products, corporate history and events. Investor presentations related to our financial and operational performance, as well as media statements, can also be obtained through the website.

ANALYST COVERAGE

Scientex is covered by four analysts as at 9 October 2017, with published reports based on the Group's financial performance and corporate developments.

SHARE PRICE PERFORMANCE

Scientex shares closed at RM8.67 on 9 October 2017. This translates into a growth of 27.9% and 141.2% from its one-year and three-year historical share price, and outperformance of 22.0% and 144.8% versus the benchmark FTSE Bursa Malaysia KLCI based on the same timeline. Total returns* to shareholders amounted to 30.2% and 152.2% on the one-year and three-year basis respectively.

** Total returns comprise changes in share price and dividend payments.*

SUSTAINABILITY STATEMENT

Introduction

Sustainability has always been a key and integral aspect of our corporate strategy as we aspire to be a long lasting entity. Thus sustainable development and growth is key to our survival. Whilst we strive to achieve our long term goals, the Group recognises that it does not operate in a vacuum and that its businesses and operations come with risks to be managed and opportunities to be seized at the right time. In the course of doing so, the Group recognises that its actions would have an impact on economic, environmental and social dimensions and in order to create long term shareholder value and to safeguard the interests of other stakeholders, there is a need to understand what are the drivers that affects the sustainability of the Group's business and how these key elements should be managed and addressed. As such, the Group remains mindful that its activities should be carried out with the high standards of corporate and social responsibility as it strives to align its businesses and engage all stakeholders in its daily operations, minimise environmental impact arising from its business operations and actions and improving the social and economic conditions of all stakeholders, employees and the communities that it operates in. As sustainability issues evolve over time and as societal values changes, the Group is cognisant that sustainability issues are fluid and thus, the Group will continue to identify core sustainability issues that impacts the Group in a material manner and, in the longer term, set to formalize a structured approach to identify, monitor, assess and review its action plans to be implemented to address prevailing sustainability issues affecting the Group.

Governance Structure

The Board oversees the Group's sustainability efforts which are driven and led by the Executive Committee. The Executive Committee comprises of the Managing Director, the executive directors of the property development and manufacturing divisions and senior management personnel. As such, the Executive Committee, being the highest decision making body of the management which oversees the day-to-day operations and activities of the Group, has been tasked with the responsibility to identify the strategies for the formulation of sustainability issues, to mandate the respective business units to carry out the action plans and to monitor and review the developments and progress of these plans. Each business unit will carry out its own sustainability initiatives led by the business heads of operations who report to the Executive Committee. To create greater awareness, the Executive Committee has assigned several representatives to attend the Bursa Malaysia Securities Berhad ("Bursa Securities") workshops on the Sustainability Reporting Guidelines whilst the Board has also been given an introductory briefing on the Bursa Securities reporting requirements and some of the Board members had attended the sustainability forum/workshop organised by Bursa Securities. As sustainability reporting is a journey, and as the Group moves forward, the Board will, through engagement with the management and external advisers, if so required, ascertain and develop a formal approach to sustainability which will provide a more detailed and comprehensive perspective on sustainability.

Economic

The success of the Group over the years is linked to the success of the communities that we operate in and this symbiotic relationship needs to be nurtured and developed with mutual trust, understanding and cooperation from all stakeholders. Our plants, wherever they are located, seek to employ the local communities to provide employment opportunities to them. Our manufacturing and property development divisions operate in the surrounding communities which provides a talent pool of workers and employees that will ensure the daily operations of the businesses is aligned to the goals and targets set by the Group. Our employees are offered competitive salaries, performance incentives and other benefits. The Group believes strongly that our employees are our greatest asset. In addition, under the Scientex Berhad Share Grant Plan, eligible employees are granted shares based on the Group's overall achievements as well as individual employee performance for a particular year. The Group also provide training for our employees and deserving employees are promoted to move up the employment ladder with greater responsibilities, better career prospects and better remuneration packages.

The Group's strategy of providing affordable homes has brought great benefits to the masses who are increasingly finding it difficult to own homes due to the fast rising costs. By aligning with the interest of our stakeholders, the Group is focused on providing affordable housing to the communities and masses while developing a good brand-name and reputation as a reliable and trustworthy developer of good quality yet affordable homes. As an extension of that, the Group is also working closely with the state governments of Melaka and Johor to provide such affordable homes under the states' respective Rumah Mampu Milik initiative.

Environment

The plastics industry has faced many challenges in addressing the alleged adverse impact of plastic products on the environment. The negative perception raised by the media and Nonprofit Organisations that plastics is bad for the environment and hence advocating a complete ban on plastics usage has a direct economic impact on the Group which would affect the Group's viability. The Group, with the joint efforts of the plastics industry, saw the need to counter the negative media reports and to engage the various stakeholders and the public that plastic products per se are not harmful and that the real cause of the problem is the indiscriminate and irresponsible manner in which used plastic products are disposed off. This is where the Group, working in collaboration with the Malaysian Plastics Manufacturers Association and other industry stakeholders, has rolled out several large scale awareness campaigns targeted at selected schools in the Klang Valley, Johor and Melaka to create greater awareness of the issues surrounding the use of plastics and to educate the public and in particular school children on the importance of the 3Rs principles namely Reduce, Reuse and Recycle as part of its long term efforts to educate the public that plastic products are not damaging to the environment if used and disposed off in a responsible manner and hence would not be harmful to the environment. The Group is of the view that education and awareness is key and that the use of plastics in itself is not detrimental to the environment if it was managed properly. In this regard, the government has a role to play to encourage the practice of the 3Rs principles with proper segregation of recyclable materials and proper disposal of waste materials. As for the Group, it has for a long time practised recycling of its waste materials and products with recycling machines being installed in all its plants in Pulau Indah and Rawang in Selangor and its Melaka plants and this has led to a substantial reduction in the generation of plastic waste as these materials may be reused and recycled to produce usable products. Particularly, our newly built BOPP plant at Pulau Indah, Selangor, being a technologically advanced plant designed to be lean, efficient and sustainable has fully embraced computerisation and automation in its manufacturing processes with emphasis on reducing production costs and wastages. It features the state-of-the-art integrated recycling facility which has the capability to produce high quality reusable materials which demonstrates our commitment to sustainability without compromising on quality or increasing costs of production.

In addition, the Group is conscious of the need to reduce the use of resources and to protect the environment and to that end, it has been making headway into the manufacturing of thinner gauge films such as its Nano6 stretch film products which are extremely popular in Japan as it uses lesser materials and hence creates lesser impact on the environment. Down gauging of films are also applied to our consumer packaging films whilst the Group has started exploring the production of biodegradable based film using organic materials as part of its conscious efforts to address the environmental concerns arising from the use and disposal of plastic products. Lastly, the production teams are constantly exploring ways to minimise the wastage generated. The Group also sees a fast growing global trend towards convenience food packaging and one of the key challenges to food packaging is how to prolong the shelf life of packed food and how to reduce food wastage due to poor quality packaging. The Group sees huge opportunities in this segment and is actively promoting its 9-layer barrier film as well as its metalised CPP film which have great protective and preservation qualities. The Group foresees that the ability to produce high quality consumer based packaging materials to address freshness and durability of the packaged food offers huge potential and demand for such packaging materials will continue to rise. As such, the Group foresees an opportunity to produce such barrier film and metalised CPP film in response to global needs which seeks to address the issues of food quality, freshness and duration of packaging.

For our manufacturing plants, the safety and welfare of our people and other stakeholders are of paramount importance and we have set up safety committees to oversee the day-to-day occupational health and safety aspects. We have safety officers who have come up with rules and regulations which are strictly enforced to ensure that the working environment is conducive and safe for our employees and any third parties who enters our plants are safe and free from harmful and dangerous materials. Suitable equipment, safety wear and helmets are provided to staff and visitors and periodic audits, drills and checks are conducted to remind people who are working within the plant premises that health and safety remains top priority for the Group and that the Group remains unequivocal that safety rules and regulations must be strictly adhered to at all times. The Group's safety record speaks for itself and it intends to ensure that there are no loss or injury time arising from such matters. To reinforce this, in-house and external trainings are conducted yearly to educate and create greater awareness amongst the employees on the importance of health and safety at the workplace.

Our Pulau Indah stretch film plant has been certified with the Environmental Management System ISO 14001:2004 certification whereby our plant has to go through the surveillance audit every 6 months and in-depth audits conducted every 3 years by external auditors to ensure compliance in terms of our environmental management aspects of plastic products. As part of our process to manage waste products, the Group is a firm believer of the 3Rs principles and recycling plays an important role in how we deal with discarded products. For those materials which cannot be reused and recycled, it is disposed off in a proper manner by authorised and licensed recycling companies who then deal with these rejected products in a legal and proper manner, hence preserving the environment from wanton and illegal disposal of waste which are harmful to the environment and the people.

In addition to the OHSAS 18001 certification, our Rawang PE, Ho Chi Minh and Ipoh plants have been certified with the ISO 14001:2004 and ISO 14001:2015 certifications which provides a systematic way in dealing with occupational health and safety related matters of our people. A framework has been put in place for the continuous monitoring and review of these potentially hazardous activities such as waste ink treatment and disposal to minimise pollution and damage to the environment. Strict work instructions, guidelines and manual has been put in place for compliance by our employees. Our plants' effluents discharge and hazardous materials are properly stored and disposed off in a proper and regulated manner through contractors approved by the Department of Environment ("DOE"). Our water discharge into the inland waters are also constantly monitored on a monthly basis to ensure there is no water contamination by conducting periodic water quality tests using external lab tests. For our newest BOPP and CPP plants, we have installed a closed loop chilled water cooling system which is intended to conserve our water resources as we recycle our water for internal air conditioning use. Air pollution due to stack emission is conducted yearly to ensure that the volatile organic compounds emitted are within permissible levels under DOE regulations and guidelines. As our Rawang factory operates nearby residential and commercial properties, care was taken to ensure that the noise generated from the plant is within limits of tolerance boundary and a noise checking system is in place to measure the noise levels. Our new BOPP and CPP plants are purpose-built incorporating the latest features in environmental protection aspects and processes as we understand the need of preserving our environment. These plants have commenced operations recently and are working towards getting the necessary ISO 14000 and ISO 18000 certification to ensure that it complies with the environmental, safety and health standards.

For our property development projects, we always try to ensure that our property designs incorporate the natural elements and seek to preserve the natural environment in its original state to reduce damage to the environment and surrounding areas. This can be seen in our Kulai E'Roca Hills development whereby plentiful of plants and trees are planted in the landscaping of the parks. Our townships are also designed with the provision of ample surrounding spaces for recreational activities for the community as can be seen in our very own Alpinia Park and Amanpuri Park in Taman Scientex Pasir Gudang. These parks provide a natural habitat feeling whilst the abundant trees and plants assist to reduce our carbon footprint. We also seek to reduce and minimise the pollution aspect and impact to the environment through specific measures taken during construction periods such as :

a) Ensuring that there are no open burning of materials on site;

b) Preventing soil erosion and run-off, ensuring proper slope design and construction, stabilisation of landform and erosion control and practising close turfing and conducting frequent maintenance;

c) Reducing noise pollution through careful handling of materials with quiet power tools and equipment;

d) Conducting frequent monitoring and maintenance of site drains and proper protection of all drains on site;

e) Reducing site dust pollution through frequent fine water spray; and

f) Providing sediment basin and silt trap for the purposes of nuisance flooding control and minimising the environmental impact of urban runoff on water quality

The property development division also seek to perform environmental protection through the implementation of environmental management system through processes such as the adoption of the Industrialised Building System ("IBS") to achieve green and sustainable construction method such as the RC shear wall system which consumes lesser wood, timber and materials leading to the lowering of constructional waste generated and reduction of constructional costs whilst speeding up the construction period with better quality finishes and overall costs savings on materials and time. We also use light gauge steel roof trusses which are designed to be environmentally friendly with less wastage generated due to customised design and other benefits such as reduction in construction costs, durable and longer lasting and cost effective in terms of value.

In terms of water and energy conservation, the property development division has adopted the rainwater harvesting system in its projects for the collection and storage of rainwater for general usage such as building cleaning and landscape irrigation as part of its efforts to prevent wastage of natural water resources and conservation of our scarce water resources. Our projects also use eco-friendly products such as LED lighting for street lighting which are more energy efficient in the long term with lower maintenance costs and works.

Social

Occupational health and safety is of paramount importance to us and covers all our employees, suppliers, contractors and communities that are involved in our business dealings. Our employees are also covered for outpatient healthcare services and in-patient hospitalisation treatments and medical services. There are also executive screenings for senior management staff whilst employees are covered under the Group's personal accident policy.

Our property development division ensures that all its employees and personnel working at the various construction sites shall be registered with the Construction Industry Development Board ("CIDB") which is the recognised governmental agency rendering an integrated program that provides registration and accreditation for construction workers and personnel to enhance health and safety levels at construction worksites. Holders of the CIDB green card are automatically covered by a special insurance scheme that provides insurance coverage for construction workers and personnel against death and accidents. Toolbox meetings are frequently conducted at sites to ensure that our construction workers are fully aware of the paramount importance of safety and health at the construction work sites.

Our township development projects is not only focused on the building of residential, commercial and industrial component for a profit as we understand the meaning of community living. On special and festive occasions, community based events are organised to cater for the residents and community within the township to promote and foster greater interaction and enhance cohesion between residents and inhabitants of different faiths as they come together to celebrate the special occassions, providing greater bonding amongst residents, families and friends.

In terms of employment opportunities, the Group believes in promoting gender equality and deserving staff are promoted strictly based on meritocracy without discriminating gender, age, race and religion.

The Group also encourages charity work and its participation in The Bursa Bull Charge 2017 run is a good example of how charity and fun can come together for a deserving cause. The Group is also

supporting a cancer research program which is being undertaken by Cancer Research Malaysia and if the research becomes clinically acceptable, it has the capacity to benefit the wider communities with its pioneering work in gene-based cancer treatment in a cost effective manner.

The Group has recognised that a sustainable entity depends on the quality of its people and the Group recognises that talent development and retention is important to bring the Group forward. As part of its efforts, the Group has introduced training programs in various aspects including tax, company law, internal controls, and competition law as these training programs and educational workshops were intended to assist the staff to be better equipped in terms of knowledge and to be better managers in the long run as part of the self-enrichment and self-development programs designed to bring out the best in our people.

The way forward

The Group has always been a strong proponent of sustainable growth and will continue with its efforts to build a sustainable business based on sustainable practices that will engage and take into account the interests of all stakeholders in a sustainable manner. This will require us to constantly review our current practices, improve upon these practices as we strive to meet acceptable standards of sustainability in all aspects to ensure that its business operations are aligned with the interests of other stakeholders. The Group believes that the concept of sustainability changes with the times and as this is its maiden sustainability report, it is still "work-in-progress" with ample room for improvement in the future and the Group will continue to identify trends, regulations and external developments that will materially affect the Group, develop action plans to address these issues whilst engaging with our stakeholders through balanced and meaningful reporting.

Statement On Risk Management And Internal Control

Introduction

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

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

Board Responsibility

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

Risk Management

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

Internal Audit Function

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

Other Key Elements of Risk Management and Internal Control

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

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

- The Risk Management Committee was established on 19 June 2014. The main function of the Committee is to report to the Board and provide appropriate advice and recommendations on material risk issues and a risk management system for the timely identification, mitigation and management of such significant risk that may have a material impact on the Group. The Committee meets as and when necessary and works closely with the Executive Committee to ascertain that there are on-going monitoring processes to manage significant risks.

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

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

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

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

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

Conclusion

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

Review of the Statement by External Auditors

As required by Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their review was performed in accordance with the Malaysian Approved Standard on Assurance Engagements, ISAE 3000 (Revised): Assurance Engagements Other than Audits or Reviews of Historical Financial Information and Recommended Practice Guide 5 (Revised): Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report, issued by the Malaysian Institute of Accountants. Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that the Statement on Risk Management and Internal Control is inconsistent with their understanding of the process the Board has adopted in its review of the adequacy and effectiveness of the Group's risk management and internal control system.

This Statement on Risk Management and Internal Control is made in accordance with the resolution of the Board on 23 October 2017.

Audit Committee Report

The Board of Directors ("Board") is pleased to present the report of the Audit Committee for the financial year ended 31 July 2017.

AUDIT COMMITTEE MEMBERS

The members of the Audit Committee comprises the following Directors, who each satisfy the "independence" requirements contained in the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"):-

Members	Position
Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim	Chairman *(Independent Non-Executive Director)*
Cham Chean Fong @ Sian Chean Fong	Member *(Independent Non-Executive Director)*
Ang Kim Swee	Member *(Independent Non-Executive Director)*
Dato' Noorizah Binti Hj Abd Hamid *(Appointed as member of Audit Committee on 19 September 2017)*	Member *(Independent Non-Executive Director)*

AUDIT COMMITTEE MEETINGS AND ATTENDANCE

The Audit Committee held five (5) meetings during the financial year ended 31 July 2017. The details of attendance of each member in the Audit Committee Meetings are as follows:-

Committee Members	Number of Meetings Attended / Total Number of Meetings Held	Percentage (%) of Attendance
Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim	5/5	100
Cham Chean Fong @ Sian Chean Fong	5/5	100
Ang Kim Swee	5/5	100

Notes:
The meetings were held on 13 September 2016, 24 October 2016, 15 December 2016, 22 March 2017 and 20 June 2017.

SUMMARY OF WORKS OF THE AUDIT COMMITTEE

The functions and duties of the Audit Committee are set out in its terms of reference, a copy of which is available on the Corporate section of the Company's website at www.scientex.com.my.

In discharging its functions, duties and responsibilities, the Audit Committee had undertaken the following works during the financial year ended 31 July 2017:-

(i) Financial Reporting And Regulatory Requirements

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

The Committee discussed and reviewed significant accounting, auditing and regulatory issues and the impact of new accounting standards and other regulatory requirements, such as the impact of new Malaysian Financial Reporting Standards, the Companies Act 2016, amendments to the Listing Requirements of Bursa Securities and its additional disclosure and reporting requirements, the foreign exchange administration rules released by Bank Negara Malaysia and new Malaysian Code on Corporate Governance released by the Securities Commission Malaysia.

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

(ii) External Auditors

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

For the financial year 2017, the Committee has reviewed the independence and suitability of the external auditors in respect of the provision of non-audit services to the Company and the Group and fees paid/payable for such services relative to the audit fee, in accordance with the terms of all relevant professional and regulatory requirements and was of the opinion that the external auditors' independence is not impaired. Furthermore, the engagement partner has less than five (5) years involvement in the key audit role and Deloitte PLT had established policies, safeguard and procedures to ensure there is no threat to its independence and objectivity. Deloitte PLT has also given their independence assurance for their audit works for the financial year ended 31 July 2017. Pursuant thereto, the Committee, having regard to the suitability, performance, objectivity, professionalism and independence of the external auditors, recommended to the Board for the re-appointment of Deloitte PLT as Auditors of the Company at the forthcoming annual general meeting.

The Committee also had private discussions with the external auditors without the presence of the executive board members and management during the review of the audited financial statements for the years ended 31 July 2016 and 31 July 2017 to discuss any issues arising from the final audit and the assistance given by the employees during the course of audit. There were no significant issues highlighted by the external auditors and they received full cooperation from the management and staff and had unrestricted access to senior management in the performance of the audit. There was no material disagreement nor encountered significant difficulties while performing the work.

(iii) Internal Auditors

The Audit Committee reviewed internal audit reports on certain operating units of the Group such as quality assurance, credit controls, inventory, receivable cycles, maintenance store and goods and services tax ("GST") compliance. The Committee considered the major findings highlighted by the internal auditors as well as the management's responses. There were no major controls weaknesses noted from the internal audit reviews.

The Committee has reviewed and approved the internal audit plan for year 2017, which includes GST compliance and general controls relating to information technology aspect of the manufacturing division as well as project operations of property division, to ensure that the scope and coverage of the internal audit on the operations of the Group is adequate and major risk areas are audited accordingly in line with the latest development of the Group and the business environment. The Committee has also reviewed the adequacy of competency and resources of the internal audit function. Subsequent to the financial year end, the Internal Audit Department has increased its headcount in line with the continuous growth of the Group.

(iv) Scientex Berhad Share Grant Plan

The third batch allocation of shares to the eligible employees of the Company and its subsidiaries under the Scientex Berhad Share Grant Plan ("SGP") was vested on 23 November 2016. The Audit Committee reviewed and verified such allocation and concurred that the award of shares under the SGP was in compliance with the criteria determined by the SGP Committee, pursuant to Paragraph 8.17(2) of the Listing Requirements of Bursa Securities. During the financial year ended 31 July 2017, 3,558,000 new ordinary shares have been granted and vested to the eligible employees based on their employment grade and achievement of performance target for the financial year 2016 as well as their performance and contribution to the Group.

(v) Others

The Audit Committee also:-

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

b) Reviewed and recommended to the Board for approval, the terms of reference of Audit Committee in line with the amendments of the Listing Requirements of Bursa Securities.

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

d) Reviewed and recommended to the Board for approval, the Audit Committee Report, Statement on Corporate Governance and Statement on Risk Management and Internal Control for inclusion in the Annual Report.

INTERNAL AUDIT FUNCTION

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

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

The cost incurred for the Group's internal audit function during the financial year ended 31 July 2017 amounted to RM452,000.00.

This Audit Committee Report is made in accordance with the resolution of the Board on 23 October 2017.

Statement On Corporate Governance

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

The Board is aware that the Company is required to apply the new Malaysian Code on Corporate Governance which was released by the Securities Commission Malaysia on 26 April 2017 ("New Code") and to report the application of the practices of the New Code in the Company's annual reports for the financial years ending on or after 31 July 2018. The Board is reviewing each of the best practices of the New Code and will do its best to implement the best practices during the financial year 2018 or provide suitable alternative approach.

The Board is pleased to set out below the manner on how the Group has applied the Principles and Recommendations of the Malaysian Code on Corporate Governance 2012 during the financial year ended 31 July 2017.

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

Board's Roles And Responsibilities And The Functions Of Management

The Board is primarily responsible to determine the Group's strategic plans and direction, overseeing the conduct of the business, risk management, succession planning of senior management, implementing investor relations programme and ensuring the system of internal controls and management information system are in place and are effective. In addition, there is a schedule of matters reserved for the Board's approval amongst others, annual budget and business plans, recommendation of dividends, financial results, changes in board composition, substantial transactions, major acquisition of assets or investments and corporate proposals and issues.

The management is accountable for the execution of the expressed policies and attainment of the Group's corporate objectives. The management carries out and executes the day-to-day business and operational matters to meet the budgets adopted by the Board and such other corporate objectives as may be delegated by the Board to the management.

Code Of Ethics

The Board has on 24 September 2008 adopted the Code of Ethics for Directors, which set out the standards of corporate governance and corporate behaviour for the Directors of the Company. The Directors shall observe the Code of Ethics and its application to the performance of their duties and responsibilities in relation to the matters related to corporate governance, relationship with shareholders, employees, creditors and customers and corporate responsibilities and environment. Amongst others, the Code of Ethic encourages the Directors to oversee fair dealings by the employees and officers with the Company's customers, suppliers, competitors and employees in order to ensure no practice of unfair advantage through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair dealing practice. Hence, stakeholders could direct any queries or concerns to the Group's dedicated Contact section in the Company's website at www.scientex.com.my.

Strategies Promoting Sustainability

The Board has formulated overall objectives and short and medium term plans as well as policies and business strategies on an on-going basis which are designed to respond to rapid changes in the external business conditions and environment whilst ensuring that the Group's overall objectives and plan are adhered to. The Group place great emphasis on developing the capabilities of our people and honing their talent and practise a performance based reward management system designed to promote performance in order to achieve sustainable growth. Aside from these, the Group has also shown its commitment to social health care and environment as well as upholding high standards of corporate and social responsibility as it strives to align its businesses and engage all stakeholders in its daily operations, minimise environmental impact arising from its business operation and actions and improving the social and economic conditions of all stakeholders, employees and the communities that it operates. The detailed report on sustainability activities for the year under review is disclosed in the Sustainability Statement on pages 39 to 42 of this Annual Report.

Access To Information And Advice

The notice of board meetings are sent to all Board members a week ahead of the scheduled meetings. The formal agenda and board papers of the meetings are circulated to all Directors for their review in advance of the scheduled meetings to enable them to have opportunity to seek clarification and to have sufficient time to study the issues to be deliberated at the Board meetings. Amongst others, the board papers provide information such as quarterly financial results, annual financial statements, acquisition and investment proposals, major corporate and financial issues, changes in regulatory requirements and minutes of meetings of Committees of the Board.

The Chairman of the Audit Committee and other Board Committees would inform the Directors at Board meetings of any salient matters noted by the Committees and which may be required to be brought up to the Board for attention or implementation.

Senior management staff are invited to attend the Board meetings to give presentations and provide additional insight into matters to be discussed in the Board meetings. In addition, advisers and professionals appointed by the Company in connection with corporate proposals such as auditors, investment bankers and solicitors may also be invited to attend Board meetings to provide the Board with their professional opinion and explanation on the transaction in deliberation and changes in regulatory requirements as well as to clarify any issues raised by the Board.

The Directors in their individual capacity or as a full Board have full and unrestricted access to all information pertaining to the Group. The Directors also have the advice and services of the Company Secretary and senior management staff at all times to aid in the proper discharge of their statutory and fiduciary duties. The Board seeks for update and advice from the qualified Company Secretary on procedural and regulatory requirements. The Directors may engage independent professional advice at the Company's expense, if necessary in the course of their duties.

Board Charter

The Board has on 25 June 2013 adopted a Board Charter, which sets out the Board's strategic intent and outlines the Board's roles and responsibilities and act as a source reference and primary induction literature to provide insights to prospective Board members and senior management.

The Board Charter would be reviewed and updated periodically as and when necessary to ensure its appropriateness and relevance to the needs of the Company from time to time and its compliance with the regulatory and legal requirements.

The Board Charter is accessible from the Corporate Section of the Company's website at www.scientex.com.my.

2. STRENGTHEN COMPOSITION

The Board Committees

The following main Committees have been established to support the Board to discharge its duties and responsibilities. The Board has delegated certain powers and duties to these committees, which operate within the defined terms of reference.

(i) Audit Committee

The Board has established an Audit Committee comprising four (4) Independent Non-Executive Directors.

The present members of the Audit Committee are:-

Members	Position
Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim	Chairman *(Independent Non-Executive Director)*
Cham Chean Fong @ Sian Chean Fong	Member *(Independent Non-Executive Director)*
Ang Kim Swee	Member *(Independent Non-Executive Director)*
Dato' Noorizah Binti Hj Abd Hamid	Member *(Independent Non-Executive Director)*

The terms of reference of the Audit Committee is available on the Corporate section of the Company's website at www.scientex.com.my and Audit Committee Report is provided on pages 45 and 46 of this Annual Report.

(ii) Nomination and Remuneration Committee

The Nomination Committee and Remuneration Committee were established on 18 November 2003 and subsequently, merged and streamlined into a single Nomination and Remuneration Committee with effect from 19 September 2017, with a written terms of reference dealing with its functions, duties and authorities. The terms of reference of the Nomination and Remuneration Committee is available on the Corporate section of the Company's website at www.scientex.com.my.

The present members of the Nomination and Remuneration Committee are:

Members	Position
Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim	Chairman *(Independent Non-Executive Director)*
Cham Chean Fong @ Sian Chean Fong	Member *(Independent Non-Executive Director)*

The Nomination and Remuneration Committee's responsibilities, in accordance with its terms of reference, includes nomination functions of recommending to the Board candidates for appointment as Executive and Non-Executive Directors and assisting the Board in its annual review of the required mix of skills and experience and other qualities, including core competencies, which the Directors should bring to the Board. The Nomination and Remuneration Committee is also responsible to assess the board composition and effectiveness of the Board as a whole, the Committees of the Board and the performance and contribution of each individual Director etc. on an annual basis. The assessment is based on competencies, commitment, contribution and performance of the Board, Board Committees and members as well as the required mix of skills, experience, independence, diversity, time commitment and other qualities to ensure the Board and Committees continue to function effectively and efficiently. The Nomination and Remuneration Committee has adopted a questionnaire methodology as part of the evaluation process, taking into account the requirements in the Main Market Listing Requirements ("Listing Requirements") of the Bursa Malaysia Securities Berhad ("Bursa Securities") and the Companies Act 2016. The questionnaire is tabled at the Nomination and Remuneration Committee meetings for discussion before any proposal is made to the Board to strengthen the Board and Committees' effectiveness.

In relation to the remuneration functions, the Nomination and Remuneration Committee has, in accordance with its terms of reference, the responsibilities of reviewing and recommending to the Board the remuneration packages as well as fees and allowances for the Directors. The Committee is also responsible to adopt a formal and transparent procedure for developing the policy on the remuneration packages for the Directors.

In carrying out its functions and duties, the Nomination and Remuneration Committee has full, free and unrestricted access to the Company's records, properties and personnel. The Committee may obtain the services of professional recruitment firms to source for the right candidate for directorship and the advice of external consultants on the appropriateness of remuneration packages and other employment conditions, whenever necessary.

The Nomination and Remuneration Committee meets as and when necessary, with proper record of minutes to be kept by the Secretary.

During the financial year 2017, the Nomination and Remuneration Committee has assessed the independence of all Independent Non-Executive Directors of the Company to ensure the Board would be able to discharge its duties and responsibilities effectively. The Nomination and Remuneration Committee has adopted questionnaire methodology, which includes the criteria of "independent director" set out in the Listing Requirements of Bursa Securities, and has determined that all Independent Non-Executive Directors remain objective and independent. Thus, the Nomination and Remuneration Committee made recommendation to the Board for approval to retain them as Independent Non-Executive Directors.

The Nomination and Remuneration Committee has reviewed the competencies, contribution and performance of the Board as a whole and each individual Director as well as the composition of the Board. The Nomination and Remuneration Committee having regard to the mix of skills, experience, competencies, independence, diversity and other qualities required to meet the needs of the Group as well as the character, personality, integrity and time commitment of the individual Director, is satisfied with the performance and contribution of the Directors of the Company. At the recommendation of the Managing Director of the Company, the Nomination and Remuneration Committee had met with Mr Wong Chin Mun subsequent to the retirement of Mr Teow Her Kok @ Chang Choo Chau from the Board, to consider Mr Wong's appointment as an additional Director of the Company to enhance the roles and responsibilities of the Board and to contribute to the growth of the Group. The Nomination and Remuneration Committee having considered the skills, experience, competencies, character, personality, independence, integrity and time commitment of Mr Wong Chin Mun, made recommendation to the Board for his appointment as Independent Non-Executive Director for the Board's deliberation and approval.

The Nomination and Remuneration Committee has also reviewed the term of office and performance of the Audit Committee and each of its members, as well as the overall performance of the Board Committees, using questionnaire methodology. The Nomination and Remuneration Committee determined that the Audit Committee and each of its members have fulfilled the criteria and factors listed in the Audit Committee Evaluation Form and complied with the provisions of the Listing Requirements of Bursa Securities. The Nomination and Remuneration Committee is also satisfied with the term of office and overall performance of the Audit Committee and each of its members and determined that the Audit Committee and its members have carried out their duties in accordance with the terms of reference of the Audit Committee. The Nomination and Remuneration Committee, having regard to the mix of skills, experience, competencies, independence, diversity and other qualities required to meet the need of the Group, made recommendation to the Board to appoint Mr Ang Kim Swee as member of the Risk Management Committee to strengthen the Group's internal control and risk management system, following the cessation of Mr Teow Her Kok @ Chang Choo Chau as member of Risk Management Committee due to his retirement from the Board. In order to strengthen the composition and effectiveness of the Audit Committee, the Nomination and Remuneration Committee has also made recommendation to the Board to appoint Dato' Noorizah Binti Hj Abd Hamid as additional member of the Audit Committee to enhance the quality of the Audit Committee's deliberation and the roles and responsibilities of the Audit Committee.

In view of the release of New Code, the Nomination and Remuneration Committee has discussed and considered the impact of the New Code to the composition of the Board and Committees, amongst others, the composition of remuneration committee which shall only consists of non-executive directors and a majority of them must be independent directors. Pursuant thereto, Nomination and Remuneration Committee made recommendation to the Board to accept the proposal by the Managing Director, Mr Lim Peng Jin for his cessation as member of the then Remuneration Committee (before the merger of Nomination Committee and Remuneration Committee) in upholding good corporate governance. Consequently, the Board has, at the recommendation of the then Nomination Committee, approved the merger of Nomination Committee and Remuneration Committee into a single Nomination and Remuneration Committee to enhance its effectiveness in view of it having same members after the cessation of Mr Lim as member of the then Remuneration Committee. Resultant thereto, the Nomination and Remuneration Committee reviewed and adopted a new terms of reference for its newly merged entity.

In addition, the Nomination and Remuneration Committee has received confirmation from the Directors who are subject to re-election or re-appointment at the forthcoming Annual General Meeting ("AGM") of their intention to seek for re-election or re-appointment and having considered their past contribution and attendance at the Board and Board Committee meetings, recommended them for re-election or re-appointment at the forthcoming AGM.

(iii) Risk Management Committee

The Risk Management Committee was established on 19 June 2014. The present members of the Risk Management Committee are:-

Statement On Corporate Governance

Members	Position
Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim	Chairman *(Independent Non-Executive Director)*
Lim Peng Jin	Member *(Managing Director)*
Ang Kim Swee	Member *(Independent Non-Executive Director)*

The Risk Management Committee's functions and duties, in accordance with its terms of reference, include reviewing the risk management and internal control system of the business and the material exposures and strategies to mitigate such significant risks as well as reviewing the adequacy of the Group's overall risk assessment processes and the ability of the Group to identify and manage new material risks. The Committee shall report to the Board and provide appropriate advice and recommendations on material risk issues, and a risk management system for the timely identification, mitigation and management of such significant risks that may have a material impact on the Group. It works closely with the Executive Committee to ascertain that there are on-going monitoring processes to manage significant risks.

In carrying out its functions and duties, the Risk Management Committee has full, free and unrestricted access to the Company's records, properties and personnel. The Committee may obtain the services of external consultants or any other professional advice on any matter within its terms of reference when required. The Committee may also request the attendance of any members of other Board Committees and any employee of the Group or other individual at a meeting of the Committee as and when required.

The Risk Management Committee meets as and when necessary, with proper record of minutes to be kept by the Secretary.

Appointment And Re-election Of Directors

The Nomination and Remuneration Committee is responsible for making recommendations to the Board for the appointment of new directors. All nomination to the Board shall first be considered by the Nomination and Remuneration Committee, taking into account the required mix of skills and experience and the candidates' character, competency, integrity, time commitment and other qualities, before being recommended to the Board. The Nomination and Remuneration Committee also considers, in making its recommendation, candidates for directorship proposed by the Managing Director and, within the bounds of practicability, by any other senior executive or any Director or shareholder. The Nomination and Remuneration Committee meets with the shortlisted candidates to assess their suitability before formally considering and recommending them for appointment to the Board and where applicable, to the Committees. Based on its recommendation, the Board evaluates and decides on the appointment of the proposed candidate as an additional director or to replace any director who resign or retires from the Board and its Committees.

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

The new Companies Act 2016 which came into effect on 31 January 2017 has abolished the age limit of seventy (70) years for directors of public companies and its subsidiaries, which was provided under Section 129(6) of the then Companies Act 1965. However, the re-appointment of YBhg. Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim who is over the age of seventy (70) years at the preceding AGM is only valid until the conclusion of the forthcoming AGM. YBhg. Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim has offered himself for re-appointment at the forthcoming AGM, for unlimited term until he or the Company resolve otherwise. Subject to the shareholders' approval being obtained for his re-appointment, YBhg. Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim shall retire by rotation under the Articles of Association of the Company at least once every three (3) years after the Forty-Ninth AGM.

The re-election and re-appointment of Directors ensure that shareholders have a regular opportunity to re-assess the composition of the Board. The assessment criteria and process undertaken are disclosed in Section 2(ii) of this Statement.

Diversity Policy

The Company presently does not have any formal diversity policy in term of gender, ethnicity and age. The Nomination and Remuneration Committee and the Board are of the opinion that it is important to recruit and retain the best available talent regardless of gender, ethnicity and age to maximise the effectiveness of the Board, taking into account the balance of skills, experience, knowledge, time commitment, independence and the Group's needs and circumstances.

Directors' Remuneration

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

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

In 2016, the Board approved the then Remuneration Committee's recommendation to increase directors' fees which was approved by the shareholders at the Forty-Eight AGM. The Board is of the view that the current remuneration level suffices to attract and retain calibre Directors to serve on the Board and approved the Directors' fees amounting to RM347,500.00 for the financial year ended 31 July 2017 for shareholders' approval at the forthcoming Forty-Ninth AGM.

The details of the remuneration of the Company's Directors paid and payable by the Company and the Group for the financial year ended 31 July 2017, are as follows:-

	Salaries	*Fees	Bonuses and Allowances and Other Emoluments	EPF Contribution by Employer	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
The Company					
Executive Director	240	50	240	86	616
Non-Executive Directors	-	298	-	-	298
The Group					
Executive Director	4,620	50	4,560	1,652	10,882
Non-Executive Directors	-	298	-	-	298

* *Annual directors' fees of RM60,000.00 for Chairman of the Board and RM50,000 for each of the other Directors of the Company.*

The number of Directors whose remuneration falls into the following bands in respect of the Company and the Group is as follows:-

Range of Remuneration	Number of Directors Executive Director	Non-Executive Directors
The Company		
RM50,000 and below	-	5
RM50,001 – RM100,000	-	1
RM600,001 – RM650,000	1	-
The Group		
RM50,000 and below	-	5
RM50,001 – RM100,000	-	1
RM10,850,001 – RM10,900,000	1	-

Apart from the above, the Company has arranged a directors and officers liability insurance to provide appropriate insurance cover for the Directors and officers of the Company and its group of companies. The amount of premium paid for such liability insurance is set out in the Report of the Directors of the Audited Financial Statements for the financial year ended 31 July 2017.

3. REINFORCE INDEPENDENCE

Assessment Of Independence And Tenure Of Independent Directors

The Board recognises the importance of independence and objectivity in the decision-making process and the ability of the Directors to exercise independent judgement at all times and to contribute to the effective functioning of the Board and to mitigate risks arising from conflict of interest or undue influence from interested parties. The Board, through the Nomination and Remuneration Committee assesses the independence of the Independent Non-Executive Directors. All the Independent Non-Executive Directors fulfil the criteria of "independent director" as prescribed under the Listing Requirements of Bursa Securities. Each of the Independent Non-Executive Directors has provided a confirmation of his independence to the Nomination and Remuneration Committee.

One of the recommendations of the Malaysian Code on Corporate Governance 2012 states that the tenure of an independent director should not exceed a cumulative term of nine (9) years. However, the Board does not set any timeframe on how long the Independent Director can serve the Company. The Nomination and Remuneration Committee and the Board have assessed and determined that YBhg. Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim and Mr Cham Chean Fong @ Sian Chean Fong, who have served the Board for fourteen (14) years and sixteen (16) years respectively, remain objective and independent in expressing their views and in participating deliberations and decision making of the Board and Board Committees. The Nomination and Remuneration Committee is of the view that there are significant advantages to be gained from the long-serving Directors who provide invaluable insight and possess in depth knowledge of the Group's affairs. The calibre, qualification, experience and personal qualities, particularly of the Director's integrity and objectivity in discharging his responsibilities in the best interest of the Company predominantly determines the ability of a Director to serve effectively as independent director. The length of their service on the Board does not in any way interfere with their exercise of independent judgement and ability to act in the best interests of the Company.

In view of the above, based on the recommendation by the Nomination and Remuneration Committee, the Board supports the resolutions for the re-election/re-appointment of Independent Directors and the retention of YBhg. Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim and Mr Cham Chean Fong @ Sian Chean Fong as Independent Non-Executive Directors of the Company, which will be tabled for shareholders' approval at the forthcoming AGM of the Company.

Separation Of Positions Of The Chairman And Managing Director

To maintain effective supervision and accountability of the Board and the management, the position of the Chairman and Managing Director are held by separate persons to ensure a balance of power and authority. To further reinforce this separation, the Chairman of the Company is not someone who has previously served as the managing director of the Company. The Chairman plays a crucial leadership and pivotal role to ensure that the Board works effectively in the oversight of management whilst the Managing Director has overall responsibilities for the day-to-day management of the Group to ensure the Group's businesses are properly and efficiently managed and to implement Board policies and decisions.

Board's Composition And Balance

As at the date of this Statement, the Board has seven (7) members, comprising an (1) Executive Director, who is also the Managing Director of the Company, a (1) Non-Independent Non-Executive Director and five (5) Independent Non-Executive Directors. The Board is in compliance with the Listing Requirements of Bursa Securities which require at least one-third (1/3) of the total number of Directors to be independent.

The Board's members are drawn from various backgrounds, bringing depth and diversity in experience, expertise and perspectives to the Board to provide a synergy of strength in charting the directions of the Group. The profile of the Directors as presented on pages 10 to 12 of this Annual Report demonstrates their range of qualifications and experience.

The Executive Director is responsible for implementing policies and decisions of the Board, overseeing operations and development of business and corporate strategies. The Independent Non-Executive Directors, with their expertise and experience provide the necessary balance of power and authority to the Board. They do not participate in the day-to-day management of the Company and do not engage in any business dealings or other relationship with the Company in order that they are capable of exercising independent judgement and act in the best interest of the Company and its shareholders. YBhg. Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim is the Senior Independent Non-Executive Director.

The Board is satisfied that the current composition is broadly balanced and considers its current size adequate given the present scope and nature of the Group's business operations.

4. FOSTER COMMITMENT

Time Commitment

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

Board Meetings

The Board meets regularly on a quarterly basis with additional meetings convened if there are urgent issues or matters that require attention and expeditious direction from the Board. The Board meetings have a formal agenda on matters for discussion with adequate time allocated for deliberation and the Chairman of the Board chairs the meetings with proper record of minutes kept by the Secretary. The minutes of Board meetings are circulated to all Directors for their perusal prior to confirmation of the minutes to be done at the commencement of the following Board meetings.

During the financial year ended 31 July 2017, the Board met four (4) times and record of attendance of the meetings is set out below:-

	Number of Meetings Attended / Total Number of Meetings Held	Percentage (%) of Attendance
Executive Director		
Lim Peng Jin	4/4	100
Non-Executive Directors		
Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim	4/4	100
Lim Peng Cheong	4/4	100
Cham Chean Fong @ Sian Chean Fong	4/4	100
Teow Her Kok @ Chang Choo Chau *(Retired on 30 September 2017)*	4/4	100
Ang Kim Swee	4/4	100
Dato' Noorizah Binti Hj Abd Hamid *(Appointed on 7 November 2016)*	2/3	67

Notes:-
The meetings were held on 24 October 2016, 15 December 2016, 22 March 2017 and 20 June 2017.

Directors' Training

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

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

Directors	Title of Training Programmes/ Seminars/Conferences/Forums
Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim	- The 3rd World Muslim Leadership Forum (WMLF) Opening Keynote Address "Governance and Leadership in the Muslim World: The Way Forward for Peace, Security and Prosperity" - Sustainability Forum for Directors/CEOs – "The Velocity of Global Change & Sustainability –

Directors	Title of Training Programmes/ Seminars/Conferences/Forums
Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim (cont'd)	The New Business Model" - Economic Governance: Public Sector Governance (Evolution of the Malaysian Civil Service – The Past, The Present, The Future) - New Companies Act 2016 training for UEM Group Directors and Management Nominee Directors - Highlights of the Companies Act 2016 – Changes & Implications - Are We Heading for Another Global Recession or Do We Care?
Lim Peng Jin	- Opportunity Capture - Amendments to the Companies Act 2016 with effect from 31 January 2017 - Update on One Belt One Road Initiatives
Lim Peng Cheong	- Portfolio Management Strategies - Prevention of Financial Frauds in Digital Economy
Cham Chean Fong @ Sian Chean Fong	- The Companies Act 2016
Teow Her Kok @ Chang Choo Chau *(Retired on 30 September 2017)*	- Sector Specific Sustainability Reporting Workshops - CG Breakfast Series with Directors – Anti-Corruption & Integrity-Foundation of Corporate Sustainability
Ang Kim Swee	- SSM National Conference 2016 - Sustainability Forum for Directors/CEOs – "The Velocity of Global Change & Sustainability – The New Business Model" - Qualified Risk Director Programme: Risk Oversight Practices, Directors Guide to Crisis Management and Leadership During Crisis and Cybersecurity Oversight in the Boardroom - Audit Committee Conference 2017 – Making an Impact
Dato' Noorizah Binti Hj Abd Hamid *(Appointed on 7 November 2016)*	- Sustainability Forum for Directors/CEOs – "The Velocity of Global Change & Sustainability – The New Business Model" - New Companies Act 2016 training for UEM Group Directors and Management Nominee Directors - Corporate Governance: Obligations of Directors from the Listing Requirements Perspective - The New Companies Act 2016 – The Key Issues and Potential Pitfalls and Disclosure of Interest by Nominee Directors - PNB Investment Series 2017 – The Future of Fintech/Digital Disruption - Capital Market Director Programme for Fund Management (Modules 1, 2B, 3 & 4)
Wong Chin Mun *(Appointed on 6 October 2017)*	- The Ultimate Sales Boost – How to Double Your Sales in 2017 - Financial Management of a Business - Highlights of 2017 Budget & Its Implications on Business - What's in Store for 2017 – Positive Qi Directions, Favourable Industries & Stock Market Predictions - Boost Sales in Slowing Economy - Amendments to the Companies Act 2016 with effect from 31 January 2017 - 2017 Vistage ChairWorld Conference - Global Leadership Summit 2017 - Vistage CEO Tea Talk: Professionalising at the Top to Reimagine the Retail Business and The Opporthreats of E-Commerce to the Traditional Retail Business Model - Fraud Risk Management Workshop – A Director's Guide to Fraud & Corruption Risks

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

Financial Reporting

In presenting the annual audited financial statements and quarterly results announcements to shareholders, the Board aims to present a balanced and fair assessment of the Group's financial position and prospects. The Audit Committee reviews the Group's quarterly financial results and annual audited financial statements to ensure accuracy, adequacy and completeness prior to presentation to the Board for its approval.

The Audit Committee and the Board are required, amongst others, to ensure that the financial statements prepared are drawn up in accordance with the applicable Financial Reporting Standards and the provisions of the Companies Act 2016 so as to give a true and fair view of the financial position of the Company and the Group.

Directors' Responsibility Statement

Paragraph 15.26(a) of the Listing Requirements of Bursa Securities requires a statement explaining the Board's responsibility for preparing the financial statements.

The Directors are responsible for the preparation of financial statements for each financial year to give a true and fair view of the financial position of the Group and the Company and of the financial performance and cash flows of the Group and the Company for the financial year then ended.

In the preparation of these financial statements, the Directors have:-

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

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

Relationship With Auditors

The Board has established formal and transparent arrangements for maintaining appropriate relationships with the Group's auditors through the Audit Committee. Whenever the need arises, the auditors would highlight to the Audit Committee and the Board, matters especially those pertaining to the areas of risk management and internal controls that would require their attention and response. The role of the Audit Committee in relation to the auditors is described in the Audit Committee Report set out on pages 45 and 46 of this Annual report.

Suitability And Independence Of External Auditors

The Audit Committee had reviewed the suitability and independency of the external auditors and the external auditors have confirmed their independence to the

Board for the current financial year under review. The annual assessment of external auditors is described in the Audit Committee Report of this Annual Report. Pursuant to the assessment, the Audit Committee and the Board recommended the re-appointment of Deloitte PLT as Auditors of the Company at the forthcoming AGM of the Company.

6. RECOGNISE AND MANAGE RISKS

Internal Control And Risk Management

The Board recognises the importance of risk management both at the strategic and operational levels. In addition, the Board acknowledges its responsibilities in ensuring a sound system of risk management and internal control covering the financial, operational and compliance aspects of the business.

Information on the Group's risk management and internal control system is presented in the Statement on Risk Management and Internal Control set out on pages 43 and 44 of this Annual Report.

Internal Audit Function

The Group has established an internal audit department, which is led by a head of internal audit who reports to the Audit Committee.

Details of the Group's internal audit function are set out in the Statement on Risk Management and Internal Control and the Audit Committee Report in the appropriate section of this Annual Report.

7. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

The Board recognises the importance of transparency and accountability to its shareholders and maintains an effective communications policy that enables both the Board and the management to communicate effectively with its shareholders, stakeholders and the public. The policy effectively interprets the operations of the Group to the shareholders and accommodates feedback from shareholders, which are factored into the Group's business decisions.

The Board communicates information on the operations, activities and performance of the Group to the shareholders, stakeholders and the public through the following:-

(i) the annual report, which contains the financial and operational review and analysis of the Group's business, corporate information, financial statements and information on Board Committees and the Board;

(ii) various corporate announcements made to the Bursa Securities, which include timely released announcements on quarterly financial results of the Group;

(iii) the Company's website, www.scientex.com.my, provides a channel of communication and information dissemination. Under the section of "Investor", shareholders or potential investors can download the necessary information, amongst others, annual reports, quarterly financial results, announcements and circulars to shareholders, analyst reports, investor presentations, press releases and request for information; and

(iv) continuous stream of active dialogues, discussions or briefings with the press, fund managers and analysts through planned programme of investor relations activities.

8. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

Shareholders Participation At General Meetings

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

Poll Voting

In line with Paragraph 8.29A of the Listing Requirements of Bursa Securities, the Board has implemented poll voting for all the resolutions set out in the notice of general meetings and appointment of at least one (1) scrutineer to validate the votes cast at the general meetings. The outcome of the general meetings is announced to the Bursa Securities on the same day after the meetings are concluded and the announcement is made accessible via the Bursa Securities and the Company's website.

Effective Communication And Proactive Engagement

At general meetings, shareholders are given opportunity and time to express their views or raise questions in connection with the Company's financial performance, business operations, corporate governance, corporate proposals and other matters affecting shareholders' interests. The Directors and senior management as well as the auditors and advisers of the Company are present in person at the general meetings and to respond to any questions raised by the shareholders. A summary of the key matters discussed at the AGM is published in the Company's website pursuant to the Listing Requirements of Bursa Securities.

In addition, a press conference is held immediately following the conclusion of the general meetings where the Directors brief the press, and answer relevant questions on the Group's operations and financial performance.

To maintain a high level of transparency and to effectively address any issues or concerns, the Group has a dedicated section in the Company's website to which shareholders and stakeholders can direct their queries or concerns.

This Statement on Corporate Governance was approved in accordance with the resolution of the Board on 23 October 2017.

Additional Compliance Information

1. Utilisation of Proceeds Raised from Corporate Proposal

During the financial year ended 31 July 2017, the Company has undertaken a private placement to place out up to 10% of the total number of issued shares of the Company (excluding treasury shares) to third party investors ("Private Placement"). The details of new ordinary shares issued by the Company pursuant to the Private Placement during the financial year and the utilisation of proceeds raised thereof are set out in Note 25(c) to the Audited Financial Statements of the Company for the financial year ended 31 July 2017.

2. Audit and Non-Audit Fees

The amount of audit and non-audit fees paid and payable to the external auditors and its affiliate corporations for the audit and non-audit services rendered to the Company and the Group for the financial year ended 31 July 2017 is as follows:-

Type of Services / External Auditors			Fees (RM'000)	
			Company	Group
Audit	:	Deloitte PLT	27	336
	:	Deloitte PLT's Affiliates	-	84
	:	Other Auditors	-	27
		Total Audit Fees	27	447
Non-Audit	:	Deloitte PLT's Affiliates	8	113
		Total Audit and Non-Audit Fees	35	560

3. Material Contracts

There were no material contracts entered into by or subsisting between the Company and its subsidiaries involving Directors' and major shareholders' interests during the financial year ended 31 July 2017.

4. Scientex Berhad Share Grant Plan

Under the Scientex Berhad Share Grant Plan ("SGP") which is the only share issuance scheme of the Company in the financial year 2017, the Company granted and vested 3,558,000 new ordinary shares to the eligible employees of the Company and its subsidiaries during the financial year ended 31 July 2017. Further information of the SGP is set out in the Report of the Directors and Note 25(b) to the Audited Financial Statements of the Company for the financial year ended 31 July 2017.

Details of the number of new ordinary shares ("Shares") granted, vested and outstanding pursuant to the SGP since the commencement of the SGP on 21 January 2014 and during the financial years 2015 to 2017 are set out below:-

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

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

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

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

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

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

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

As at 31 July 2017, 15.24% and 14.39% of the SGP Shares have been granted and vested to the senior management during the financial year 2017 and since the commencement of the SGP respectively. None of the Shares were granted or vested to the Directors of the Company under the SGP.

Financial Statements

Report Of The Directors

The directors of **SCIENTEX BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 July 2017.

PRINCIPAL ACTIVITIES

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

RESULTS OF OPERATIONS

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

	The Group RM'000	The Company RM'000
Profit for the year	259,941	68,196
Profit attributable to:		
Owners of the Company	255,873	68,196
Non-controlling interests	4,068	-
	259,941	68,196

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

DIVIDENDS

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

	RM'000
In respect of the financial year ended 31 July 2016:	
Single tier interim dividend of 12 sen per ordinary share declared on 1 June 2016 and paid on 5 August 2016*	27,600
Single tier final dividend of 10 sen per ordinary share declared on 15 December 2016 and paid on 13 January 2017	46,356
	73,956
In respect of the financial year ended 31 July 2017:	
Single tier interim dividend of 6 sen per ordinary share declared on 20 June 2017 and paid on 21 July 2017	29,013
	102,969

* Before the one for one bonus issue which was completed on 15 August 2016.

The directors had on 19 September 2017 proposed a single tier final dividend of 10 sen per ordinary share amounting to approximately RM48,356,000 in respect of the financial year ended 31 July 2017. The proposed single tier final dividend is subject to the approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as liabilities in the financial statements. Upon approval by the shareholders, the dividend payment will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 July 2018.

RESERVES AND PROVISIONS

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

Continued

ISSUE OF SHARES

During the financial year, the Company increased its issued shares from 230,000,000 ordinary shares to 483,558,000 ordinary shares by way of:

(a) bonus issue of 230,000,000 ordinary shares on the basis of one bonus share for every one existing ordinary share, through capitalisation of retained earnings and share premium accounts of RM10,676,000 and RM104,324,000 respectively;

(b) new issue of 3,558,000 ordinary shares pursuant to the Scientex Berhad Share Grant Plan ("SGP"); and

(c) new issue of 20,000,000 ordinary shares pursuant to a private placement exercise at an issue price of RM7.80 per share, with net proceeds raised amounting to approximately RM154,263,000.

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

As of 31 July 2017, the total number of issued shares of the Company was 483,558,000 ordinary shares, out of which 100 ordinary shares was held as treasury shares.

TREASURY SHARES

During the financial year, the Company repurchased 100 of its issued ordinary shares from the open market of Bursa Malaysia Securities Berhad at an average price (including transaction costs) of RM7.20 per share. The total consideration paid for the repurchase (including transaction costs) was RM720. The repurchased shares were held as treasury shares in accordance with Section 127 of the Companies Act, 2016.

As of 31 July 2017, the Company held 100 ordinary shares as treasury shares. Further relevant details are disclosed in Note 26(e) to the financial statements.

SHARE GRANT PLAN

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

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

During the financial year, the Company granted and vested 3,558,000 new ordinary shares to the eligible employees of the Company and its subsidiaries under the SGP. The closing share price as of the date of granting was RM6.52 per share.

OTHER STATUTORY INFORMATION

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

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

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

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

(a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

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

(c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

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

Continued

OTHER STATUTORY INFORMATION (CONT'D)

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

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

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

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

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company for the financial year in which this report is made, other than as disclosed in Note 38 to the financial statements.

DIRECTORS

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

Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim
Lim Peng Jin
Lim Peng Cheong
Cham Chean Fong @ Sian Chean Fong
Ang Kim Swee
Dato' Noorizah Binti Hj Abd Hamid (appointed on 7 November 2016)
Wong Chin Mun (appointed on 6 October 2017)
Teow Her Kok @ Chang Choo Chau (retired on 30 September 2017)

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

Lim Peng Jin
Koay Teik Chuan
Choo Seng Hong
Khaw Giet Thye
Gan Kok Khye
Chang Siew Sian
Choo Chee Meng
Goh Tian Chin
Phang Chi Ming
Wong Chee Kheong
Datuk Lim Kok Boon
Yasuo Nagae
Frengky
Chew Yew Kwong
Tadaaki Koyama
Takeshi Nishimura
Tan Lian Kung
Kaoru Watanabe^
Chih Chien May (Chi Jingmei)^
Tan Yong Hee^
Kenichi Suzuki#
Valerie Lim Lee Huang#

^ Appointed during the financial year
# Resigned during the financial year

Continued

DIRECTORS' INTERESTS

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

	Number of ordinary shares				
Shares in the Company	**Balance as at 1.8.2016**	**Bonus issue***	**Bought**	**Sold**	**Balance as at 31.7.2017**
Direct interests					
Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim	76,940	76,940	-	(70,000)	83,880
Lim Peng Jin	1,178,470	1,178,470	-	-	2,356,940
Lim Peng Cheong	114,300	114,300	-	(25,000)	203,600
Teow Her Kok @ Chang Choo Chau	200,000	200,000	-	(150,000)	250,000
Ang Kim Swee	30,000	30,000	20,000	-	80,000
Deemed/Indirect interests					
Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim	100,000	100,000	60,000	-	260,000
Lim Peng Jin	133,050,859	133,050,859	1,635,400	-	267,737,118
Lim Peng Cheong	126,219,929	126,219,929	1,720,000	(116,000)	254,043,858

* During the financial year, the Company issued and allotted a bonus issue of 230,000,000 new ordinary shares on the basis of one bonus share for every existing one ordinary share held.

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

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive any benefits (other than the fees and benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full time employee of the Company as disclosed in Note 10 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in Note 35 to the financial statements.

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

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The Company maintains a directors and officers liability insurance throughout the year, which provides appropriate insurance cover for the directors and officers of the Company and its group of companies. The amount of insurance premium paid during the financial year amounted to RM27,835.

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

SIGNIFICANT EVENTS DURING AND SUBSEQUENT TO THE FINANCIAL YEAR END

In addition to the significant events disclosed elsewhere in this report, other significant and subsequent events are disclosed in Notes 15, 25 and 38 to the financial statements.

Continued

AUDITORS' REMUNERATION

The amount paid/payable as remuneration of the auditors for the financial year ended 31 July 2017 is as disclosed in Note 8 to the financial statements.

AUDITORS

The auditors, Deloitte PLT (converted from a conventional partnership, Messrs. Deloitte, on 3 January 2017), have indicated their willingness to continue in office.

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

LIM PENG JIN

LIM PENG CHEONG

Shah Alam, Selangor Darul Ehsan
23 October 2017

Independent Auditors' Report

To The Members Of Scientex Berhad (Incorporated in Malaysia)

Report on Audit of the Financial Statements

Opinion

We have audited the financial statements of **SCIENTEX BERHAD**, which comprise the statements of financial position as of 31 July 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 66 to 132.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 July 2017, and of their financial performance and their cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

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

The risk

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

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

Our audit response

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

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

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

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

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

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

Continued

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

Continued

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

The supplementary information set out in Note 39 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matter

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

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

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

23 October 2017

Statements Of Profit Or Loss And Other Comprehensive Income

For the financial year ended 31 July 2017

	Note	The Group 2017 RM'000	2016 RM'000
Revenue	5	2,403,151	2,200,980
Cost of sales	6	(1,909,999)	(1,723,922)
Gross profit		493,152	477,058
Other income		6,769	3,090
Selling and distribution expenses		(63,181)	(53,108)
Administration expenses		(100,622)	(110,253)
Other expenses		(11,049)	(4,227)
Finance costs	7	(14,030)	(13,670)
Share of results of associate and joint venture		6,929	7,442
Profit before tax	8	317,968	306,332
Income tax expense	11	(58,027)	(59,765)
Profit for the year		259,941	246,567
Profit for the year attributable to:			
Owners of the Company		255,873	240,865
Non-controlling interests		4,068	5,702
		259,941	246,567
Earnings per share			
Basic and diluted (sen per share)	12	55	53

Statements Of Profit Or Loss And Other Comprehensive Income

For the financial year ended 31 July 2017 - continued

	The Group	
	2017 RM'000	**2016 RM'000**
Profit for the year	259,941	246,567
Other comprehensive income, net of income tax:		
Item that may be reclassified subsequently to profit or loss:		
Foreign currency translation of foreign operations, representing other comprehensive income for the year, net of income tax	3,272	4,013
Total comprehensive income for the year, net of income tax	263,213	250,580
Total comprehensive income attributable to:		
Owners of the Company	258,332	243,966
Non-controlling interests	4,881	6,614
	263,213	250,580

Statements Of Profit Or Loss And Other Comprehensive Income

For the financial year ended 31 July 2017 - continued

	Note	The Company 2017 RM'000	The Company 2016 RM'000
Revenue	5	70,646	49,311
Other income		64	3,257
Administrative expenses		(2,578)	(2,834)
Finance costs	7	-	(488)
Profit before tax	8	68,132	49,246
Income tax credit	11	64	128
Profit for the year, representing total comprehensive income for the year		68,196	49,374

Statements Of Financial Position

As of 31 July 2017

	Note	The Group 2017 RM'000	The Group 2016 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment	13	1,012,570	952,519
Investment properties	14	17,000	17,000
Land held for property development	16	500,233	447,034
Investment in joint venture	17	24,115	22,531
Investment in associate	18	31,180	26,135
Other investments	19	8,552	7,967
Deferred tax assets	29	18,925	2,651
Goodwill	20	12,134	12,134
		1,624,709	1,487,971
Current Assets			
Property development costs	16	165,068	174,718
Inventories	21	168,778	137,010
Trade receivables	22	385,103	315,889
Other receivables, deposits and prepaid expenses	23	41,342	33,218
Tax recoverable		891	1,694
Cash and cash equivalents	24	191,898	100,601
		953,080	763,130
TOTAL ASSETS		2,577,789	2,251,101
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	25	411,843	115,000
Reserves	26	1,123,621	1,060,167
Equity attributable to owners of the Company		1,535,464	1,175,167
Non-controlling interests		68,416	66,495
Total Equity		1,603,880	1,241,662
Non-Current Liabilities			
Borrowings	27	166,500	238,872
Retirement benefits obligations	28	27,803	23,782
Deferred tax liabilities	29	35,943	35,032
		230,246	297,686
Current liabilities			
Borrowings	27	301,190	232,736
Trade payables	30	315,900	315,746
Other payables and accrued expenses	31	103,549	115,626
Dividends payable		-	27,600
Tax liabilities		23,024	20,045
		743,663	711,753
Total Liabilities		973,909	1,009,439
TOTAL EQUITY AND LIABILITIES		2,577,789	2,251,101

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

Statements Of Financial Position

As of 31 July 2017 - continued

		The Company	
	Note	2017 RM'000	2016 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment	13	44,542	45,630
Investment in subsidiaries	15	451,106	301,295
Investment in joint venture	17	22,500	22,500
Investment in associate	18	3,000	3,000
Other investments	19	4,685	4,685
		525,833	377,110
Current Assets			
Deposits and prepaid expenses	23	431	168
Cash and cash equivalents	24	1,379	7,885
		1,810	8,053
TOTAL ASSETS		527,643	385,163
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	25	411,843	115,000
Reserves	26	102,090	228,772
Total Equity		513,933	343,772
Non-Current Liabilities			
Retirement benefit obligations	28	7,181	7,181
Deferred tax liabilities	29	5,811	5,907
		12,992	13,088
Current Liabilities			
Other payables and accrued expenses	31	713	696
Dividends payable		-	27,600
Tax liabilities		5	7
		718	28,303
Total Liabilities		13,710	41,391
TOTAL EQUITY AND LIABILITIES		527,643	385,163

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

Statements Of Changes In Equity

For the financial year ended 31 July 2017

The Group	Share capital RM'000	Share premium RM'000	Capital redemption reserve RM'000	Property revaluation surplus RM'000	Foreign currency translation reserve RM'000	Treasury shares RM'000	Other reserves RM'000	Retained earnings RM'000	Attributable to the equity holders of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
	← Non-distributable reserves						→	Distributable reserve			
As at 1 August 2015	115,000	64,353	4,146	55,799	5,582	(6,039)	461	702,676	941,978	62,784	1,004,762
Profit for the year	-	-	-	-	-	-	-	240,865	240,865	5,702	246,567
Other comprehensive income for the year	-	-	-	-	3,101	-	-	-	3,101	912	4,013
Total comprehensive income for the year	-	-	-	-	3,101	-	-	240,865	243,966	6,614	250,580
Sale of treasury shares [Note 26(e)]	-	37,261	-	-	-	5,352	-	-	42,613	-	42,613
Acquisition of treasury shares [Note 26(e)]	-	-	-	-	-	(1)	-	-	(1)	-	(1)
Cancellation of treasury shares [Note 26(e)]	(236)	(688)	236	-	-	688	-	-	-	-	-
Issuance of ordinary shares pursuant to Share Grant Plan [Note 25(b)]	236	3,398	-	-	-	-	-	-	3,634	-	3,634
Dividends (Note 32)	-	-	-	-	-	-	-	(57,023)	(57,023)	(2,903)	(59,926)
As at 31 July 2016	115,000	104,324	4,382	55,799	8,683	-	461	886,518	1,175,167	66,495	1,241,662
As at 1 August 2016	115,000	104,324	4,382	55,799	8,683	-	461	886,518	1,175,167	66,495	1,241,662
Profit for the year	-	-	-	-	-	-	-	255,873	255,873	4,068	259,941
Other comprehensive income for the year	-	-	-	-	2,459	-	-	-	2,459	813	3,272
Total comprehensive income for the year	-	-	-	-	2,459	-	-	255,873	258,332	4,881	263,213
Bonus issue [Note 25(a)]	115,000	(104,324)	-	-	-	-	-	(10,802)	(126)	-	(126)
Private placement [Note 25(c)]	154,263	-	-	-	-	-	-	-	154,263	-	154,263
Acquisition of treasury shares [Note 26(e)]	-	-	-	-	-	(1)	-	-	(1)	-	(1)
Issuance of ordinary shares pursuant to Share Grant Plan [Note 25(b)]	1,779	21,419	-	-	-	-	-	-	23,198	-	23,198
Dividends (Note 32)	-	-	-	-	-	-	-	(75,369)	(75,369)	(2,960)	(78,329)
Transfer arising from "no par value" regime [Note 25(a)]	25,801	(21,419)	(4,382)	-	-	-	-	-	-	-	-
As at 31 July 2017	411,843	-	-	55,799	11,142	(1)	461	1,056,220	1,535,464	68,416	1,603,880

Statements Of Changes In Equity

For the financial year ended 31 July 2017

The Company	Share capital RM'000	Non-distributable reserves: Share premium RM'000	Capital redemption reserve RM'000	Property revaluation surplus RM'000	Other reserves RM'000	Treasury shares RM'000	Distributable reserve: Retained earnings RM'000	Total equity RM'000
As at 1 August 2015	115,000	64,353	4,146	20,018	68	(6,039)	107,629	305,175
Profit for the year/Total comprehensive income for the year	-	-	-	-	-	-	49,374	49,374
Sale of treasury shares [Note 26(e)]	-	37,261	-	-	-	5,352	-	42,613
Acquisition of treasury shares [Note 26(e)]	-	-	-	-	-	(1)	-	(1)
Cancellation of treasury shares [Note 26(e)]	(236)	(688)	236	-	-	688	-	-
Issuance of ordinary shares pursuant to Share Grant Plan [Note 25(b)]	236	3,398	-	-	-	-	-	3,634
Dividends (Note 32)	-	-	-	-	-	-	(57,023)	(57,023)
As at 31 July 2016	115,000	104,324	4,382	20,018	68	-	99,980	343,772
As at 1 August 2016	115,000	104,324	4,382	20,018	68	-	99,980	343,772
Profit for the year/Total comprehensive income for the year	-	-	-	-	-	-	68,196	68,196
Bonus issue [Note 25(a)]	115,000	(104,324)	-	-	-	-	(10,802)	(126)
Private placement [Note 25(c)]	154,263	-	-	-	-	-	-	154,263
Acquisition of treasury shares [Note 26(e)]	-	-	-	-	-	(1)	-	(1)
Issuance of ordinary shares pursuant to Share Grant Plan [Note 25(b)]	1,779	21,419	-	-	-	-	-	23,198
Dividends (Note 32)	-	-	-	-	-	-	(75,369)	(75,369)
Transfer arising from "no par value" regime [Note 25(a)]	25,801	(21,419)	(4,382)	-	-	-	-	-
As at 31 July 2017	411,843	-	-	20,018	68	(1)	82,005	513,933

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

Statements Of Cash Flows

For the financial year ended 31 July 2017

	The Group	
	2017 RM'000	**2016 RM'000**
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit before tax	317,968	306,332
Adjustments for:		
Depreciation of property, plant and equipment	63,224	54,539
Finance costs	14,030	13,670
Share grant plan expense	7,831	16,418
Increase in liability for defined benefit plan	4,012	3,961
Unrealised loss on foreign exchange	2,071	1,934
Allowance for doubtful debts on trade receivables	98	566
Write off of bad debts	91	167
Property, plant and equipment written off	-	2,952
Write off of other investment	-	198
Share of results of associate and joint venture	(6,929)	(7,442)
Interest income	(3,587)	(1,923)
Allowance for doubtful debts no longer required on trade receivables	(748)	(34)
Dividend income	(336)	(253)
(Write back)/Write off of inventories	(294)	273
Gain on disposal of property, plant and equipment	-	(82)
Operating Profits Before Working Capital Changes	397,431	391,276
Movement in working capital:		
(Increase)/Decrease in:		
Inventories	(31,474)	(6,740)
Property development costs	78,988	28,027
Receivables	(68,937)	(34,903)
Increase in payables	16,471	68,044
Cash Generated From Operations	392,479	445,704
Income tax paid	(69,608)	(65,362)
Income tax refunded	-	334
Retirement benefits obligations paid	(30)	(373)
Net Cash From Operating Activities	322,841	380,303

Continued

	The Group	
	2017 RM'000	**2016 RM'000**
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Interest received	3,587	1,923
Dividend income received	636	552
Proceeds from disposal of property, plant and equipment	-	604
Purchase of property, plant and equipment	(127,159)	(281,440)
Purchase of land held for development	(115,126)	(219,075)
Deposit paid for purchase of land held for development	(14,072)	(2,859)
Deposit paid for purchase of plant and equipment	(649)	(5,623)
Purchase of other investments	(585)	(1,050)
Acquisition of subsidiary, net of cash and cash equivalents acquired (Note 15)	-	(53,592)
Net Cash Used In Investing Activities	(253,368)	(560,560)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Net proceeds from private placement	154,263	-
Proceeds from short-term borrowings	84,688	59,658
Net drawdown of Sukuk Murabahah	-	100,000
Proceeds from sale of treasury shares	-	42,613
Dividends paid to:		
Shareholders of the Company	(102,969)	(49,750)
Non-controlling shareholders of subsidiaries	(2,960)	(2,903)
Net (repayment)/drawdown of term loans	(92,488)	57,977
Finance costs paid	(18,583)	(17,362)
Bonus issue expenses	(126)	-
Acquisition of treasury shares	(1)	(1)
Net Cash From Financing Activities	21,824	190,232
NET INCREASE IN CASH AND CASH EQUIVALENTS	91,297	9,975
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	100,601	90,626
CASH AND CASH EQUIVALENTS AT END OF YEAR (REPRESENTING CASH AND BANK BALANCES) (NOTE 24)	191,898	100,601

Statements Of Cash Flows

For the financial year ended 31 July 2017 - continued

	The Company	
	2017 RM'000	**2016 RM'000**
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit before tax	68,132	49,246
Adjustments for:		
Depreciation of property, plant and equipment	1,088	1,123
Finance costs	-	488
Write off of other investment	-	198
Dividend income	(70,526)	(49,191)
Interest income	(51)	(701)
Waiver of debts	-	(2,557)
Operating Losses Before Working Capital Changes	(1,357)	(1,394)
Movement in working capital:		
(Increase)/Decrease in receivables	(262)	4,950
Increase in payables	17	176
Cash (Used in)/Generated From Operations	(1,602)	3,732
Income tax paid	(35)	(53)
Income tax refunded	-	92
Net Cash (Used in)/From Operating Activities	(1,637)	3,771
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Dividend income received	70,526	49,191
Interest received	51	701
Net Cash From Investing Activities	70,577	49,892
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Net proceeds from private placement	154,263	-
Proceeds from subsidiaries in respect of SGP	23,198	3,634
Proceeds from sale of treasury shares	-	42,613
Additional investment in existing subsidiaries	(149,811)	(44,400)
Dividends paid	(102,969)	(49,750)
Bonus issue costs paid	(126)	-
Acquisition of treasury shares	(1)	(1)
Finance costs paid	-	(488)
Net Cash Used In Financing Activities	(75,446)	(48,392)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(6,506)	5,271
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7,885	2,614
CASH AND CASH EQUIVALENTS AT END OF YEAR (REPRESENTING CASH AND BANK BALANCES) (NOTE 24)	1,379	7,885

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

Notes To The Financial Statements

For the financial year ended 31 July 2017

1. GENERAL INFORMATION

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

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

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

The financial statements of the Group and of the Company were authorised by the Board of Directors for issuance on 23 October 2017.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

Adoption of Amendments to Financial Reporting Standards

In the current financial year, the Group and the Company adopted all the amendments to FRSs issued by the Malaysian Accounting Standards Board ("MASB") that are relevant to their operations and effective for annual financial periods beginning on or after 1 August 2016 as follows:

Amendments to FRS 116 and FRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to FRS 127	Equity Method in Separate Financial Statements
Amendments to FRS 101	Disclosure Initiative
Amendments to FRSs	Annual Improvements to FRSs 2012 - 2014 Cycle

The adoption of these amendments to FRSs did not result in significant changes in the accounting policies of the Group and the Company and has no significant effect on the financial performance or position of the Group and the Company.

Malaysian Financial Reporting Standards Framework

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

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

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

The Group and the Company being TEs have availed themselves of this transitional arrangement and will continue to apply FRSs in the preparation of their financial statements. Accordingly, the Group and the Company will be required to prepare their first set of MFRS financial statements on 31 July 2019.

The Group and the Company are currently assessing the impact of the adoption of MFRS 1, including identification of the differences in existing accounting policies as compared to the new MFRSs and the use of optional exemptions as provided for in MFRS 1. At the date of authorisation for the issue of these financial statements, accounting policy decisions or elections have not been finalised. Thus, the impact of adopting the new MFRS Framework on the Group and the Company's first set of financial statements prepared in accordance with the MFRS Framework cannot be determined and estimated reliably until the process is complete.

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

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

At the date of authorisation for issue of these financial statements, the new and revised Standards and IC Interpretations which were in issue but not yet effective and not early adopted by the Group are as listed below:

FRS 9	Financial Instruments[2]
Amendments to FRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to FRS 4	Applying FRS 9 Financial Instruments with FRS 4 Insurance Contracts[2]
Amendments to FRS 10 and FRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to FRS 107	Disclosure Initiative[1]
Amendments to FRS 112	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to FRS 140	Transfers of Investment Property[2]
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration[2]
Amendments to FRSs	Annual Improvements to FRSs 2014 - 2016 Cycle[1 or 2]

1 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
3 Effective for annual periods beginning on or after a date to be determined.

The directors anticipate that the abovementioned Standards and IC Interpretations will be adopted in the annual financial statements of the Group and the Company when they become effective and that the adoption of these Standards and IC Interpretations will have no material impact on the financial statements of the Group and the Company in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 2, leasing transaction that are within the scope of FRS 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 102 or value-in-use in FRS 136. In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

The principal accounting policies are set out below.

Subsidiaries and Basis of Consolidation

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

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

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Subsidiaries and Basis of Consolidation (cont'd)

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

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

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

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

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

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

Subsidiaries

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Business Combinations

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

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

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

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

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

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

Goodwill

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

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

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

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

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

Continued

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Investment in Associate and Joint Venture

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

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

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

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

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

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

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

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

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

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

Continued

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue Recognition

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

Sales of goods

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

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

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

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

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

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

Rendering of services

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

Property development

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

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

Dividend and interest income

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

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

Rental income

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

Leasing

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Leasing (cont'd)

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

Foreign Currencies

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

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

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

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

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

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

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

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

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Borrowing Costs

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

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

Continued

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Borrowing Costs (cont'd)

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

Employee Benefits

Short-Term Employee Benefits

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

Post-Employment Benefits

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

(a) Defined Contribution Plans

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

(b) Defined Benefit Plan

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

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

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

Share-based Payments

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

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

Taxation

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

Current Tax

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

Deferred Tax

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

Continued

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Taxation (cont'd)

Deferred Tax (cont'd)

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

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

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

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

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

Current and Deferred Tax for the Period

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

Impairment of Non-financial Assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

Continued

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property, Plant and Equipment

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

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

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

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

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

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

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

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

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

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

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

Land held for property development and property development cost

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

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

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

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

Continued

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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

Investment Properties

Investment properties carried at fair value

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

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

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

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

Reclassification to/from investment property

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

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

Determination of fair value

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

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

Inventories

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Provisions

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

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

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

Segment Reporting

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

Contingent Liabilities and Contingent Assets

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

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

Financial Instruments

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

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

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

(i) Financial Assets

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

Effective interest method

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

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

Continued

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Instruments (cont'd)

(i) Financial Assets (cont'd)

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

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

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

Held-to-maturity investments

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

AFS financial assets

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

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

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

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

Continued

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Instruments (cont'd)

(i) Financial Assets (cont'd)

Loans and receivables

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

Impairment of financial assets

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

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

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

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period range from 14 to 120 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

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

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

Derecognition of financial assets

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

Continued

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Instruments (cont'd)

(ii) Financial Liabilities and Equity Instruments

Classification as debt or equity

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

Equity instruments

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

Financial guarantee contract liabilities

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

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

Financial liabilities

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

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

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

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

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

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

Other financial liabilities

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

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

Continued

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Instruments (cont'd)

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

Other financial liabilities (cont'd)

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

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

(iii) Derivative Financial Instruments

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

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

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

Statements of Cash Flows

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying the Group's accounting policies

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

Continued

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

Key sources of estimation uncertainty

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

Depreciation of Property, Plant and Equipment

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

Allowance for Impairment Losses of Trade Receivables

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

Property Development Projects

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

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

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

Fair Value of Land and Buildings and Investment Property

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

Impairment of Goodwill

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

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

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

Net Realisable Value of Completed Property Units

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

Continued

5. REVENUE

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Sale of goods	1,669,623	1,549,458	-	-
Sale of properties	732,491	650,568	-	-
Rental income	581	581	-	-
Management fees from associate	120	120	120	120
Gross dividends from:				
Subsidiaries	-	-	69,890	48,638
Associate	-	-	300	300
Unquoted shares outside Malaysia	336	253	336	253
	2,403,151	2,200,980	70,646	49,311

6. COST OF SALES

	The Group	
	2017 RM'000	2016 RM'000
Cost of inventories sold	1,465,688	1,326,743
Property development costs [Note 16(b)]	444,311	397,179
	1,909,999	1,723,922

7. FINANCE COSTS

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest expenses on:				
Term loans	6,690	7,244	-	-
Revolving credits	5,191	3,596	-	488
Sukuk Murabahah	4,553	3,692	-	-
Onshore foreign currency loans	1,708	120	-	-
Bankers acceptances	441	2,671	-	-
Trust receipts	-	39	-	-
	18,583	17,362	-	488
Less: Amount capitalised in land held for property development (Note 16)	(4,553)	(3,692)	-	-
Total finance costs	14,030	13,670	-	488

Continued

8. PROFIT BEFORE TAX

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

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Employee benefits expense (Note 9)	143,946	149,492	-	-
Depreciation of property, plant and equipment (Note 13)	63,224	54,539	1,088	1,123
Directors' remuneration (Note 10)	11,180	11,019	914	2,033
Loss/(Gain) on foreign exchange:				
Realised	8,978	2,293	(13)	-
Unrealised	2,071	1,934	-	-
Rental of:				
Machinery and equipment	1,549	1,029	-	-
Buildings	1,208	873	-	-
Auditors' remuneration:				
Statutory audit	447	447	27	27
Other services	113	325	8	8
Allowance for doubtful debts on trade receivables (Note 22)	98	566	-	-
Write off of bad debts	91	167	-	-
Property, plant and equipment written off	-	2,952	-	-
Write off of other investment	-	198	-	198
Interest income	(3,587)	(1,923)	(51)	(701)
Rental income	(2,743)	(2,549)	-	-
Allowance for doubtful debts no longer required (Note 22)	(748)	(34)	-	-
(Write back)/Write off of inventories	(294)	273	-	-
Gain on disposal of property, plant and equipment	-	(82)	-	-
Waiver of debts	-	-	-	(2,557)

9. EMPLOYEE BENEFITS EXPENSE

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Wages, salaries and other emoluments	122,870	121,128	-	-
Share grant plan	7,831	16,418	-	-
Contributions to defined contribution plan	8,321	7,341	-	-
Increase in liability for defined benefit plan (Note 28)	4,012	3,961	-	-
Social security contributions	912	644	-	-
	143,946	149,492	-	-

During the current financial year, the Company granted and vested 3,558,000 (2016: 472,000) new ordinary shares to eligible employees of the Group under the Scientex Berhad Share Grant Plan [Note 25(b)].

Continued

10. DIRECTORS' REMUNERATION

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

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Directors of the Company				
Executive:				
Salaries and other emoluments	9,180	9,075	480	1,460
Defined contribution plan	1,652	1,634	86	263
Fees	50	50	50	50
	10,882	10,759	616	1,773
Non-executive:				
Fees	298	260	298	260
	11,180	11,019	914	2,033

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

	Number of directors	
	2017	2016
Executive directors:		
RM10,750,001 - RM10,800,000	-	1
RM10,850,001 - RM10,900,000	1	-
Non-executive directors:		
RM50,000 and below	5	4
RM50,001 - RM100,000	1	1

11. INCOME TAX EXPENSE/(CREDIT)

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Income tax expense/(credit):				
Malaysian income tax	67,796	55,780	31	32
Foreign tax	5,315	4,960	-	-
Under/(Over)provision in prior years	279	1,643	1	(41)
	73,390	62,383	32	(9)
Deferred tax (Note 29):				
Current year	(13,718)	(5,105)	(93)	(119)
(Over)/Underprovision in prior years	(1,645)	2,487	(3)	-
	(15,363)	(2,618)	(96)	(119)
	58,027	59,765	(64)	(128)

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The below reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

Continued

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

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

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

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

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit before tax	317,968	306,332	68,132	49,246
Tax at statutory tax rate of 24% (2016: 24%)	76,312	73,520	16,352	11,819
Tax effects of:				
Non-taxable income	(463)	(200)	(16,938)	(12,464)
Different tax rates in other countries	(2,769)	(2,866)	-	-
Share of results of associate and joint venture	(1,663)	(1,786)	-	-
Non-deductible expenses	3,910	6,760	524	558
Utilisation of reinvestment allowances	(15,924)	(19,025)	-	-
Utilisation of capital allowances, reinvestment allowances and other deductible temporary differences previously not recognised	(23)	(959)	-	-
Deferred tax assets not recognised	13	191	-	-
Under/(Over)provision in prior years:				
Income tax	279	1,643	1	(41)
Deferred tax	(1,645)	2,487	(3)	-
	58,027	59,765	(64)	(128)

Continued

12. EARNINGS PER ORDINARY SHARE

Basic earnings per share

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

	The Group	
	2017 RM'000	**2016 RM'000**
Profit attributable to owners of the Company	255,873	240,865

	The Group	
	2017 Units'000	**2016 Units'000**
Weighted average number of ordinary shares in issue	466,666	454,982

	The Group	
	2017	**2016**
Basic EPS (sen)	55	53

Diluted earnings per share

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

The earnings per share for the previous financial year ended 31 July 2016 has been adjusted to reflect the bonus issue which was completed on 15 August 2016. Further details are disclosed in Note 25(a).

Continued

13. PROPERTY, PLANT AND EQUIPMENT

The Group	Freehold land RM'000	Long-term leasehold land RM'000	Buildings RM'000	Staff quarters and apartment RM'000	Plants and machinery, tools and equipment RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Valuation/Cost									
As of 1 August 2015	111,781	86,061	108,094	1,454	666,900	31,074	9,672	34,644	1,049,680
Additions	-	-	54,560	-	105,755	2,651	946	152,803	316,715
Disposals	-	-	-	-	(417)	(71)	(1,228)	-	(1,716)
Written off	-	-	(317)	-	(5,471)	(753)	-	-	(6,541)
Reclassification	-	-	-	-	1,392	-	-	(1,392)	-
Acquisition of subsidiary (Note 15)	3,000	3,187	12,339	-	117,345	4,292	1,663	2,547	144,373
Exchange differences	-	294	646	-	2,427	20	29	-	3,416
As of 31 July 2016	114,781	89,542	175,322	1,454	887,931	37,213	11,082	188,602	1,505,927
Accumulated depreciation									
As of 1 August 2015	-	1,178	2,796	287	372,081	24,589	5,958	-	406,889
Charge for the year	-	1,149	3,728	19	46,230	2,205	1,208	-	54,539
Disposals	-	-	-	-	(107)	(71)	(1,016)	-	(1,194)
Written off	-	-	(48)	-	(3,356)	(185)	-	-	(3,589)
Acquisition of subsidiary (Note 15)	-	-	110	-	89,987	3,869	1,261	-	95,227
Exchange differences	-	81	128	-	1,295	17	15	-	1,536
As of 31 July 2016	-	2,408	6,714	306	506,130	30,424	7,426	-	553,408

Continued

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

The Group	Freehold land RM'000	Long-term leasehold land RM'000	Buildings RM'000	Staff quarters and apartment RM'000	Plants and machinery, tools and equipment RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Valuation/Cost									
As of 1 August 2016	114,781	89,542	175,322	1,454	887,931	37,213	11,082	188,602	1,505,927
Additions	-	-	30,863	-	39,616	4,025	163	48,348	123,015
Written off	-	-	-	-	(24)	-	-	-	(24)
Reclassification	-	-	29,108	-	108,432	2,778	-	(140,318)	-
Exchange differences	-	210	(217)	-	1,640	18	21	(337)	1,335
As of 31 July 2017	114,781	89,752	235,076	1,454	1,037,595	44,034	11,266	96,295	1,630,253
Accumulated depreciation									
As of 1 August 2016	-	2,408	6,714	306	506,130	30,424	7,426	-	553,408
Charge for the year	-	1,179	5,411	37	52,986	2,179	1,432	-	63,224
Written off	-	-	-	-	(24)	-	-	-	(24)
Exchange differences	-	64	109	-	874	14	14	-	1,075
As of 31 July 2017	-	3,651	12,234	343	559,966	32,617	8,872	-	617,683
Net book value									
As of 31 July 2017	114,781	86,101	222,842	1,111	477,629	11,417	2,394	96,295	1,012,570
As of 31 July 2016	114,781	87,134	168,608	1,148	381,801	6,789	3,656	188,602	952,519

Continued

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

The Company	Long-term leasehold land RM'000	Buildings RM'000	Staff quarters and apartment RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
Valuation/Cost						
As of 1 August 2015	32,000	13,000	481	2,822	1,013	49,316
Written off	-	-	-	(7)	-	(7)
As of 31 July 2016	32,000	13,000	481	2,815	1,013	49,309
Accumulated depreciation						
As of 1 August 2015	-	-	136	2,288	139	2,563
Charge for the year	390	361	10	160	202	1,123
Written off	-	-	-	(7)	-	(7)
As of 31 July 2016	390	361	146	2,441	341	3,679
Valuation/Cost						
As of 1 August 2016/ 31 July 2017	32,000	13,000	481	2,815	1,013	49,309
Accumulated depreciation						
As of 1 August 2016	390	361	146	2,441	341	3,679
Charge for the year	390	361	10	126	201	1,088
As of 31 July 2017	780	722	156	2,567	542	4,767
Net book value						
As of 31 July 2017	31,220	12,278	325	248	471	44,542
As of 31 July 2016	31,610	12,639	335	374	672	45,630

Note

(i) The freehold land and buildings of the Group with a carrying value of RM125,670,000 (2016: RM127,108,000) have been charged as security for borrowings (Note 27).

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

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Freehold land	111,423	111,423	-	-
Leasehold land	26,902	27,238	4,232	4,412
Buildings	84,299	86,989	787	802
	222,624	225,650	5,019	5,214

Continued

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

Note (cont'd)

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

14. INVESTMENT PROPERTIES

The Group	Freehold land RM'000	Building RM'000	Total RM'000
As of 1 August 2015, 31 July 2016 and 31 July 2017	12,000	5,000	17,000

The revaluation of the investment properties has been performed by an accredited independent valuer in the financial year ended 31 July 2017 and 2016, based on comparison method. The fair value is categorised as Level 3 of the fair value hierarchy with no transfer between Levels 1 and 2 during the year.

Qualitative information about fair value measurement of investment properties performed using significant unobservable inputs (Level 3) as of 31 July 2017 and 2016:

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

The property rental income earned by the Group from its investment properties, all of which are leased out under operating leases, amounted to RM581,000 (2016: RM581,000). Direct operating expenses arising from the investment properties amounted to RM142,000 (2016: RM158,000).

15. INVESTMENT IN SUBSIDIARIES

	The Company	
	2017 RM'000	2016 RM'000
Unquoted shares, at cost:		
At beginning of year	301,295	256,895
Additions	149,811	44,400
At end of year	451,106	301,295

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

Details of the Company's subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Proportion of ownership interest and voting power held by the Group 2017 %	2016 %	Principal Activities
Scientex Quatari Sdn. Bhd. ("SQSB")[1]	Malaysia	100	100	Investment holding, property investment and development
Scientex Industries Group Sdn. Bhd. ("SIGSB")	Malaysia	100	100	Manufacturing and distribution of polyvinyl chloride ("PVC") films and sheets, PVC leather cloth and PVC sheeting, thermoplastic olefins/polypropylene ("PP") and PVC/PP foam skin materials for automotive interior, and trading of packaging related materials

Continued

15. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the Company's subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Proportion of ownership interest and voting power held by the Group 2017 %	2016 %	Principal Activities
Scientex Packaging Film Sdn. Bhd. ("SPFSB")[2]	Malaysia	100	100	Manufacturing of stretch film and investment holding
Scientex Management Sdn. Bhd. ("SMSB")	Malaysia	100	100	Rendering of management services
Scientex Polymer Sdn. Bhd.	Malaysia	100	100	Investment holding
Scientex Tsukasa (Vietnam) Co., Ltd.*	Vietnam	60	60	Manufacturing of PP woven bags, fabric, bulk bags and polyethylene tying tapes
Subsidiaries of SQSB				
Scientex Heights Sdn. Bhd. ("SHSB")[3]	Malaysia	100	100	Property development
Scientex Park (M) Sdn. Bhd.	Malaysia	100	100	Property investment and development
Texland Sdn. Bhd.	Malaysia	90	90	Property development
Scientex (Skudai) Sdn. Bhd.	Malaysia	100	100	Property development
Scientex (Senai) Sdn. Bhd. ("SSSB")[4]	Malaysia	100	100	Dormant
Subsidiary of SIGSB				
PT. Scientex Indonesia*	Indonesia	100	100	Sales and marketing of laminating polyurethane adhesives
Subsidiaries of SPFSB				
Pan Pacific Straptex Sdn. Bhd.	Malaysia	70	70	Manufacturing of PP strapping band
Scientex Great Wall Sdn. Bhd. ("SGW")	Malaysia	90	90	Manufacturing of plastic packaging products
Scientex Great Wall (Ipoh) Sdn. Bhd. ("SGWI")	Malaysia	100	100	Manufacturing of plastic packaging products
Scientex International (S) Pte. Ltd.**	Singapore	100	100	Procurement, distribution and trading of resins, chemicals, films and other packaging related products
Scientex Phoenix, LLC ("SPLLC")[5]	United States of America	100	-	Manufacturing and trading of stretch film and other packaging related products
Scientex Advance Sdn. Bhd. ("SASB")*[4]	Malaysia	-	100	Dormant

Continued

15. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the Company's subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Proportion of ownership interest and voting power held by the Group 2017 %	2016 %	Principal Activities
Subsidiary of SGW				
Scientex Distribution Sdn. Bhd.	Malaysia	90	90	Dormant
Subsidiaries of SMSB				
KC Contract Sdn. Bhd.	Malaysia	65	65	Property construction
Great Wall Plastic Industries Berhad	Malaysia	100	100	Dormant

* *Audited by other auditors.*

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

[1] *During the financial year 2017, the Company subscribed additional 31,132,000 ordinary shares in SQSB for a total consideration of RM49,811,200.*

[2] *During the financial year 2017, the Company subscribed additional 50,000,000 ordinary shares in SPFSB for a total consideration of RM100,000,000.*

[3] *During the financial year 2017, SQSB subscribed additional 10,579,545 ordinary shares in SHSB for a total consideration of RM10,579,545.*

[4] *SSSB and SASB had commenced Members' Voluntary Winding-Up pursuant to Section 254(1)(b) of the Companies Act, 1965 and subsequently held Final Meetings to conclude the Members' Voluntary Winding-Up and lodged a Return by Liquidator relating to Final Meeting ("Return") with the Companies Commission of Malaysia and the Official Receiver on 17 August 2017 and 9 September 2016 respectively. Accordingly, SSSB will be dissolved on the expiration of 3 months from the date of lodgement of the Return pursuant to Section 272(5) of the Companies Act, 1965, while SASB had been dissolved during the financial year.*

[5] *SPLLC was established in November 2016, with an initial capital contribution of USD10,000,000.*

Acquisition of subsidiary

During the financial year 2016, SPFSB acquired a 100% equity interest in SGWI from Mondi Consumer Packaging International GmbH for a total purchase consideration of RM58,000,000. The acquisition was completed on 11 August 2015. Subsequent to the acquisition, SGWI became a wholly-owned subsidiary of SPFSB.

From the date of acquisition, SGWI contributed revenue of RM161,931,000 and net profit of RM12,458,000 to the Group's results during the financial year ended 31 July 2016.

Continued

15. INVESTMENT IN SUBSIDIARIES (CONT'D)

Acquisition of subsidiary (cont'd)

The assets and liabilities arising from the acquisition in the financial year ended 31 July 2016 were as follows:

	Carrying amounts 2016 RM'000	Fair values 2016 RM'000
Property, plant and equipment (Note 13)	41,308	49,146
Other investments	33	33
Deferred tax assets (Note 29)	5,718	3,863
Inventories	18,590	18,590
Trade receivables	16,131	16,131
Other receivables, deposits and prepaid expenses	2,294	2,294
Tax recoverable	161	161
Cash and bank balances	4,408	4,408
Trade payables	(15,162)	(15,162)
Other payables and accrued expenses	(3,956)	(3,956)
Borrowings	(27,971)	(27,971)
Retirement benefits obligations (Note 28)	(1,671)	(1,671)
Net identifiable assets	39,883	45,866
Fair value of net identifiable assets		45,866
Goodwill (Note 20)		12,134
Cost of business combination		58,000

Cash out flow on acquisition was as follows:

	2016 RM'000
Purchase consideration satisfied by cash	58,000
Cash and cash equivalents of subsidiary acquired	(4,408)
Net cash outflow of the Group	53,592

16. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS

(a) Land held for property development

The Group	Freehold land RM'000	Leasehold land RM'000	Total RM'000
Cost			
As at 1 August 2015	197,966	70,650	268,616
Acquisition of land	240,972	-	240,972
Costs incurred during the year	29,959	7,457	37,416
Transfer to property development costs [Note 16(b)]	(86,180)	(13,790)	(99,970)
As at 31 July 2016	382,717	64,317	447,034
As at 1 August 2016	382,717	64,317	447,034
Acquisition of land	117,985	-	117,985
Costs incurred during the year	55,070	4,971	60,041
Transfer to property development costs [Note 16(b)]	(117,942)	(6,885)	(124,827)
As at 31 July 2017	437,830	62,403	500,233

Continued

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

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

During the financial year 2017, the Group acquired the following freehold lands through its subsidiaries:

(i) SQSB acquired lands measuring approximately 14.38 acres and 55 acres respectively in Mukim Hulu Kinta, District of Kinta, State of Perak for a total cash purchase consideration of RM70,270,000.

(ii) SQSB acquired land measuring approximately 2.89 acres in Mukim of Pulai, District of Johor Bahru, State of Johor for a total cash purchase consideration of RM2,011,000.

(iii) SHSB acquired lands measuring approximately 197.40 acres in Mukim Durian Tunggal, District of Alor Gajah, State of Melaka for a total cash purchase consideration of RM45,704,000.

(b) Property development costs

The Group	Freehold land RM'000	Leasehold land RM'000	Development costs RM'000	Total RM'000
Cumulative property development costs				
As at 1 August 2015	46,881	41,663	398,918	487,462
Costs incurred during the year	-	-	348,058	348,058
Transfer from land held for property development [Note 16(a)]	86,180	13,790	-	99,970
Reversal of completed projects	(48,840)	(8,313)	(292,812)	(349,965)
Unsold units transferred to inventories	-	(635)	(11,995)	(12,630)
As at 31 July 2016	84,221	46,505	442,169	572,895
Cumulative costs recognised in profit or loss				
As at 1 August 2015	(40,244)	(16,476)	(294,243)	(350,963)
Recognised during the year (Note 6)	(64,020)	(16,313)	(316,846)	(397,179)
Reversal of completed projects	48,840	8,313	292,812	349,965
As at 31 July 2016	(55,424)	(24,476)	(318,277)	(398,177)
Property development costs at 31 July 2016	28,797	22,029	123,892	174,718

Continued

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

(b) Property development costs (cont'd)

The Group	Freehold land RM'000	Leasehold land RM'000	Development costs RM'000	Total RM'000
Cumulative property development costs				
As at 1 August 2016	84,221	46,505	442,169	572,895
Costs incurred during the year	-	-	339,830	339,830
Transfer from land held for property development [Note 16(a)]	117,942	6,885	-	124,827
Reversal of completed projects	(71,280)	(879)	(230,926)	(303,085)
Unsold units transferred to inventories	(5,463)	(1,462)	(23,071)	(29,996)
As at 31 July 2017	125,420	51,049	528,002	704,471
Cumulative costs recognised in profit or loss				
As at 1 August 2016	(55,424)	(24,476)	(318,277)	(398,177)
Recognised during the year (Note 6)	(90,244)	(20,865)	(333,202)	(444,311)
Reversal of completed projects	71,280	879	230,926	303,085
As at 31 July 2017	(74,388)	(44,462)	(420,553)	(539,403)
Property development costs at 31 July 2017	51,032	6,587	107,449	165,068

The freehold and leasehold lands under development with a carrying amount of RM177,000,000 (2016: RM159,000,000) have been charged as a security for borrowings [Note 27(ii)(b)].

Included in the land held for development is interest capitalised of RM4,553,000 (2016: RM3,692,000) (Note 7).

17. INVESTMENT IN JOINT VENTURE

	The Group		The Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
In Malaysia:				
Unquoted shares, at cost	22,500	22,500	22,500	22,500
Share of post-acquisition reserves	1,615	31	-	-
	24,115	22,531	22,500	22,500
Share of post-acquisition reserves:				
At beginning of year	31	3,655	-	-
Share of results	1,584	(3,624)	-	-
At end of year	1,615	31	-	-

Continued

17. INVESTMENT IN JOINT VENTURE (CONT'D)

Details of the joint venture are as follows:

Name of Joint Venture	Country of Incorporation	Proportion of ownership interest and voting power held by the Group 2017 %	2016 %	Principal Activities
MCTI Scientex Solar Sdn. Bhd. ("MSS")	Malaysia	50	50	Manufacturing and distribution of ethylene-vinyl acetate encapsulating materials for photovoltaic solar modules

MSS has a financial year end of 30 June. For the purpose of applying the equity method of accounting, the unaudited financial statements of MSS for the year ended 31 July 2017 have been used.

At the Group level, the carrying value of joint venture represents its share of net assets in the joint venture at end of the reporting period. Summarised financial information in respect of the Group's joint venture is as follows:

	The Group	
	2017 RM'000	2016 RM'000
Assets and Liabilities		
Current assets	29,193	21,137
Non-current assets	38,115	49,714
Total assets	67,308	70,851
Current liabilities	(15,329)	(14,042)
Non-current liabilities	(3,749)	(11,746)
Total liabilities	(19,078)	(25,788)
Results		
Revenue	69,326	31,293
Profit/(Loss) for the year	3,168	(7,248)

18. INVESTMENT IN ASSOCIATE

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
In Malaysia:				
Unquoted shares, at cost	3,000	3,000	3,000	3,000
Share of post-acquisition reserves	28,180	23,135	-	-
	31,180	26,135	3,000	3,000
Share of post-acquisition reserves:				
At beginning of year	23,135	12,369	-	-
Share of results	5,345	11,066	-	-
Dividend received (Note 5)	(300)	(300)	-	-
At end of year	28,180	23,135	-	-

Continued

18. INVESTMENT IN ASSOCIATE (CONT'D)

Details of the associate are as follows:

Name of Associate	Country of Incorporation	Proportion of ownership interest and voting power held by the Group 2017 %	2016 %	Principal Activities
Cosmo Scientex (M) Sdn. Bhd. ("CSM")*	Malaysia	30	30	Manufacturing and trading of polyurethane adhesive for flexible packaging applications

* *Audited by other auditors.*

CSM has a financial year end of 31 December. For the purpose of applying the equity method of accounting, the unaudited financial statements of CSM for the year ended 31 July 2017 have been used.

At the Group level, the carrying value of associate represents its share of net assets in the associate at end of the reporting period. Summarised financial information in respect of the Group's associate is as follows:

	The Group 2017 RM'000	2016 RM'000
Assets and Liabilities		
Current assets	79,922	102,484
Non-current assets	60,896	34,498
Total assets	140,818	136,982
Current liabilities	(33,955)	(44,739)
Non-current liabilities	(2,930)	(5,125)
Total liabilities	(36,885)	(49,864)
Results		
Revenue	201,447	195,352
Profit for the year	17,815	36,887

19. OTHER INVESTMENTS

	The Group 2017 RM'000	2016 RM'000	The Company 2017 RM'000	2016 RM'000
Available-for-sale assets:				
At cost:				
Unquoted equity instruments outside Malaysia	4,548	4,548	4,548	4,548
Unquoted equity instruments in Malaysia	3,040	3,040	-	-
Quoted equity instruments in Malaysia	585	-	-	-
Club memberships	480	480	198	198
	8,653	8,068	4,746	4,746
Less: Accumulated impairment loss - club memberships	(101)	(101)	(61)	(61)
	8,552	7,967	4,685	4,685

Continued

20. GOODWILL

	The Group	
	2017 RM'000	**2016 RM'000**
Goodwill, at cost	12,134	12,134

Goodwill of the Group arose from the acquisition of SGWI (Note 15). Goodwill is allocated, at acquisition, to the CGU of the Group that is expected to benefit from the business transfer. The Group's methodology to test goodwill for impairment is described in Note 3.

Key assumptions used

The recoverable amount of the CGU is determined based on the higher of fair value less costs to sell and value-in-use. The value-in-use calculation is based on financial budget approved by management and a discount rate of 4% (2016: 4%) per annum, reflecting the weighted average cost of debts of SGWI. The directors believe that an average growth rate of 5% (2016: 5%) per annum is reasonable for cash flow projection purposes as it is determined based on expectations of future changes in the market.

21. INVENTORIES

	The Group	
	2017 RM'000	**2016 RM'000**
At cost:		
Raw materials	61,983	58,864
Finished products	46,665	42,046
Unsold completed property units	42,643	18,510
Work-in-progress	13,772	14,431
	165,063	133,851
At net realisable value:		
Unsold completed property units	2,226	2,226
Raw materials	492	562
Finished products	997	371
	3,715	3,159
	168,778	137,010

22. TRADE RECEIVABLES

	The Group	
	2017 RM'000	**2016 RM'000**
Third parties	385,439	316,949
Associate and joint venture (Note 35)	105	34
	385,544	316,983
Less: Allowance for doubtful debts - third parties	(441)	(1,094)
Trade receivables, net	385,103	315,889

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

Trade receivables are non-interest bearing. The average credit terms for trade receivables of the Group range from 14 to 120 days (2016: 14 to 120 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Continued

22. TRADE RECEIVABLES (CONT'D)

Amounts due from the associate and joint venture are unsecured, non-interest bearing and have a credit terms of 60 days (2016: 60 days).

Included in trade receivables are retention sums on property development activities amounting to RM31,632,000 (2016: RM32,106,000).

The table below is an analysis of trade receivables at the end of the reporting period:

	The Group	
	2017 RM'000	**2016 RM'000**
Neither past due nor impaired	365,601	296,555
Past due but not impaired	19,502	19,334
Past due and impaired	441	1,094
	385,544	316,983

	The Group	
	2017 RM'000	**2016 RM'000**
Ageing of past due but not impaired		
1 to 30 days	14,687	14,910
31 to 60 days	4,361	3,584
61 to 90 days	160	309
More than 91 days	294	531
	19,502	19,334
Ageing of past due and impaired		
More than 120 days	441	1,094

Movement in allowance for doubtful debts

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

	The Group	
	2017 RM'000	**2016 RM'000**
At beginning of year	1,094	717
Allowance for doubtful debts (Note 8)	98	566
Acquisition of subsidiary	-	32
Written off during the year	(3)	(187)
Reversal of allowance for doubtful debts (Note 8)	(748)	(34)
At end of year	441	1,094

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM19,502,000 (2016: RM19,334,000) that are past due at the reporting date but not impaired. The Group does not hold any collateral over these balances. These relate to creditworthy customers that the Group continues to trade actively with.

Continued

22. TRADE RECEIVABLES (CONT'D)

Receivables that are impaired

Trade receivables that are impaired at the reporting date relate to debtors that are in financial difficulties or in dispute and have defaulted on payments. The Group does not hold any collateral over these balances.

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

The currency profile of trade receivables of the Group is as follows:

	The Group	
	2017 RM'000	2016 RM'000
Ringgit Malaysia	240,350	212,080
United States Dollar	145,194	104,903
	385,544	316,983

23. OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Other receivables	14,932	9,919	-	-
Deposit on purchase of land held for development	14,072	2,859	-	-
Deposit on purchase of property, plant and machinery	649	5,623	-	-
Other refundable deposits	6,347	6,029	45	44
Prepaid expenses	5,012	8,365	366	124
Amounts due from associate and joint venture (Note 35)	330	423	20	-
	41,342	33,218	431	168

24. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and bank balances	99,788	90,817	190	744
Short-term deposits with:				
Other financial institutions	89,789	7,805	1,189	7,141
Licensed banks	2,321	1,979	-	-
	191,898	100,601	1,379	7,885

The Housing Development Accounts are maintained in accordance with Section 7(A) of the Housing Developers (Control and Licensing) Act, 1966. These accounts, which consist of monies received from purchasers, are for the payment of property development expenditure incurred. The surplus monies, if any, will be released to certain subsidiary companies upon the completion of the property development projects and after all property development expenditure have been fully settled. Included in cash at banks of the Group are amounts of RM19,770,000 (2016: RM3,541,000) held in the Housing Development Accounts.

Continued

24. CASH AND CASH EQUIVALENTS (CONT'D)

Short-term deposits with other financial institutions refer to licensed fund management companies in Malaysia. These deposits have redemption period of one working day upon notification of withdrawal. The weighted average effective interest rate as at 31 July 2017 for the Group and the Company is 3.50% (2016: 3.50%) per annum respectively.

Short-term deposits with licensed banks for the Group have weighted average effective interest rates of 3.01% (2016: 3.20%) per annum. The average maturities of short-term deposits with licensed banks of the Group as at the end of the reporting date were 63 days (2016: 120 days).

The currency profile of cash and cash equivalents is as follows:

	The Group	
	2017 RM'000	2016 RM'000
Ringgit Malaysia	156,990	53,957
United States Dollar	34,908	46,644
	191,898	100,601

Cash and cash equivalents of the Company are denominated in Ringgit Malaysia.

25. SHARE CAPITAL

	The Group and The Company			
	Number of ordinary shares		Amount	
	2017 '000	2016 '000	2017 RM'000	2016 RM'000
Authorised:				
At beginning of year	-	400,000	-	200,000
Created during the year	-	600,000	-	300,000
At end of year	-	1,000,000	-	500,000
Issued:				
At beginning of year	230,000	230,000	115,000	115,000
Bonus issue	230,000	-	115,000	-
Issued pursuant to the SGP	3,558	472	1,779	236
Cancellation of treasury shares	-	(472)	-	(236)
Private placement	20,000	-	154,263	-
Transfer arising from "no par value" regime	-	-	25,801	-
At end of year	483,558	230,000	411,843	115,000

(a) Share capital

During the financial year 2017, the Company:

(i) Issued and allotted 230,000,000 new ordinary shares in the Company ("Scientex Share") on the basis of one bonus share for every one existing Scientex Share through capitalisation of retained earnings and share premium accounts of RM10,676,000 and RM104,324,000 respectively.

(ii) Issued and allotted 3,558,000 (2016: 472,000) new ordinary shares to eligible employees of Scientex Berhad's group of companies, with the closing share price as of the date of granting of RM6.52 per share, pursuant to the Scientex Berhad Share Grant Plan ("SGP").

(iii) Issued and allotted 20,000,000 new ordinary shares to third party investors at RM7.80 per share, pursuant to private placement.

Continued

25. SHARE CAPITAL (CONT'D)

(a) Share capital (cont'd)

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

Pursuant to the Companies Act, 2016 ("Act") which came into effect on 31 January 2017, the concept of authorised capital has been abolished and all shares issued before or upon the commencement of the Act shall have no par or nominal value. Consequently, the amount standing to the credit of the Company's share premium and capital redemption reserve accounts becomes part of the Company's share capital. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result thereof. The Company may exercise its right to use the credit amounts transferred from the share premium and capital redemption reserve accounts within 24 months after the commencement of the Act in a manner as specified by the Act.

As of 31 July 2017, the total number of issued shares of the Company was 483,558,000 (2016: 230,000,000) ordinary shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to vote at meetings of the Company as prescribed in the Articles of Association of the Company. All ordinary shares rank equally with regards to the Company's residual assets.

(b) Share grant plan

The SGP is governed by the By-Laws which was approved by the shareholders on 17 December 2013. The SGP allows the Company to grant shares to eligible employees of the Group of up to 5% of the total number of issued shares of the Company (excluding treasury shares). The SGP is administered by the SGP Committee which is appointed by the Board, in accordance with the By-Laws. The SGP shall be in force for a period of 5 years from the effective date, 21 January 2014 to 20 January 2019, unless extended for up to another 5 years immediately upon the expiry of the first 5 years, but shall not in aggregate exceed the duration of 10 years from the effective date.

The salient features, terms and conditions of the SGP are as follows:

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

(ii) The total number of shares that may be awarded under the SGP shall be determined at the sole and absolute discretion of the SGP Committee after taking into consideration the employees performance, contribution, employment grade and the fulfilment of the yearly performance targets or such other matters as the SGP Committee may deem fit and shall be subject to the following:

- the number of new shares made available under SGP shall not exceed the amount stipulated in (i) above;
- the allocation to an eligible employee, who either singly or collectively, through persons connected with the eligible employee, holds 20% or more of the issued shares of the Company (excluding treasury shares), must not exceed 10% of the total number of shares to be issued under the SGP; and
- not more than 50% of the shares to be issued under the SGP shall be allocated to the eligible employees who are in senior management of the Group.

(iii) The SGP Committee has the discretion in determining whether the shares available for vesting under the SGP shall be staggered over the duration of the SGP.

(iv) The shares will be vested with the grantee at no cost to the grantee on the vesting date(s).

During the current financial year, the Group granted and vested 3,558,000 (2016: 472,000) new ordinary shares to the eligible employees of the Company and its subsidiaries under the SGP. The closing share price as of the date of granting was RM6.52 (2016: RM7.70).

(c) Private placement

On 27 April 2017, the Company proposed to undertake a private placement of up to 10% of total number of issued shares of the Company (excluding treasury shares) to third party investors ("Private Placement"). Bursa Malaysia Securities Berhad ("Bursa Securities") had, vide its letter dated 4 May 2017, resolved to approve the listing of up to 46,355,800 new ordinary shares to be issued pursuant to the Private Placement ("Placement Shares").

Continued

25. SHARE CAPITAL (CONT'D)

(c) Private placement (cont'd)

As of the date of this report, a total of 20,000,000 Placement Shares have been issued, listed and quoted on the Main Market of Bursa Securities. The net proceeds raised from the Private Placement of RM154,263,000 was intended to be utilised for expansion and working capital requirements of the Group, of which RM100,000,000 has been used for working capital of the Group's manufacturing division while the remaining has been utilised for the purchase of development land.

The implementation for the remaining tranche of Placement Shares, if any, is expected to be completed by 3 November 2017 (being six months from the date of approval being obtained from Bursa Securities for the listing of Placement Shares under the Private Placement).

26. RESERVES

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-distributable reserves:				
Share premium	-	104,324	-	104,324
Capital redemption reserve	-	4,382	-	4,382
Property revaluation surplus	55,799	55,799	20,018	20,018
Foreign currency translation reserve	11,142	8,683	-	-
Treasury shares	(1)	-	(1)	-
Other reserves	461	461	68	68
	67,401	173,649	20,085	128,792
Distributable reserve:				
Retained earnings	1,056,220	886,518	82,005	99,980
	1,123,621	1,060,167	102,090	228,772

(a) Share premium

Share premium arose from the surplus of consideration received from the disposal of treasury shares and the issuance of ordinary shares pursuant to the SGP before the Act came into operations on 31 January 2017. As disclosed in Note 25(a), on the effective date of the Act, the amount standing to the credit of the share premium account has become part of the Company's share capital.

(b) Capital redemption reserve

Capital redemption reserve arose from the cancellation of treasury shares in the Company before the Act came into operations on 31 January 2017. As disclosed in Note 25(a), on the effective date of the Act, the amount standing to the credit of the capital redemption account has become part of the Company's share capital.

(c) Property revaluation surplus

Property revaluation surplus represents increases in the fair value of land and buildings, net of tax, and decreases to the extent that such decreases relate to an increase on the same asset previously recognised in other comprehensive income.

(d) Foreign currency translation reserve

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

(e) Treasury shares

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount consists of the acquisition costs of treasury shares.

During the financial year 2017, the Company repurchased 100 (2016: 100) of its issued ordinary shares from the open market of Bursa Securities at an average price (including transaction costs) of RM7.20 (2016: RM10.08) per share. The total consideration paid for the repurchase (including transaction costs) was RM720 (2016: RM1,008). The repurchased shares were held as treasury shares in accordance with Section 127 of the Act.

26. RESERVES (CONT'D)

(e) Treasury shares (cont'd)

During the financial year 2016, the Company:

(i) Sold 3,669,062 treasury shares in the open market of Bursa Securities at an average price (including transaction costs) of RM11.61 per share for a total consideration of approximately RM42,613,000. The cost of the treasury shares was at an average price of RM1.46 per share, amounting to approximately RM5,352,000. This resulted in an increase in the share premium and equity attributable to shareholders of the Company of approximately RM37,261,000 and RM42,613,000 respectively.

(ii) Cancelled 472,000 treasury shares. The cost of the treasury shares was at an average price of RM1.46 per share, amounting to approximately RM688,000. The cancellation resulted in a decrease in share premium of approximately RM688,000 and an increase in capital redemption reserve of approximately RM236,000.

As of 31 July 2017, the Company held 100 (2016: Nil) ordinary shares as treasury shares.

(f) Retained earnings

The Company is able to distribute dividends out of its entire retained earnings as at 31 July 2017 under the single tier system.

27. BORROWINGS

	The Group	
	2017 RM'000	**2016 RM'000**
Current - at amortised cost		
Secured:		
Term loan	3,500	-
Unsecured:		
Foreign currency revolving credits	172,523	12,695
Onshore foreign currency loan	105,567	-
Revolving credits	12,100	86,100
Bankers acceptances	7,500	110,325
Term loans	-	23,616
	297,690	232,736
	301,190	232,736
Non-current - at amortised cost		
Secured:		
Sukuk Murabahah	100,000	100,000
Term loans	66,500	70,000
	166,500	170,000
Unsecured:		
Term loans	-	68,872
	166,500	238,872
Total borrowings		
Foreign currency revolving credits	172,523	12,695
Onshore foreign currency loan	105,567	-
Sukuk Murabahah	100,000	100,000
Term loans	70,000	162,488
Revolving credits	12,100	86,100
Bankers acceptances	7,500	110,325
	467,690	471,608

Continued

27. BORROWINGS (CONT'D)

Borrowings are repayable as follows:

	The Group	
	2017 RM'000	**2016 RM'000**
Current	301,190	232,736
Non-current		
More than 1 year and less than 2 years	14,000	29,900
More than 2 years and less than 5 years	142,000	184,472
More than 5 years	10,500	24,500
	166,500	238,872
	467,690	471,608

The average effective interest rates per annum of the borrowings at the reporting date are as follows:

	The Group	
	2017 %	**2016 %**
Term loans	4.46	4.50
Sukuk Murabahah	4.55	4.55
Bankers acceptances	3.82	3.86
Revolving credits	3.92	4.09
Foreign currency revolving credits	1.76	1.10
Onshore foreign currency loan	1.89	-

(i) Sukuk Murabahah Programme

During the financial year 2016, SQSB, a wholly-owned subsidiary of the Company, had established a Sukuk Murabahah Programme ("Sukuk Murabahah") for the issuance of up to RM500,000,000 in nominal value of Sukuk Murabahah. It provides SQSB the flexibility to raise funds from time to time which can be utilised to finance and/or reimbursement of the acquisition of land(s)/property(ies)/investments, to fund working capital requirements and to refinance existing bank borrowings of SQSB and/or its subsidiaries. The Sukuk Murabahah Programme is unrated and has a tenure of fifteen (15) years from the date of first issuance of the Sukuk Murabahah.

On 8 January 2016, SQSB made its first issuance of RM150,000,000 in nominal value of unrated Sukuk Murabahah based on the Shariah principle of Murabahah (via Tawarruq arrangement) under the Sukuk Murabahah Programme. Proceeds from the issuance was utilised to part finance the acquisition of lands. The redeemable Sukuk Murabahah are due on 8 January 2019, 8 January 2020 and 8 January 2021 for each RM50,000,000 and bear profit based on cost of fund plus margin, payable quarterly. Subsequently, SQSB had on 8 July 2016 made an early redemption of RM50,000,000 in nominal value of the unrated Sukuk Murabahah.

(ii) The term loans and other banking facilities are secured by the following:

(a) First party charge and third party second charges over the freehold land and building of a subsidiary with carrying value of RM125,670,000 (2016: RM127,108,000) as disclosed in Note 13.

(b) First party charge and third party second charges over the freehold and leasehold lands of subsidiaries with carrying value of RM177,000,000 (2016: RM159,000,000) as disclosed in Note 16.

(c) Negative pledges on all the other assets held by the Company and certain subsidiaries.

Continued

27. BORROWINGS (CONT'D)

(iii) The currency profile of borrowings equivalents is as follows:

	The Group	
	2017 RM'000	**2016 RM'000**
Ringgit Malaysia	227,820	457,326
United States Dollar	239,870	14,282
	467,690	471,608

28. RETIREMENT BENEFITS OBLIGATIONS

	The Group		The Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
At beginning of year	23,782	18,508	7,181	7,181
Current and past service cost (Note 9)	4,012	3,961	-	-
Foreign exchange differences	39	15	-	-
Acquisition of subsidiary (Note 15)	-	1,671	-	-
Paid during the year	(30)	(373)	-	-
At end of year	27,803	23,782	7,181	7,181

The present value of the pension obligation is determined using actuarial valuations. The actuarial valuations were recomputed during the financial year ended 31 July 2014 by Actuarial Partners Consulting Sdn. Bhd., an independent professional actuary.

The Group operates an unfunded defined benefit lump sum plan. A lump sum benefit is payable to the employees at the normal retirement age of 60 (2016: 60). The plan is applicable to employees who have a minimum 5 years of service to the Group.

The amounts recognised in the statements of financial position are determined as follows:

	The Group		The Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Present value of unfunded benefit	27,803	23,782	7,181	7,181
Analysed as:				
Current	-	-	-	-
Non-current:				
Later than 2 years	27,803	23,782	7,181	7,181
	27,803	23,782	7,181	7,181

Continued

28. RETIREMENT BENEFITS OBLIGATIONS (CONT'D)

The amounts recognised in the profit and loss and other comprehensive income are as follows:

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cost of sales	1,253	1,208	-	-
Administrative expenses	2,472	2,488	-	-
Selling and distribution expenses	287	265	-	-
	4,012	3,961	-	-

The principal assumptions are as follows:

	The Group		The Company	
	2017 %	2016 %	2017 %	2016 %
Discount rate	5.75	5.75	5.75	5.75
Future salary increases	7.00	7.00	7.00	7.00

No sensitivity analysis on the principal assumptions is prepared as the Group does not expect any material effect on the Group's profit or loss and other comprehensive income arising from the effect of reasonably possible changes to the above principal actuarial assumptions at the end of the reporting period.

29. DEFERRED TAX (ASSETS)/LIABILITIES

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At beginning of year	32,381	38,862	5,907	6,026
Recognised in profit or loss (Note 11)	(15,363)	(2,618)	(96)	(119)
Acquisition of subsidiary (Note 15)	-	(3,863)	-	-
At end of year	17,018	32,381	5,811	5,907
Deferred tax assets	(18,925)	(2,651)	-	-
Deferred tax liabilities	35,943	35,032	5,811	5,907
	17,018	32,381	5,811	5,907

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when deferred taxes relate to the same tax authority.

Continued

29. DEFERRED TAX (ASSETS)/LIABILITIES (CONT'D)

The deferred tax (assets)/liabilities provided in the financial statements represents the tax effects of the following:

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deferred tax assets (before offsetting):				
Unabsorbed reinvestment allowances	(51,453)	(37,521)	-	-
Unabsorbed tax losses and capital allowances	(18,430)	(8,613)	-	-
Various temporary differences	(9,326)	(8,284)	(923)	(923)
	(79,209)	(54,418)	(923)	(923)
Offsetting	60,284	51,767	923	923
Deferred tax assets (after offsetting)	(18,925)	(2,651)	-	-
Deferred tax liabilities (before offsetting):				
Temporary differences arising from:				
Property, plant and equipment	72,284	62,355	628	600
Revaluation of land and buildings	23,742	24,386	6,106	6,230
Others	201	58	-	-
	96,227	86,799	6,734	6,830
Offsetting	(60,284)	(51,767)	(923)	(923)
Deferred tax liabilities (after offsetting)	35,943	35,032	5,811	5,907

As mentioned in Note 3, the tax effects of unutilised tax losses, unabsorbed capital allowances and deductible temporary differences which would give rise to deferred tax assets are generally recognised to the extent that it is probable that future taxable profits will be available against which the unutilised tax losses, unabsorbed capital allowances, unabsorbed reinvestment allowances and deductible temporary differences can be utilised. As at 31 July 2017, the amount of unutilised tax losses, unabsorbed capital allowances and deductible temporary differences of certain subsidiaries for which deferred tax assets are not recognised in the financial statements due to uncertainty of realisation are as follows:

	The Group	
	2017 RM'000	2016 RM'000
Unutilised tax losses	464	464
Unabsorbed capital allowances	8	8
Deductible temporary differences	2,900	2,940
	3,372	3,412

The unutilised tax losses, unabsorbed capital allowances and deductible temporary differences, which are subject to the agreement by the tax authorities, are available for offset against future chargeable income of the respective subsidiaries.

Continued

30. TRADE PAYABLES

	The Group	
	2017 RM'000	2016 RM'000
Third parties	289,339	285,645
Associate (Note 35)	18,087	21,193
Amounts due to contract customers	8,474	8,908
	315,900	315,746

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 120 days (2016: 30 to 120 days). The amount due to associate is unsecured, non-interest bearing and has credit terms of 60 to 90 days (2016: 60 to 90 days). Included in the trade payables of the Group is an amount of RM23,566,000 (2016: RM20,163,000) representing retention amount.

The currency profile of trade payables is as follows:

	The Group	
	2017 RM'000	2016 RM'000
Ringgit Malaysia	170,447	167,640
United States Dollar	145,453	148,106
	315,900	315,746

Amounts due to contract customers are as follows:

	The Group	
	2017 RM'000	2016 RM'000
Aggregate costs incurred:		
As at 31 July	116,253	122,780
Attributable profits	4,916	5,368
	121,169	128,148
Less: Progress billings	(129,643)	(137,056)
Amount due to contract customers	(8,474)	(8,908)

31. OTHER PAYABLES AND ACCRUED EXPENSES

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Accrued expenses	62,148	72,807	703	686
Other payables	40,529	42,303	9	9
Deposits	872	516	1	1
	103,549	115,626	713	696

Continued

32. DIVIDENDS

	The Group and The Company	
	2017 RM'000	**2016 RM'000**
In respect of the financial year ended 31 July 2015:		
Single tier final dividend of 13 sen per share on 226,330,938 ordinary shares*	-	29,423
In respect of the financial year ended 31 July 2016:		
Single tier interim dividend of 12 sen per share on 230,000,000 ordinary shares*	-	27,600
Single tier final dividend of 10 sen per share on 463,557,900 ordinary shares	46,356	-
In respect of the financial year ended 31 July 2017:		
Single tier interim dividend of 6 sen per share on 483,557,900 ordinary shares	29,013	-
	75,369	57,023

* Before the one for one bonus issue which was completed on 15 August 2016.

On 19 September 2017, the directors proposed a single tier final dividend of 10 sen per ordinary share amounting to approximately RM48,356,000 in respect of the financial year ended 31 July 2017. The proposed single tier final dividend is subject to the approval of shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the financial statements. Upon approval by the shareholders, the dividend payment will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 July 2018.

33. CAPITAL COMMITMENTS

At the end of reporting period, the Group and the Company have the following capital commitments in respect of the acquisition of property, plant and equipment and land held for development.

	The Group	
	2017 RM'000	**2016 RM'000**
Approved and contracted for:		
Balance payment for purchase of land held for development	111,276	25,678
Purchase of plant and machinery	39,569	49,257
	150,845	74,935

34. FINANCIAL GUARANTEES

Corporate guarantees are provided by the Company to certain financial institutions and suppliers to secure banking facilities and credit facilities for the subsidiaries. The directors are of the opinion that the corporate guarantees are not likely to be called upon and regard the value of the credit enhancement provided by the corporate guarantees as minimal.

35. RELATED PARTY TRANSACTIONS

Amounts owing by/(to) associate and joint venture which arose mainly from trade transactions and expenses paid on behalf have a credit period range from 60 to 90 days (2016: 60 to 90 days).

Continued

35. RELATED PARTY TRANSACTIONS (CONT'D)

The Group and the Company have the following transactions with related parties during the financial year, which were determined on terms not more favourable to the related parties than to third parties:

(a) In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

		The Group	
		2017 RM'000	2016 RM'000
Associate:			
Sales	(i)	(499)	(789)
Purchases	(ii)	73,655	77,768
Management fees income	(iii)	(120)	(120)
Rental income	(iv)	(144)	(144)
Joint venture:			
Sales	(i)	(221)	(132)
Rental income	(iv)	(926)	(926)

		The Company	
		2017 RM'000	2016 RM'000
Associate:			
Management fees income	(iii)	(120)	(120)
Dividend income		(300)	(300)
Subsidiaries:			
Dividend income		(69,890)	(48,638)

(i) The sales were determined on terms not more favourable to the related parties than to third parties and have credit terms of 60 days (2016: 60 days).

(ii) The purchase of products from associate were made according to the published prices and conditions offered by the related party to their major customers.

(iii) The rendering of services to associate and subsidiaries were determined on terms not more favourable to the related parties than to third parties and have credit terms of 30 days (2016: 30 days).

(iv) The rental payable by the associate and joint venture was determined on terms not more favourable to the related parties than to third parties and has credit terms of 30 days (2016: 30 days).

(b) Compensation of key management personnel is as follows:

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Wages, salaries and other emoluments	19,186	17,821	480	1,670
Share grant plan	9,241	955	-	-
Contribution to defined contribution plans	3,450	3,204	86	301
Fees	50	50	50	50
	31,927	22,030	616	2,021

Continued

35. RELATED PARTY TRANSACTIONS (CONT'D)

(b) Compensation of key management personnel are as follows: (cont'd)

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company, directly or indirectly.

Included in compensation of key management personnel of the Group and of the Company is directors' remuneration amounting to RM10,882,000 and RM616,000 (2016: RM10,759,000 and RM1,773,000) respectively.

36. SEGMENTAL INFORMATION

Segment reporting is presented in respect of the Group's business segments in a manner consistent with the internal reporting provided to and regularly reviewed by the chief operating decision maker in order to allocate resources to a segment and to assess its performance.

Business segments provide products or services that are subject to risks and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that are subject to risks and returns that are different from those components operating in other economic environments.

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expenses, assets and liabilities are determined before intragroup balances and intragroup transactions are eliminated as part of the consolidation process, except to the extent that such intragroup balances and transactions are within the Group.

(a) Business Segments

The Group's activities are classified into two major business segments:

- Manufacturing - mainly in the business of manufacturing of various packaging products and manufacturing of materials for the interior of automobiles. Included in this segment is also the sales and marketing of laminating polyurethane adhesives, which is regarded by the management as exhibiting similar economic characteristics.

- Property development - in the business of constructing and developing residential, commercial and industrial properties and property management.

Management monitors the operating results of its business units separately for the purpose of decision making on resource allocation and performance assessment. Transactions between operating segments are conducted under terms, conditions and prices not materially different from transactions with non-related parties.

Continued

36. SEGMENTAL INFORMATION (CONT'D)

(b) Analysis by activity

2017	Note	Manufacturing RM'000	Property development RM'000	Consolidated RM'000
Revenue		1,669,623	733,528	2,403,151
Results				
Interest income		1,490	2,097	3,587
Interest expense		13,310	720	14,030
Depreciation of property, plant and equipment		60,272	2,952	63,224
Share of results of associate and joint venture		6,929	-	6,929
Other non-cash expenses	(ii)	7,546	5,515	13,061
Segment profit	(i)	109,037	227,081	336,118
Assets				
Segment assets		1,397,106	1,105,572	2,502,678
Investment in associate		31,180	-	31,180
Investment in joint venture		24,115	-	24,115
Tax recoverable		678	213	891
Deferred tax assets		18,532	393	18,925
Consolidated total assets				2,577,789
Liabilities				
Segment liabilities		662,856	252,086	914,942
Tax liabilities		3,511	19,513	23,024
Deferred tax liabilities		22,566	13,377	35,943
Consolidated total liabilities				973,909

Continued

36. SEGMENTAL INFORMATION (CONT'D)

(b) Analysis by activity (cont'd)

2016	Note	Manufacturing RM'000	Property development RM'000	Consolidated RM'000
Revenue		1,549,458	651,522	2,200,980
Results				
Interest income		12	1,911	1,923
Interest expense		12,687	983	13,670
Depreciation of property, plant and equipment		52,222	2,317	54,539
Share of results of associate and joint venture		7,442	-	7,442
Other non-cash expenses	(ii)	17,529	8,824	26,353
Segment profit	(i)	128,960	187,827	316,787
Assets				
Segment assets		1,312,671	885,419	2,198,090
Investment in associate		26,135	-	26,135
Investment in joint venture		22,531	-	22,531
Tax recoverable		1,694	-	1,694
Deferred tax assets		2,258	393	2,651
Consolidated total assets				2,251,101
Liabilities				
Segment liabilities		679,573	274,789	954,362
Tax liabilities		3,299	16,746	20,045
Deferred tax liabilities		21,442	13,590	35,032
Consolidated total liabilities				1,009,439

Notes

(i) The following items are added to/(deducted from) segment profit to arrive at profit before tax presented in the statements of profit or loss and other comprehensive income:

	2017 RM'000	2016 RM'000
Segment profit	336,118	316,787
Other expenses	(11,049)	(4,227)
Finance costs (Note 7)	(14,030)	(13,670)
Share of results of associate and joint venture	6,929	7,442
Profit before tax	317,968	306,332

Continued

36. SEGMENTAL INFORMATION (CONT'D)

(b) Analysis by activity (cont'd)

(ii) Other material non-cash (income)/expenses consist of the following items as presented in the respective notes to the financial statements:

	2017 RM'000	2016 RM'000
Share grant plan expense	7,831	16,418
Increase in liability for defined benefit plan	4,012	3,961
Net unrealised loss on foreign exchange	2,071	1,934
Allowance for doubtful debts on trade receivables	98	566
Write off of bad debts	91	167
Allowance for doubtful debts on trade receivables no longer required	(748)	(34)
(Write back)/Write off of inventories	(294)	273
Property, plant and equipment written off	-	2,952
Other investments written off	-	198
Gain on disposal of property, plant and equipment	-	(82)
	13,061	26,353

(iii) Included in segment assets is addition to non-current assets of:

	Manufacturing RM'000	Property development RM'000	Consolidated RM'000
2017			
Property, plant and equipment	110,863	12,152	123,015
Land held for property development	-	117,985	117,985
Other investments	585	-	585
2016			
Property, plant and equipment	301,284	15,431	316,715
Land held for property development	-	240,972	240,972
Other investments	1,050	-	1,050

(c) Geographical information

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

	Revenue		Non-Current Assets	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Malaysia	1,159,270	1,079,325	1,561,992	1,463,814
Japan	368,536	336,365	-	-
Korea	190,502	170,914	-	-
Indonesia	165,823	107,740	304	126
Australia	110,396	102,591	-	-
Europe	64,066	101,568	-	-
Singapore	98,269	86,401	71	20
Thailand	63,845	61,982	-	-
Philippines	52,760	47,564	-	-
United States of America	23,401	6,869	39,664	-
The Socialist Republic of Vietnam	13,901	10,204	22,678	24,011
Others	92,382	89,457	-	-
Consolidated	2,403,151	2,200,980	1,624,709	1,487,971

Continued

36. SEGMENTAL INFORMATION (CONT'D)

(c) Geographical information (cont'd)

Revenue from one major customer amounting to RM261,577,000 (2016: RM293,811,000), arising from sales by the manufacturing segment.

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

	2017 RM'000	2016 RM'000
Property, plant and equipment	1,012,570	952,519
Investment properties	17,000	17,000
Land held for property development	500,233	447,034
Investment in joint venture	24,115	22,531
Investment in associate	31,180	26,135
Other investments	8,552	7,967
Deferred tax assets	18,925	2,651
Goodwill	12,134	12,134
	1,624,709	1,487,971

37. FINANCIAL INSTRUMENTS

Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 July 2017 and 31 July 2016.

Gearing Ratio

The gearing ratio at end of the reporting period was as follows:

		The Group	
		2017 RM'000	2016 RM'000
Debt	(i)	467,690	471,608
Less: Cash and cash equivalents		(191,898)	(100,601)
Net debt		275,792	371,007
Equity	(ii)	1,535,464	1,175,167
Net debt to equity ratio		0.18	0.32

(i) Debt is defined as long-term and short-term borrowings as disclosed in Note 27.

(ii) Equity includes issued capital and reserves.

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses), for each class of financial assets, financial liabilities and equity instruments are disclosed in Note 3.

Continued

37. FINANCIAL INSTRUMENTS (CONT'D)

Categories of financial instruments

	The Group		The Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Financial assets				
Available-for-sale investments	8,552	7,967	4,685	4,685
Loans and receivables:				
Trade receivables	385,103	315,889	-	-
Other receivables and deposits	21,609	16,371	45	44
Cash and cash equivalents	191,898	100,601	1,379	7,885
Total	607,162	440,828	6,109	12,614
Financial liabilities				
At amortised cost:				
Trade payables	315,900	315,746	-	-
Other payables and accrued expenses	103,549	115,626	713	696
Borrowings	467,690	471,608	-	-
Total	887,139	902,980	713	696

Financial Risk Management Objectives and Policies

The operations of the Group and of the Company are subject to a variety of financial risks, including foreign currency risk, interest rate risk, credit risk and liquidity risk. The Group and the Company have formulated a financial risk management framework whose principal objective is to minimise the Group's and the Company's exposure to risks and/or costs associated with the financing, investing and operating activities of the Group and of the Company.

Various risk management policies are made and approved by the Board of Directors for observation in the day-to-day operations for the controlling and management of the risks associated with financial instruments.

Foreign currency risk management

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

The Group is exposed to foreign exchange rate risk on certain transactions entered into by subsidiaries in currencies other than its functional currency.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	The Group	
	Assets 2017 RM'000	**Liabilities 2017 RM'000**
United States Dollar	122,242	416,136

	The Group	
	Assets 2016 RM'000	**Liabilities 2016 RM'000**
United States Dollar	104,267	177,229

Continued

37. FINANCIAL INSTRUMENTS (CONT'D)

Foreign currency risk management (cont'd)

Foreign currency sensitivity analysis

The Group is mainly exposed to the foreign currency of United States Dollar ("USD").

The following table details the Group's sensitivity to a 3% increase and decrease in the Ringgit Malaysia against USD. 3% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis below includes:

(i) Outstanding foreign currency denominated monetary items and adjusts their translation at the year end and for a 3% change in foreign currency rates. A positive number below indicates a profit where the Ringgit Malaysia strengthens 3% against the USD. For a 3% weakening of the Ringgit Malaysia against USD, there would be a comparable impact on profit or loss and the balances below would be negative.

	The Group	
	2017 RM'000	2016 RM'000
United States Dollar	8,817	2,189

(ii) The Group's sales less cost of sales and other items of expenses denominated in USD during the financial year ended 31 July 2017 for a 3% change in foreign currency rates. A positive number below indicates profit where the Ringgit Malaysia weakens 3% against USD. For a 3% strengthening of the Ringgit Malaysia against USD, there would be a comparable impact on profit or loss, the balances below would be negative.

	The Group	
	2017 RM'000	2016 RM'000
United States Dollar	5,927	5,210

(iii) The Group's sales less cost of sales and other items of expenses denominated in USD during the financial year ended 31 July 2017, offset against the Group's exposure in USD in the statements of financial position at the end of the reporting period for a 3% change in foreign currency rates. A positive/(negative) number below indicates a profit/(loss) where the Ringgit Malaysia strengthens 3% against the USD. For a 3% weakening of the Ringgit Malaysia against USD, a positive/(negative) number below indicates a loss/(profit).

	The Group	
	2017 RM'000	2016 RM'000
United States Dollar	2,890	(3,021)

Interest rate risk management

The Group is exposed to interest rate risk through the impact of rate changes on bank borrowings. The interest rates for the said bank borrowings are disclosed in Note 27.

Interest rate sensitivity analysis

The Group's exposures to interest rates on financial liabilities are detailed below. The sensitivity analyses below have been determined based on the exposure to interest rates for financial liabilities at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liabilities at the end of the reporting period will remain unchanged for the whole year. A 10 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 10 basis points higher or lower and all other variables were held constant, the Group's profit for the year ended 31 July 2017 would decrease or increase by RM449,000 (2016: RM347,000).

Continued

37. FINANCIAL INSTRUMENTS (CONT'D)

Credit risk management

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Group is exposed to credit risk mainly from trade and other receivables. The Group extends credit to its customers based upon careful evaluation on the customers' financial condition and credit history.

The Company is exposed to credit risk mainly from subsidiaries and related parties. The Company monitors on an ongoing basis the results of the subsidiaries and related parties, and repayments made by the subsidiaries and related parties.

The Group's and the Company's exposure to credit risk in relation to their receivables, should all their customers fail to perform their obligations as of 31 July 2017, is the carrying amount of these receivables as disclosed in the statements of financial position.

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 22. Deposits and short-term placements with licensed banks and financial institutions that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are past due and impaired

Information regarding trade receivables that are past due and impaired is disclosed in Note 22.

Credit risk concentration profile

As at the reporting date, the Group does not have any significant exposure to any individual customer or counterparty.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's and of the Company's short-term, medium and long-term funding and liquidity management requirements. The Group and the Company manage liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The Group and the Company minimise prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.

The tables below summarise the maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations. The tables include both interest and principal cash flows.

The Group	Weighted average effective interest rate per annum	Less than 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	Total RM'000
2017					
Financial liabilities					
Non-interest bearing:					
Trade payables		315,900	-	-	315,900
Other payables and accrued expenses		103,549	-	-	103,549
		419,449	-	-	419,449
Interest bearing:					
Loans and borrowings	2.88%	308,836	171,485	10,656	490,977
Total undiscounted financial liabilities		728,285	171,485	10,656	910,426

Continued

37. FINANCIAL INSTRUMENTS (CONT'D)

Liquidity risk management (cont'd)

The Group	Weighted average effective interest rate per annum	Less than 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	Total RM'000
2016					
Financial liabilities					
Non-interest bearing:					
Trade payables		315,746	-	-	315,746
Other payables and accrued expenses		115,625	-	-	115,625
		431,371	-	-	431,371
Interest bearing:					
Loans and borrowings	4.20%	244,189	241,623	24,655	510,467
Total undiscounted financial liabilities		675,560	241,623	24,655	941,838

The Company	Less than 1 year RM'000	1 to 5 years RM'000	Total RM'000
2017			
Financial liabilities			
Non-interest bearing:			
Other payables and accrued expenses	713	-	713
2016			
Financial liabilities			
Non-interest bearing:			
Other payables and accrued expenses	696	-	696

38. SIGNIFICANT EVENTS DURING AND SUBSEQUENT TO THE FINANCIAL YEAR END

(i) SQSB, a wholly-owned subsidiary of the Company had on 29 June 2015 entered into two conditional sale and purchase agreements ("SPAs") in relation to the proposed acquisition of freehold lands measuring approximately 322.86 acres ("SPA 1") and 3.20 acres ("SPA 2") in Mukim of Pulai, District of Johor Bahru, State of Johor for a total cash purchase consideration of RM218.97 million, from Bukit Gambir Company Sdn. Berhad and/or Jayaplus Bakti Sdn. Bhd.

The acquisition had been approved by the Company's shareholders at the Extraordinary General Meeting held on 29 September 2015. Subsequently, all conditions precedent and balance purchase consideration pursuant to SPA 1 and SPA 2 have been fully satisfied and hence marking the completion of the acquisition in connection to SPA 1 and SPA 2 on 8 January 2016 and 28 March 2017 respectively, which consequently mark the completion of the transaction.

(ii) On 28 December 2016, the Company announced that SQSB had entered into a conditional SPA with Dahlia Utama Sdn Bhd for the proposed acquisition of two parcels of lands, both situated in Mukim of Kulai, District of Kulai, State of Johor, measuring an approximate aggregate net area of 121.2 acres for a total cash consideration of RM123.64 million. The conditions precedent set out in the SPA has been fulfilled and full payment of the balance purchase price and other money payable under the SPA has been made to the vendor, hence marking the completion of the proposed acquisition on 14 August 2017.

(iii) On 9 August 2017, the Company announced that Scientex Park (M) Sdn Bhd ("SPSB"), its wholly-owned subsidiary had entered into a conditional SPA with Medius Developments Sdn Bhd for the proposed acquisition of all that piece of freehold land in Mukim Rawang, Daerah Gombak, Negeri Selangor, measuring approximately 65.3 acres for a total cash consideration of RM85.38 million. The proposed acquisition is pending fulfillment of the conditions precedent as set out in the SPA. It is expected to be completed by the first half of 2018.

(iv) On 3 October 2017, the Company proposed to establish a Dividend Reinvestment Plan ("Proposed DRP") that provides the shareholders of the Company an option to elect to reinvest their cash dividend declared by the Company in new ordinary shares in the Company. The Company had on 20 October 2017 received an approval from Bursa Securities, for the establishment of the Proposed DRP and for the listing of up to 6,878,500 new ordinary shares to be issued pursuant to the Proposed DRP in respect of the single tier final dividend of RM0.10 per share for the financial year ended 31 July 2017 as proposed by the Board of Directors of the Company on 19 September 2017. The Proposed DRP is subject to the approval of the shareholders of the Company at an Extraordinary General Meeting to be convened.

Continued

39. SUPPLEMENTARY INFORMATION ON DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Securities") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of the Bursa Securities Main Market Listing Requirements which requires all listed issuers to disclose the breakdown of the retained earnings or accumulated losses as of the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Securities further issued guidance on the disclosure and the prescribed format of disclosure.

The breakdown of the retained earnings of the Group and of the Company as of 31 July 2017 and 31 July 2016 into realised and unrealised profits or losses, pursuant to the directive, is as follows:

	The Group		The Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Total retained earnings of the Company and its subsidiaries				
Realised	1,158,554	1,007,721	82,005	99,980
Unrealised	4,653	(9,929)	-	-
	1,163,207	997,792	82,005	99,980
Total retained earnings from associated company and joint venture				
Realised	30,798	23,953	-	-
Unrealised	(1,003)	(787)	-	-
	29,795	23,166	-	-
Consolidation adjustments	(136,782)	(134,440)	-	-
Total retained earnings	1,056,220	886,518	82,005	99,980

The determination of realised and unrealised profits or losses is based on Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Securities Listing Requirements" as issued by the Malaysian Institute of Accountants on 20 December 2010. A charge or credit to profit or loss of a legal entity is deemed realised when it is resulting from the consumption of resource of all types and form, regardless of whether it is consumed in the ordinary course of business or otherwise. A resource may be consumed through sale or use. Where a credit or a charge to profit or loss upon initial recognition or subsequent measurement of an asset or a liability is not attributed to consumption of resource, such credit or charge should not be deemed as realised until the consumption of resource could be demonstrated.

This supplementary information has been made solely for complying with the disclosure requirements as stipulated in the directive of Bursa Securities and is not made for any other purposes.

Statement By Directors

The directors of **SCIENTEX BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 July 2017 and of the financial performance and the cash flows of the Group and of the Company for the financial year ended on that date.

The supplementary information set out in Note 39 to the financial statements, which is not part of the financial statements, is prepared in all material aspects, in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

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

LIM PENG JIN

LIM PENG CHEONG

Shah Alam, Selangor Darul Ehsan
23 October 2017

Declaration By The Officer Primarily Responsible For The Financial Management Of The Company

I, **TAN HONG KOON**, being the officer primarily responsible for the financial management of **SCIENTEX BERHAD**, do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

TAN HONG KOON

Subscribed and solemnly declared by the abovenamed
TAN HONG KOON at **KUALA LUMPUR, WILAYAH PERSEKUTUAN**
on this 23rd day of October 2017

Before me,
Mohd Zainal Abiddin Bin Mohd Zainuddin (W292)
Commissioner for Oaths
Kuala Lumpur
Wilayah Persekutuan

List Of Properties Held By The Group

As at 31 July 2017

Location	Description/ Existing Use	Tenure	Land Area (Acres)	Built-up Area (sq.ft.)	Net Book Value (RM'000)	Age of Building (Year)	Year of Acquisition/ Revaluation*
Various sub-divided lots in Mukim of Pulai District of Johor Bahru State of Johor	Land for mixed development	Freehold	261.7	-	216,106	-	2016
GRN 38309 Lot 1608, Mukim Rawang District of Gombak State of Selangor	Land, factory buildings, office and warehouse for industrial use	Freehold	28.7	502,839	125,670	6 - 19	2015*
H.S. (D) 135841 P.T. No. 129324 Mukim and District of Klang State of Selangor	Land, factory buildings, office and warehouse for industrial use	Leasehold for 99 years expiring on 24.02.2097	12.5	256,561	73,847	2 - 5	2015*
Lot No. 215, Section 15 Town of Shah Alam District of Petaling State of Selangor	Land, factory buildings, office and warehouse for industrial use	Leasehold for 99 years expiring on 27.07.2097	8.2	290,515	68,714	1 - 47	2015*
GM 718 to 721 Lot 3269 to 3272, GRN 22729 Lot 3273 and GRN 22731 Lot 3274 Mukim of Durian Tunggal District of Alor Gajah Melaka	Land for mixed development	Freehold	197.4	-	45,849	-	2017
Taman Scientex Mukim of Plentong District of Johor Bahru State of Johor	Land for mixed development	Freehold	131.5	-	44,702	-	2001 - 2005
Geran 52585 Lot 22541, Geran 99289 Lot 228886, Geran 99288 Lot 228887 and Geran 53497 Lot 21347 Mukim of Hulu Kinta District of Kinta Perak	Land for mixed development	Freehold	55.0	-	44,013	-	2016
P.T. No. 125486 Mukim and District of Klang State of Selangor	Land, factory buildings, office and warehouse for industrial use	Leasehold for 99 years expiring on 24.02.2097	11.3	197,505	41,773	14 - 16	2015*
Taman Scientex Mukim of Senai District of Kulai State of Johor	Land for mixed development	Freehold	105.5	-	32,841	-	2012
Taman Mutiara Mas Mukim of Pulai District of Johor Bahru State of Johor	Land for mixed development	Leasehold for 991 years expiring on 03.09.2911	54.7	-	31,564	-	2010

Analysis Of Shareholdings

As at 9 October 2017

Type Of Shares	-	Ordinary Shares
Voting Rights	-	One vote per shareholder on a show of hands
	-	One vote per ordinary share on a poll
No. Of Shareholders	-	5,345

DISTRIBUTION OF SHAREHOLDINGS

Size Of Holdings	No. Of Holders	%	Total Holdings *	%
Less than 100	344	6.44	10,750	0.00 ^
100 - 1,000	961	17.98	590,500	0.12
1,001 - 10,000	2,393	44.77	10,295,365	2.13
10,001 - 100,000	1,317	24.64	38,435,731	7.95
100,001 to less than 5% of issued shares	326	6.10	224,849,780	46.50
5% and above of issued shares	4	0.07	209,375,774	43.30
Total	**5,345**	**100.00**	**483,557,900**	**100.00**

Notes:-
* *Excluding a total of 100 shares bought back by the Company and retained as treasury shares.*
^ *Less than 0.01%.*

SUBSTANTIAL SHAREHOLDERS (as per Register of Substantial Shareholders)

	No. Of Shares Held In The Company			
Name	Direct Interest	%	Deemed Interest	%
1 Lim Peng Jin	2,356,940	0.49	267,726,518 [A]	55.37
2 Lim Peng Cheong	169,600	0.04	251,876,518 [B]	52.09
3 Scientex Holdings Sdn Berhad	100,695,924	20.82	-	-
4 Scientex Leasing Sdn Bhd	46,562,304	9.63	-	-
5 Scientex Infinity Sdn Bhd (formerly known as Lim Teck Meng Sdn Bhd)	37,733,356	7.80	-	-
6 TM Lim Sdn Bhd	24,384,190	5.04	-	-

Notes:-
[A] *Deemed interests through Scientex Holdings Sdn Berhad, Scientex Leasing Sdn Bhd, Scientex Infinity Sdn Bhd (formerly known as Lim Teck Meng Sdn Bhd), TM Lim Sdn Bhd, Sim Swee Tin Sdn Bhd, Malacca Securities Sdn Bhd, Progress Innovations Sdn Bhd and Mplusonline Sdn Bhd.*
[B] *Deemed interests through Scientex Holdings Sdn Berhad, Scientex Leasing Sdn Bhd, Scientex Infinity Sdn Bhd (formerly known as Lim Teck Meng Sdn Bhd), TM Lim Sdn Bhd, Sim Swee Tin Sdn Bhd, Malacca Securities Sdn Bhd, Mplusonline Sdn Bhd and Paradox Corporation Sdn Bhd.*

DIRECTORS' SHAREHOLDINGS (as per Register of Directors' Shareholdings)

	No. Of Shares Held In The Company			
Name	Direct Interest	%	Deemed/ Indirect Interest	%
1 Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim	83,880	0.02	260,000 [a]	0.05
2 Lim Peng Jin	2,356,940	0.49	267,757,118 [b]	55.37
3 Lim Peng Cheong	169,600	0.04	254,155,858 [c]	52.56
4 Ang Kim Swee	80,000 [d]	0.02	-	-
5 Wong Chin Mun	80,000	0.02	-	-
6 Cham Chean Fong @ Sian Chean Fong	-	-	-	-
7 Dato' Noorizah Binti Hj Abd Hamid	-	-	-	-

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

Other than as disclosed above, the Directors in office did not have any interest in shares in the Company or its related corporations.

Analysis Of Shareholdings

Notes:-

[a] *Indirect interests through Shareena Binti Mohd Sheriff and Mohd Ridzal Bin Mohd Sheriff.*

[b] *Deemed/indirect interests through Scientex Holdings Sdn Berhad, Scientex Leasing Sdn Bhd, Scientex Infinity Sdn Bhd (formerly known as Lim Teck Meng Sdn Bhd), TM Lim Sdn Bhd, Sim Swee Tin Sdn Bhd, Malacca Securities Sdn Bhd, Progress Innovations Sdn Bhd, Mplusonline Sdn Bhd and Lee Chung Yau.*

[c] *Deemed/indirect interests through Scientex Holdings Sdn Berhad, Scientex Leasing Sdn Bhd, Scientex Infinity Sdn Bhd (formerly known as Lim Teck Meng Sdn Bhd), TM Lim Sdn Bhd, Sim Swee Tin Sdn Bhd, Malacca Securities Sdn Bhd, Mplusonline Sdn Bhd, Paradox Corporation Sdn Bhd, Yong Sook Lan, Lim Jian You, Lim Chia Wei and Lim Jian Yen.*

[d] *Held through nominee company.*

LIST OF THIRTY (30) LARGEST SHAREHOLDERS

(Without Aggregating Securities from Different Securities Accounts Belonging to the Same Person)

No.	Name	No. Of Shares Held	%
1	Scientex Holdings Sdn Berhad	100,695,924	20.82
2	Scientex Leasing Sdn Bhd	46,562,304	9.63
3	Scientex Infinity Sdn Bhd	37,733,356	7.80
4	TM Lim Sdn Bhd	24,384,190	5.04
5	Sim Swee Tin Sdn Bhd	24,000,000	4.96
6	Progress Innovations Sdn Bhd	16,000,000	3.31
7	Ang Teow Cheng & Sons Sdn Bhd	8,600,000	1.78
8	UOBM Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Malacca Securities Sdn Bhd*	8,400,000	1.74
9	Citigroup Nominees (Asing) Sdn Bhd *- Exempt An for Citibank New York (Norges Bank 1)*	6,612,700	1.37
10	HSBC Nominees (Asing) Sdn Bhd *- HSBC BK PLC for Asia Ex Japan Equity Smaller Companies (LXG HGIF)*	5,508,700	1.14
11	Ang Seng Chin	5,000,000	1.03
12	HSBC Nominees (Asing) Sdn Bhd *- KBL Euro PB for Halley Sicav – Halley Asian Prosperity*	4,750,000	0.98
13	ABB Nominee (Tempatan) Sdn Bhd *- Pledged Securities Account for Malacca Securities Sdn Bhd*	4,000,000	0.83
14	Cartaban Nominees (Asing) Sdn Bhd *- BBH and Co Boston for Fidelity Puritan Trust: Fidelity Series Intrinsic Opportunities Fund*	4,000,000	0.83
15	Malaysia Nominees (Tempatan) Sendirian Berhad *- Pledged Securities Account for Malacca Securities Sdn Bhd (35-00334-000)*	4,000,000	0.83
16	Saw Soon Lin	3,925,988	0.81
17	Wong Mook Weng @ Wong Tsap Loy	2,763,176	0.57
18	Yatee & Sons Sdn Bhd	2,450,166	0.51
19	Lim Peng Jin	2,356,940	0.49
20	HSBC Nominees (Tempatan) Sdn Bhd *- HSBC (M) Trustee Bhd for Pertubuhan Keselamatan Sosial (AFF HWG6939-403)*	2,259,500	0.47
21	Cartaban Nominees (Tempatan) Sdn Bhd *- PAMB for Prulink Equity Fund*	2,157,600	0.45
22	Cartaban Nominees (Asing) Sdn Bhd *- BBH (LUX) SCA for Fidelity Funds Asean*	1,958,500	0.41
23	Citigroup Nominees (Asing) Sdn Bhd *- CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc*	1,853,828	0.38
24	Loh Hoay Chye & Sons Sdn Bhd	1,769,400	0.37
25	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad *- Deutsche Trustees Malaysia Berhad for Eastspring Investmentssmall-cap fund*	1,698,200	0.35
26	HSBC Nominees (Tempatan) Sdn Bhd *- HSBC (M) Trustee Bhd for Affin Hwang Aiiman Growth Fund (4207)*	1,687,000	0.35
27	Cartaban Nominees (Tempatan) Sdn Bhd *- RHB Trustees Berhad for Manulife Investment Shariah Progressfund*	1,676,100	0.35
28	Tokio Marine Life Insurance Malaysia Bhd *- As Beneficial Owner (PF)*	1,639,100	0.34
29	HSBC Nominees (Tempatan) Sdn Bhd *- BSI SA for Yong Sook Lan*	1,600,000	0.33
30	Citigroup Nominees (Tempatan) Sdn Bhd *- Employees Provident Fund Board (Nomura)*	1,539,500	0.32
	Total	**331,582,172**	**68.57**

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Forty-Ninth Annual General Meeting of the Company will be held at **Scientex Packaging Film Sdn Bhd, Lot 4, Jalan Sungai Pinang 4/3, Seksyen 4, Taman Perindustrian Pulau Indah, 42920 Pelabuhan Klang, Selangor Darul Ehsan** on **Wednesday, 6 December 2017** at **11.30 a.m.** for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 July 2017 together with the Reports of the Directors and Auditors thereon.

2. To declare a single tier final dividend of 10 sen per ordinary share in respect of the financial year ended 31 July 2017. ***(Resolution 1)***

3. To re-elect the following Directors who retire by rotation in accordance with Article 92 of the Company's Articles of Association and being eligible, have offered themselves for re-election:-

   (a) Mr Lim Peng Jin ***(Resolution 2)***

   (b) Mr Ang Kim Swee ***(Resolution 3)***

4. To re-elect Mr Wong Chin Mun who retires in accordance with Article 97 of the Company's Articles of Association and being eligible, has offered himself for re-election. ***(Resolution 4)***

5. To re-appoint YBhg. Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim as Director of the Company. ***(Resolution 5)***

6. To approve the payment of Directors' fees of RM347,500 for the financial year ended 31 July 2017. ***(Resolution 6)***

7. To re-appoint Deloitte PLT as the Auditors of the Company and to authorise the Directors to fix their remuneration. ***(Resolution 7)***

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Resolutions:-

8. **Ordinary Resolution I**
   Authority to Directors to Allot and Issue Shares Pursuant to the Companies Act 2016

   "THAT subject to the Companies Act 2016, the Articles of Association of the Company and the approvals and/or requirements of the relevant governmental and/or regulatory authorities, where necessary, the Directors be and are hereby authorised pursuant to Sections 75 and 76 of the Companies Act 2016 to allot and issue shares in the Company from time to time at such price, upon such terms and conditions and for such purposes and to such person or persons whomsoever as the Directors may, in their absolute discretion, deem fit provided the aggregate number of shares to be allotted and issued does not exceed ten percent (10%) of the total number of issued shares of the Company for the time being AND THAT the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company." ***(Resolution 8)***

9. **Ordinary Resolution II**
   Proposed Renewal of Share Buy-Back Authority

   "THAT subject to the rules, regulations, orders and guidelines made pursuant to the Companies Act 2016 ("Act"), provisions of the Memorandum and Articles of Association of the Company and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authorities, the Company be and is hereby authorised to purchase on the market and/or hold such number of the Company's issued ordinary shares ("Scientex Shares") through Bursa Securities ("Proposed Share Buy-Back") as may be determined by the Directors of the Company ("Directors") from time to time upon such terms and conditions as the Directors may deem fit, necessary and expedient in the interest of the Company subject to the following:-

   (a) The maximum number of Scientex Shares which may be purchased and/or held by the Company at any point of time pursuant to the Proposed Share Buy-Back shall not exceed ten percent (10%) of the total number of issued shares of the Company for the time being quoted on Bursa Securities;

   (b) The maximum fund to be allocated by the Company for the Proposed Share Buy-Back shall not exceed the retained earnings of the Company based on its latest audited financial statements. As at 31 July 2017, the audited retained earnings of the Company was RM82,005,000; and

   (c) The authority conferred by this resolution will be effective immediately upon the passing of this Ordinary Resolution and will expire at the conclusion of the next Annual General Meeting of the Company, unless renewed or earlier revoked or varied by ordinary resolution of the shareholders of the Company in a general meeting or the expiration of the period within which the next Annual General Meeting after the date is required by law to be held, whichever occurs first, but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the Main Market Listing Requirements of Bursa Securities or any other relevant authorities.

THAT the Directors be and are hereby authorised to deal with the shares purchased by the Company pursuant to the Proposed Share Buy-Back in their absolute discretion and that the shares so purchased may be retained as treasury shares, distributed as share dividends to the shareholders, resold on the market of Bursa Securities, transferred and/or cancelled in accordance with the Act and/or be dealt with in such other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act, the Main Market Listing Requirements of Bursa Securities and any other relevant authorities for the time being in force, as may be selected and determined by the Directors from time to time.

AND THAT the Directors be and are hereby authorised to take all steps as are necessary or expedient to implement or to give effect the Proposed Share Buy-Back with full powers to amend and/or assent to any conditions, modifications, variations or amendments (if any) as may be imposed by the relevant governmental/regulatory authorities from time to time and to do all such acts and things as they may deem necessary or expedient in order to implement, finalise and give full effect in relation thereto." ***(Resolution 9)***

10. **Ordinary Resolution III**
Retention of Independent Non-Executive Directors

(a) "THAT subject to the passing of Resolution 5, YBhg. Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, be retained to continue to serve as an Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance 2012." ***(Resolution 10)***

(b) "THAT Mr Cham Chean Fong @ Sian Chean Fong, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, be retained to continue to serve as an Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance 2012." ***(Resolution 11)***

By Order Of The Board

NG BOON NGEE
MAICSA 7053979
Secretary

Shah Alam
9 November 2017

Notes:-

1. ***Appointment of Proxies and Entitlement of Attendance***

(i) A member entitled to attend, participate, speak and vote at the meeting is entitled to appoint at least one (1) proxy to attend, participate, speak and vote in his stead and where a member appoints two (2) or more proxies, he shall specifies the proportion of his shareholdings to be represented by each proxy. A proxy need not be a member of the Company. There is no restriction as to the qualification of the proxy.

(ii) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. The appointment of two (2) or more proxies in respect of any particular securities account or omnibus account shall be invalid unless the authorised nominee or exempt authorised nominee specifies the proportion of its shareholding to be represented by each proxy.

(iii) The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if such appointor is a corporation, under its common seal or the hand of its attorney or officer.

(iv) The form of proxy must be deposited at the registered office of the Company at No. 9, Persiaran Selangor, Seksyen 15, 40200 Shah Alam, Selangor Darul Ehsan, not less than forty-eight (48) hours before the time appointed for the holding of the meeting or any adjournment thereof.

(v) In respect of deposited securities, only members whose names appear in the Record of Depositors as at 29 November 2017 shall be regarded as a member and entitled to attend, participate, speak and vote at the meeting or appoint proxy to attend, participate, speak and/or vote on his/her behalf.

2. ***Audited Financial Statements***

Agenda 1 is for discussion at the meeting and no voting is required.

3. ***Single Tier Final Dividend***

Pursuant to Paragraph 8.26 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the single tier final dividend under Resolution 1, if approved, shall be paid not later than three (3) months from the date of the shareholders' approval. The single tier final dividend entitlement and payment date shall be determined and announced by the Board in due course, in view of the Proposed Dividend Reinvestment Plan as set out in the Circular to Shareholders dated 9 November 2017, which is dispatched together with the Company's Annual Report 2017.

4. ***Re-election of Directors***

Save for Mr Wong Chin Mun who appointed on 6 October 2017, the Directors who subject to re-election have been assessed by the Board through Nomination and Remuneration Committee.

5. ***Re-appointment of Director***

YBhg. Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim who is above the age of seventy (70) years, was re-appointed as Director of the Company at the Forty-Eighth Annual General Meeting held on 15 December 2016 pursuant to Section 129(6) of the Companies Act 1965 (now repealed by the Companies Act 2016), to hold office until the conclusion of forthcoming Forty-Ninth Annual General Meeting. YBhg. Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim has offered himself for re-appointment at the Forty-Ninth Annual General Meeting. Resolution 5, if passed, will enable YBhg. Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim to continue acting as Director of the Company immediately following the conclusion of the Forty-Ninth Annual General Meeting and he shall subsequently, be subject to retirement by rotation at least once every three (3) years.

6. ***Directors' Fees***

The basis of fees payable to Directors remains unchanged for the financial year 2017. Further information of the Directors' Fees/ Remuneration is set out in the Statement on Corporate Governance on pages 50 and 51 of the Company's Annual Report 2017.

7. ***Explanatory Notes on Special Business:-***

(i) ***Authority to Directors to Allot and Issue Shares Pursuant to the Companies Act 2016***

Resolution 8, if passed, will empower the Directors to allot and issue shares up to a maximum of ten percent (10%) of the total number of issued shares of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company, without having to convene a general meeting. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

As at the date of this Notice, a total of 20,000,000 new ordinary shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 15 December 2016, which will lapse at the conclusion of the Forty-Ninth Annual General Meeting. The details of the proceeds raised from the issue of 20,000,000 ordinary shares pursuant to a private placement exercise and the utilisation of proceeds thereof are set out in Note 25(c) to the Audited Financial Statements of the Company for the financial year ended 31 July 2017.

This is a renewal of general mandate, if approved, will provide flexibility to the Company to avoid any delay and cost in convening a general meeting for such issuance of shares for any possible fund raising exercise(s), including but not limited to placing of shares for the purpose of funding future expansion(s), investment project(s), working capital and/or acquisition(s) and/or for general corporate purposes and/or any strategic reasons.

(ii) ***Proposed Renewal of Share Buy-Back Authority***

Resolution 9, if passed, will empower the Company to purchase and/or hold the Company's shares up to ten percent (10%) of the total number of issued shares of the Company by utilising the funds allocated which shall not exceed the total retained earnings of the Company. This authority, unless renewed, revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company. Further information on the Proposed Renewal of Share Buy-Back Authority is set out in the Share Buy-Back Statement dated 9 November 2017, which is dispatched together with the Company's Annual Report 2017.

(iii) ***Retention of Independent Non-Executive Directors***

Resolutions 10 and 11 are proposed pursuant to the Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012 and if passed, will allow YBhg. Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim and Mr Cham Chean Fong @ Sian Chean Fong to be retained and continue acting as the Independent Non-Executive Directors of the Company. The justifications and recommendations for the retention are set out on page 51 of the Statement on Corporate Governance in the Company's Annual Report 2017.

8. ***Poll Voting***

Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the Resolutions set out in this Notice will be put to vote by poll.

Statement Accompanying Notice Of Annual General Meeting

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements")

1. **Details of individuals who are standing for election as Directors**

   No individual is seeking election as Director at the forthcoming Forty-Ninth Annual General Meeting of the Company.

2. **Statement relating to the general mandate for issue of securities in accordance with Paragraph 6.03(3) of the Listing Requirements**

   The details of the general mandate are set out in the Notice of Annual General Meeting dated 9 November 2017 under item (i) of the Explanatory Notes on Special Business.

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FORM OF PROXY

SCIENTEX
healthy, friendly & happy ...

SCIENTEX BERHAD
(Company No. 7867-P)
(Incorporated in Malaysia)

I/We ______________________ I.C. No./Passport No./Company No. ______________________

Contact/Mobile Phone No. ______________________ CDS Account No. ______________________

Number of Shares Held ______________________ of ______________________

____

being a member/members of SCIENTEX BERHAD hereby appoint:-

i) Name of Proxy "A": ______________________ I.C. No./Passport No./Company No. ______________________

Address: ____

______________________ Number of Shares Represented: ______________________

and/or failing him/her,

ii) Name of Proxy "B": ______________________ I.C. No./Passport No./Company No. ______________________

Address: ____

______________________ Number of Shares Represented: ______________________

or failing him/her, the Chairman of the Meeting as my/our proxy, to attend and vote for me/us and on my/our behalf at the Forty-Ninth Annual General Meeting of the Company to be held at **Scientex Packaging Film Sdn Bhd, Lot 4, Jalan Sungai Pinang 4/3, Seksyen 4, Taman Perindustrian Pulau Indah, 42920 Pelabuhan Klang, Selangor Darul Ehsan** on **Wednesday, 6 December 2017** at **11.30 a.m.** or at any adjournment thereof, in the manner indicated below:-

NO.	RESOLUTIONS	PROXY A		PROXY B	
		FOR	AGAINST	FOR	AGAINST
1.	To approve the declaration of a single tier final dividend of 10 sen per ordinary share.				
2.	To re-elect Mr Lim Peng Jin as Director of the Company.				
3.	To re-elect Mr Ang Kim Swee as Director of the Company.				
4.	To re-elect Mr Wong Chin Mun as Director of the Company.				
5.	To re-appoint YBhg. Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim as Director of the Company.				
6.	To approve the payment of Directors' fees of RM347,500.				
7.	To re-appoint Deloitte PLT as the Auditors of the Company and to authorise the Directors to fix their remuneration.				
8.	To authorise the Directors to allot and issue shares pursuant to the Companies Act 2016.				
9.	To approve the Proposed Renewal of Share Buy-Back Authority.				
10.	To retain YBhg. Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim to continue to serve as Independent Non-Executive Director of the Company.				
11.	To retain Mr Cham Chean Fong @ Sian Chean Fong to continue to serve as Independent Non-Executive Director of the Company.				

Please indicate with (✓) how you wish your vote to be cast. In the absence of specific instruction, your proxy/proxies will vote or abstain from voting at his/her discretion.

Dated this ____________ day of ____________________ 2017.

____
Signature of Member(s)

Notes:-

1. *A member entitled to attend, participate, speak and vote at the meeting is entitled to appoint at least one (1) proxy to attend, participate, speak and vote in his stead and where a member appoints two (2) or more proxies, he shall specifies the proportion of his shareholdings to be represented by each proxy. A proxy need not be a member of the Company. There is no restriction as to the qualification of the proxy.*
2. *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. The appointment of two (2) or more proxies in respect of any particular securities account or omnibus account shall be invalid unless the authorised nominee or exempt authorised nominee specifies the proportion of its shareholding to be represented by each proxy.*
3. *The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if such appointor is a corporation, under its common seal or the hand of its attorney or officer.*
4. *The form of proxy must be deposited at the registered office of the Company at No. 9, Persiaran Selangor, Seksyen 15, 40200 Shah Alam, Selangor Darul Ehsan, not less than forty-eight (48) hours before the time appointed for the holding of the meeting or any adjournment thereof.*
5. *In respect of deposited securities, only members whose names appear in the Record of Depositors as at 29 November 2017 shall be regarded as a member and entitled to attend, participate, speak and vote at the meeting or appoint proxy to attend, participate, speak and/or vote on his/her behalf.*
6. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions will be put to vote by poll.*

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Affix
Stamp
Here

COMPANY SECRETARY

SCIENTEX BERHAD (7867-P)

No. 9, Persiaran Selangor

Seksyen 15, 40200 Shah Alam

Selangor Darul Ehsan, Malaysia

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SCIENTEX BERHAD
(7867-P)

No. 9, Persiaran Selangor, Seksyen 15, 40200 Shah Alam, Selangor Darul Ehsan, Malaysia.
Tel: +603-5524 8888/+603-5519 1325 (Hunting Line) Fax: +603-5519 1884
Website: www.scientex.com.my

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