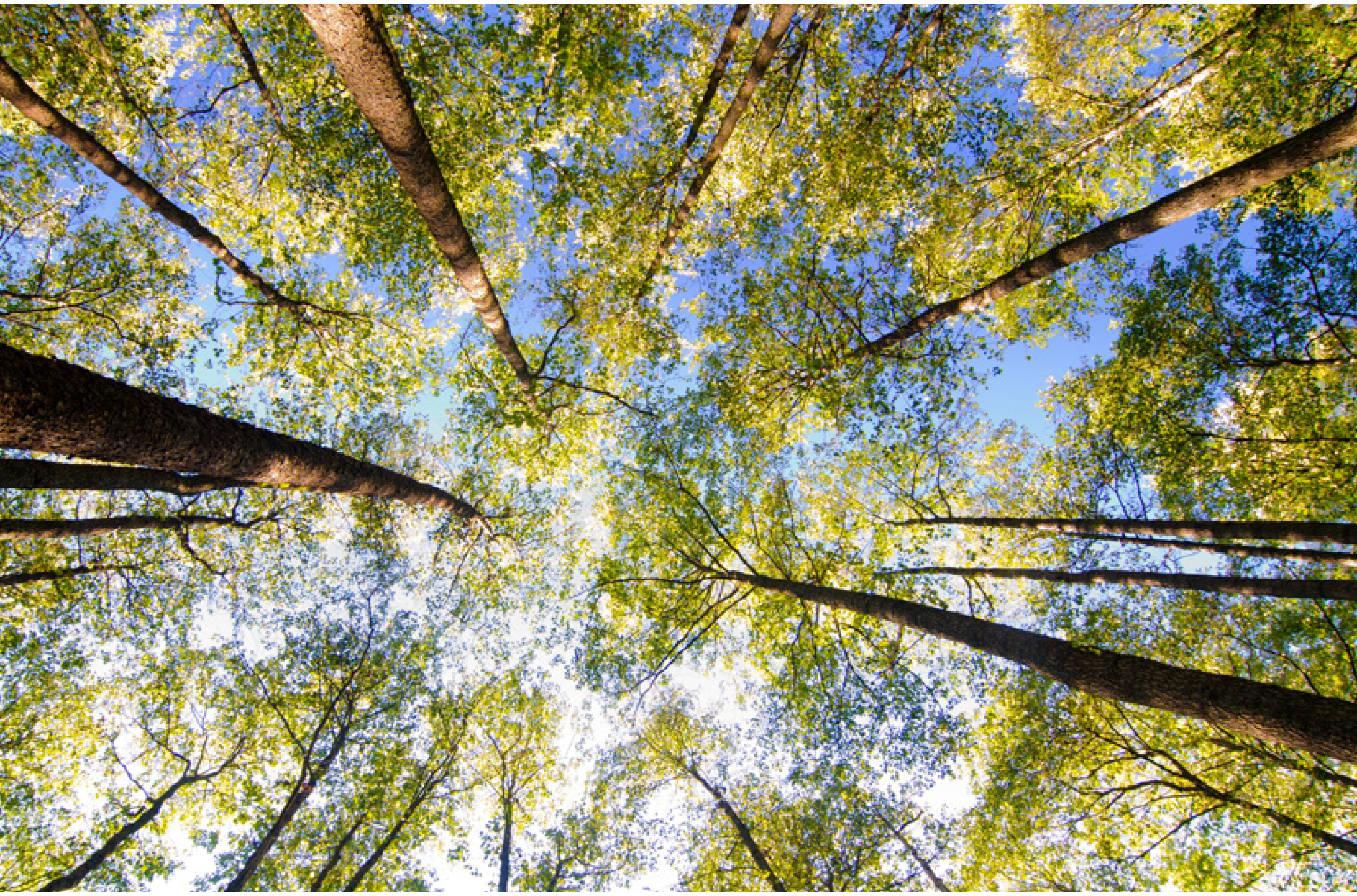
(42138-X)

POLY GLASS FIBRE (M) BHD.

www.polyglass.my



ANNUAL REPORT *2018*

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Fong Wern Sheng
Executive Chairman

Tan Ming Chong
Chief Operating Officer

Fong Wah Kai
Executive Director

Sia Taik Hian
Senior Independent Non-Executive Director

Omar Bin Mohamed Said
Independent Non-Executive Director

Khoo Kah Hock
Independent Non-Executive Director

COMPANY SECRETARY

Ch'ng Lay Hoon
(MAICSA 0818580)

REGISTERED OFFICE

Suite 12-A, Level 12
Menara Northam
No. 55, Jalan Sultan Ahmad Shah
10050 Georgetown Penang
Tel: 604-228 0511
Fax: 604-228 0518

BUSINESS ADDRESS

No. 2449, Lorong Perusahaan Sepuluh
Kawasan Perusahaan Perai
13600 Perai, Penang
Tel: 604-390 8460
Fax: 604-399 6197
Website: www.polyglass.my

REGISTRARS

Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House
Pusat Dagangan Dana 1, Jalan PJU 1A/46
47301 Petaling Jaya, Selangor
Tel: 603-7849 0777
Fax: 603-7841 8151

AUDITORS

KPMG PLT, Penang

BANKERS

Affin Bank Berhad
AmBank (M) Berhad
Hong Leong Bank Berhad
Malaysian Industrial Development Finance Berhad
Maybank Berhad
Public Bank Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

CORPORATE STRUCTURE

(42138-X)

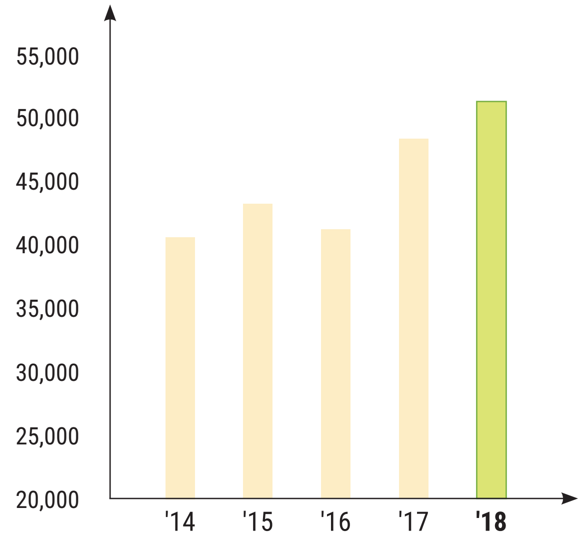
POLY GLASS FIBRE (M) BHD.

- 100% — Clover Sdn. Bhd. (179152-D)
- 100% — PGF Insulation Sdn. Bhd. (228905-M)
- 100% — Concrete Energy Sdn. Bhd. (813919-M)
- 100% — Golden Approach Sdn. Bhd. (267743-W)
- 100% — SK Insulation Solutions Sdn. Bhd. (208649-A)
- 20% — Ecowool Insulation Pty. Ltd. (624 672 475)

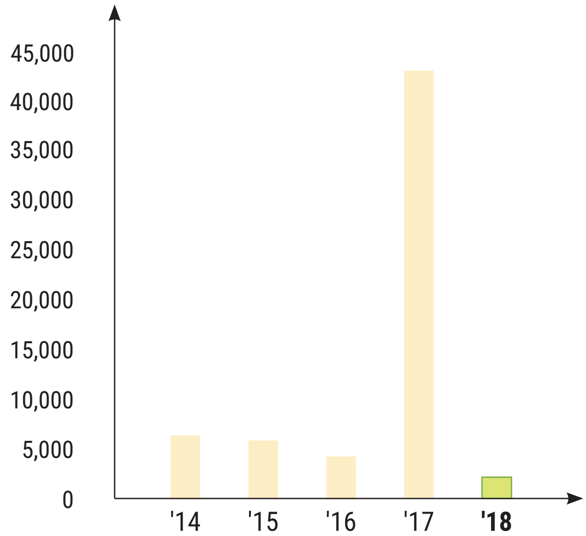
FINANCIAL HIGHLIGHTS

Year Ended 28 February	2014 RM '000	2015 RM '000	2016 RM '000	2017 RM '000	2018 RM '000
Turnover	40,601	43,923	41,807	47,889	54,116
Profit Before Taxation	6,268	6,130	4,962	43,271	2,741
Profit After Taxation	5,914	5,506	4,362	34,364	1,812
Profit Attributable to Shareholders	5,914	5,506	4,362	34,364	1,812
As at 28 February					
Total Assets	177,112	178,048	182,089	231,492	230,606
Shareholders' Funds	115,110	120,616	124,978	159,342	161,154
Net Earnings Per Share (Sen)	3.70	3.44	2.73	21.48	1.13
Net Assets Per Share (RM)	0.72	0.75	0.78	1.00	1.01

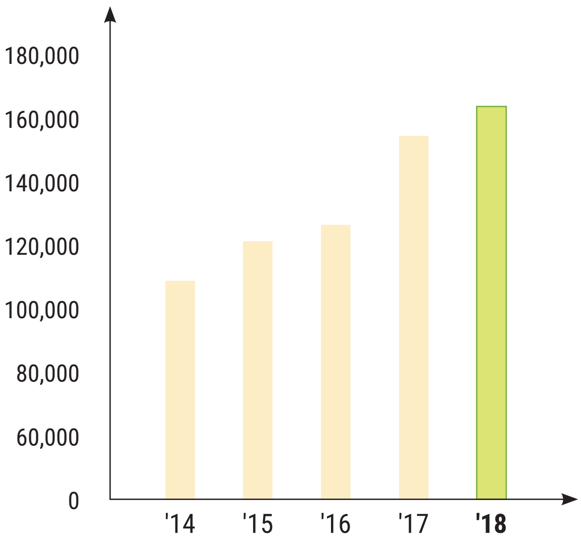
Turnover (RM'000)



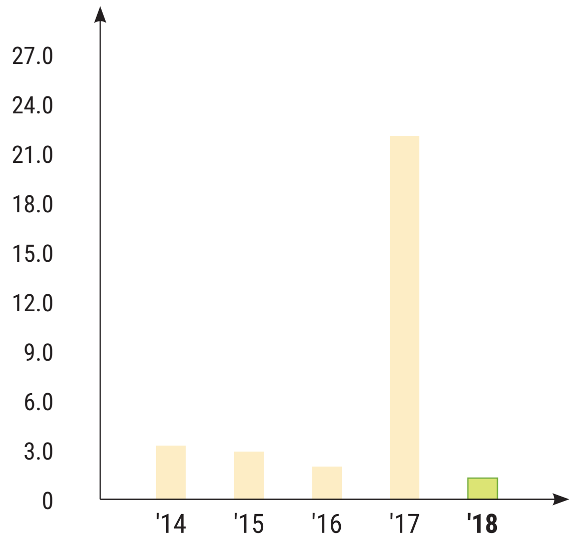
Profit Before Taxation (RM'000)



Shareholders' Funds (RM'000)



Net Earnings Per Share (Sen)



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group's core business remains in manufacturing and selling of glass mineral wool ("GW") which contributed 99.82% of our Group revenue in FY2018. GW is mainly used as an insulator on buildings to save energy and provide indoor comfort through thermal and acoustic insulation. The diagram below describes the key, but not all of the applications of GW.

Our product is promoted in the market under the brand name of Ecowool, with the main product models: Classic and Brownie.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONT'D)

BUSINESS OVERVIEW (cont'd)

Classic
Glass Mineral Wool

Ecowool Classic products are the conventional GW produced using phenolic-formaldehyde binder. Ecowool Classic covers the full range of products that the plant can produce.

Brownie
formaldehyde free

Ecowool Brownie was launched in 2013 in response to increasing demand for products that can meet more stringent environmental requirements. It is produced using a different type of binder technology, that is with low volatile organic compound and formaldehyde-free. Ecowool Brownie currently covers limited range of products and is mainly sold in Malaysia, Australia and New Zealand.

Around 38% of our revenue is generated from Malaysian market, while 62% is from export market. A breakdown of the sales revenue by region is as follows:

Regions	Revenue (RM'000)	Percentage
Malaysia	20,796	38
Asia (excluding Malaysia)	10,263	19
Oceania	22,449	42
Others	608	1

Majority of GW sales go to building application. Building insulation is a necessity for developed countries like Australia and New Zealand, where building passive energy efficiency designs are embedded in the local building codes. GW is a common building material in those countries. This trend is beginning to emerge in developing countries like Malaysia and Vietnam.

Other than insulating building envelope, GW is also commonly used in heating and air-conditioning ducts to save energy and condensation control. A small portion of GW sales go to industrial application, where GW is installed in silencers of power generators, fire doors, acoustic partitions and highway/railway sound barriers.

The GW operation is located in Perai, Penang with manufacturing and warehousing facility operating on approximately 38,614 square meters of land. We have a total workforce of approximately 260 employees in the Group with a workforce ratio of 53% local and 47% foreign.

Through Golden Approach Sdn Bhd ("GASB"), the Group is also involved in property development. The subsidiary owns a leasehold land of around 5.3 million square meters located in Tanjung Malim, Perak. However, the development has been suspended and delayed for a prolonged period of time.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONT'D)

BUSINESS STRATEGY AND OBJECTIVES

The Group continues to maximize utilization rate of the 20,000 metric tonnes per annum plant capacity to minimize production cost. However, production volume decreased by 3.41% comparing FY 17 to FY18 due to unplanned downtime of production line. Sales volume, however, increased by 15.65% in the same time period mainly due to increase of sales to Oceania countries.

GW sales slow down during festive season of the countries that the Group sells to, namely Lunar New Year, Eid Murabak/ Hari Raya Aidilfitri, Christmas and Easter Holiday. This means that sales is slow from Nov – Feb of the following year. During this period of the year, the Group will need to continue to run its production lines to maintain economies of scale and absorb overhead cost.

The excess finished goods is stored in a warehouse that is located adjacent to the plant. Our current warehousing capacity stands at approximately 3,000 metric tonnes. The warehouse is also equipped with loading bays to improve container loading turnaround time.

Figure 1: New warehouse and loading bay

Better economies of scale can be further achieved through increasing production volume and efficiency. Therefore the longer term strategy is for the Group to invest in marketing, production improvement and automation that enables the Group to manufacture and sell more of GW to markets that fetch better selling price. Due to the strategic location of our plant, the Group is well placed to supply our products to the Oceania region where our current market share is less than 5%.

On 27th February 2018, Ecowool Insulation Pty Ltd was set up in Australia together with local partners. Poly Glass Fibre (M) Bhd holds 20% of the joint-venture company. The company was set up as a marketing arm to sell and distribute GW products in the whole of Australia other than Western Australia region, where an existing distributor already holds the distributorship of our brands.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONT'D)

FINANCIAL RESULTS

For the current financial year to-date 28 February 2018, the Group achieved a revenue of RM54.12 million which was 13.00% or RM6.23 million higher than preceding financial year to date 28 February 2017. The increase in revenue was mainly contributed by greater demand of the GW by its fibre glasswool segment.

Despite increase in revenue, gross profit margin dropped from 23.70% in FYE 2017 to 19.99% in FYE 2018. This was mainly due to :

(a) Higher raw material cost due to increase in unit price of the main materials in tandem with the global pricing fluctuation.

(b) Higher energy cost, in which gas price continued to increase by 23.79% in this year.

Other operation income increased to RM1.61 million mainly due to gain from unrealized foreign exchange of RM1.34 million on United State Dollar term loans.

The Group has registered a profit before tax ("PBT") of RM2.74 million for the current financial year as compared to the preceding year's PBT of RM43.27 million. The high PBT in the preceeding financial year was mainly due to the reversal of impairment loss on development properties previously made by its wholly owned subsidiary, Golden Approach Sdn. Bhd. of RM40.94 million.

OPERATIONAL REVIEW

Sales revenue for GW segment improved by 13% when comparing FY18 to FY17. The increase is mainly due to export to Oceania markets amid an appreciating Ringgit Malaysia. Export sales to Oceania markets expanded by 42% from RM15.8 million to RM22.45 million. On the back of an over-supplied property market, sales in Malaysia softens by 2.21% from RM21.27 million to RM20.80 million.

Increase of raw material and energy costs impacted the Company's bottom line. On top of cost optimization, several measures were also implemented to mitigate the effects:

- Review of selling prices – Prices were adjusted to reflect a higher production cost.
- Increase in sale of value-adding products – Sales and marketing team promotes the sale of value-adding products that could provide better profit margin.
- Improve predictability and volume commitment to suppliers – Where possible, provide better visibility and volume commitment to vendors so that better pricing can be obtained.

OUTLOOK

Internally, the Company will continue to focus on stabilizing operation of new equipment in order to achieve consistent output and quality to lower down production cost.

The Group will need to expand its export market in line with the improvement of production output. In order to achieve that, we will intensify our efforts to work with strategic partners in targeted countries to promote our brands.

Due to the strategic location of our plant, the Group is well placed to supply our products to the Oceania region where our current market share is less than 5%. However, the current plant setup is not efficient to package the smaller sized products that the Oceania markets require. Hence, the Company has approved a budget of RM 4.5 million subsequent to the previous financial year end as capital expenditure to upgrade our facility. The project is at the stage of testing and commissioning in May 2018 before this Annual Report is published.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONT'D)

OUTLOOK (cont'd)

On the local front, demand for insulation is expected to increase consistently, albeit slowly, in tandem with the housing demand and increasing awareness of the importance of insulation in energy efficiency. Malaysian housing demand is expected to remain stagnant due to tightening of bank borrowings. Having said that, the management is encouraged by more local governments embracing and adopting the new energy efficiency code "*MS 1525:2014. Energy efficiency and use of renewable energy for non-residential buildings - Code of practice*". The management will work continuously to tap into this positive but long term trend to translate it into better sales.

Crackdown on pollution emitting plants in China is expected to have a positive impact on GW's market price. In winter of 2017, the Chinese government has ordered highly polluting coal-fired plants like steel mills, aluminium-makers and GW manufacturers to cut production capacity. A number of GW and stonewool manufacturers in China were affected. Because of that, we saw a short term surge of demand from countries that bought from Chinese manufacturers, such as Vietnam, Indonesia and Bangladesh.

The Company views this development positively. Coal is a cheaper, though more polluting, fuel as compared to electricity or natural gas. Majority of China based manufacturers gained cost advantage over its peers overseas due to the use of coal. If the Chinese government continues to implement the environmental control, it will put the Chinese GW manufacturers on a more level playing field with other manufacturers like PGF that use either natural gas or electricity to power their furnaces.

The management views the latest development by the Government to sell stake of Proton to Geely positively. Revival of Proton's Tanjung Malim plant is key to unlock the value of the company. This will create a positive spillover effect to its surrounding area including GASB's land that is adjacent to Proton's assembly plant.

SUSTAINABILITY STATEMENT

The Group is aware of the importance of the sustainability of its actions on social, environment and people. Through sustainable manufacturing practices, the Group strives to develop and bring to market products and solutions in supporting the construction sector to deliver a low energy and sustainable built environment.

Economic and Social Sustainability

The product that the Group manufactures provides thermal and acoustic insulation benefits. In Malaysia, over 30% of energy is consumed by buildings to cool down human occupied spaces. Ecowool, or generally known as glasswool/ fibre glass, can retard heat flow when installed on building envelopes and thereby reducing the need to use energy.

Another common application of Ecowool is air-conditioning ducts commonly seen in commercial buildings, such as shopping malls, offices and hospitals. In hot tropical countries like Malaysia, cool air is generated to cool down spaces for thermal comfort. Air-conditioning ductwork are used as a medium to transfer cool air from chiller or compressors to intended destination. Along the ductwork, heat gain happens and if not properly insulated, more energy is required for cooling. Effective thermal insulation of the ductwork reduces this heat gain and helps minimize energy usage.

On the national level, the Group is committed to support the nation's energy efficiency agenda and the carbon emission target commitment made in the Copenhagen Summit 2009. This is supported through educating policy makers and general public on the need for better passive insulation of Malaysian buildings. The Group, either individually or through the Malaysian Insulation Manufacturers Group under the Federation of Malaysian Manufacturers (FMM), contributes actively towards this end. An annual budget of RM100,000 is allocated every year to this end. The Group has also provided free insulation to schools and charitable organizations to improve occupants comfort and raise awareness of energy efficiency.

Environmental Sustainability

The manufacturing plant has continued to take initiatives to reduce carbon footprints in all areas of its operations, e.g. reducing waste through improving plant efficiency, adopting energy efficient equipment to lower energy consumption and increase the use of recycled materials in its manufacturing process.

Since 2017, the Group has started collection of industrial glass waste from sheet glass fabricators and solar panel companies surrounding the plant to use as raw material. These glass waste would otherwise been sent to landfill. Use of recycled glass instead of silica sand also translates to lower use of energy to melt same quantity of glass. In FY2018, 9,888 MT of recycled glass were used in the glass fibre manufacturing plant.

Figure 2 and 3 : Scrapped glass crushing operation

Within the working environment, in the face of growing demand for energy and depleting natural resources, employees are encouraged to reduce the use of paper, recycle any recyclable items and reduce wastages.

SUSTAINABILITY STATEMENT
(CONT'D)

Product Sustainability

Fibre glass is made of primarily silica, an inorganic substance that can only melt but does not combust/burn. The product can pass BS 476: Part 4 (Non-combustibility test for materials), a widely used fire testing standard for building material. No fire-retardant chemical is added to the product. This is crucial in the face of increasing use of insulation materials that do not pass fire safety standards that led to unfortunate fire incidents like the Employee Provident Fund building fire in Petaling Jaya, Toh Guan Building in Singapore and Grenfell Tower in London.

On top of that, fiber glass can last as long as the life of a property when installed according to recommended method and maintained well. That is why the Group is offering a product warranty of 70 years. Please visit www.ecowool.com.my for more information.

The Group sells its products in several countries in the Asia-Pacific region. The Group is committed to ensuring the compliance to local product standards and building codes of the countries that we sell to. The Group obtained and continued to renew local product certifications of Malaysia (MS1020), Australia (AS/NZS 4859.1), New Zealand (AS/NZS 4859.1), where fibre glass product standards exist. Where fibre glass product standard does not exist locally, the Group strives to obtain industry recognized standards or test reports (mainly in British and American Standards) to demonstrate the product quality and performance.

In 2013, the Group stepped up its effort in providing sustainable product by launching its formaldehyde free range of product under the model of Brownie. With that product offering, the Group stands tall together with the other leading fibre glass manufacturing plants around the world in embracing the growing demand for sustainable insulation solution. For more information on Brownie, please visit http://www.ecowool.com.my/brownie.aspx.

PROFILE OF THE BOARD OF DIRECTORS

FONG WERN SHENG
37
male
a Malaysian

Appointed on the Board as an Executive Director of the Company on 7 October 2003 and holding a second position as Executive Chairman since 3 June 2008. On 18 January 2012, he was re-designated and hold the position as the Executive Chairman & Chief Executive Officer of the Company. His position was re-designated on 26 October 2017 and he is currently the Executive Chairman of the Company.

He holds a Hon. Bachelor of Management & Information Technology degree from University of Manchester Institute of Science & Technology. He began his career in the Company as a Risk Management Manager in 2003.

He has attended all the five (5) Board Meetings held during the financial year ended 28 February 2018.

TAN MING CHONG
38
male
a Malaysian

Appointed on the Board as an Executive Director of the Company on 17 May 2010 and re-designated as the Chief Operating Officer of the Company on 18 January 2012. He holds a Master Degree in Economics from University of Warwick and a Bachelor in Economics from London School of Economics.

Prior to joining the Company, he was a Manager in the business advisory division of Ernst & Young where he was involved in various types of organization improvement projects with clients in different industries.

Mr. Tan has attended all the five (5) Board Meetings held for the financial year ended 28 February 2018.

FONG WAH KAI
71
male
a Malaysian

Appointed on the Board as an Executive Director of the Company on 25 March 1989. He served as an Executive Director in his family business for the past thirty (30) years.

Mr. Fong has attended four (4) out of the five (5) Board Meetings held during the financial year ended 28 February 2018.

PROFILE OF THE BOARD OF DIRECTORS

(CONT'D)

SIA TAIK HIAN

54
male
a Malaysian

Appointed on the Board as an Independent Non-Executive Director and the Chairman of the Audit Committee of the Company on 22 June 2001. He is currently the Senior Independent Non-Executive Director of the Company. He is a Chartered Accountant and has more than 20 years of extensive experiences in all aspects of the accounting profession.

He is a member of the Malaysian Institute of Accountants, a member of the Australia Society of Certified Practising Accountants, a member of the Association of Taxation and Management Accountants, a fellow member of the Taxation Institute of Australia and an associate member of the Australian Computer Society.

In 1994-2000, he was the Finance & Administration Manager of Gemtech Resources Bhd. In 2000 – 2013, he was the Director of Genesis Square Sdn Bhd, a private limited company.

Mr. Sia is also the Chairman of the Audit Committee, and a member of the Remuneration Committee and the Nominating Committee.

Mr. Sia has attended all the five (5) Board Meetings held during the financial year ended 28 February 2018.

OMAR BIN MOHAMED SAID

36
male
a Malaysian

Appointed on the Board as an Independent Non-Executive Director of the Company on 7 October 2003. He holds a Hon. Bachelor of Management (Accounting and Finance) degree from University of Manchester Institute of Science & Technology. Upon graduation, he was attached with Ernst & Young from 2003- 2006. Currently he is the Managing Director of a local company specialising in downstream retail oil and gas. He is the Non-Independent Non-Executive Director of Turbo Mech Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad.

Encik Omar is the Chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee.

He has attended four (4) out of the five (5) Board Meetings held during the financial year ended 28 February 2018.

KHOO KAH HOCK

50
male
a Malaysian

Appointed on the Board as an Independent Non-Executive Director of the Company on 12 December 2012. He graduated from City and Guilds of London Institute, United Kingdom in 1994 with a Professional Certificate in Engineering (Electrical/Electronic), major in Electrical Engineering and subsequently from University of Southern Pacific, United States of America in 2006 with a Master Degree in Business Administration.

He has more than 23 years of experience in equipment maintenance, production and engineering skills including all areas of technical training, strong knowledge of analytical skills with knowledge of Six Sigma, Lean Manufacturing, LeanSigma, Supply Chain, SPC, FMEA & OEE and familiarity with Hard Disk Drive, Head sliders, Tape Head, Tape Drives, Lead frame Plating and PCB manufacturing process.

Mr. Khoo is the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nominating Committee.

Mr. Khoo has attended all the five (5) Board Meetings held during the financial year ended 28 February 2018.

Notes:

1. All the Directors do not have any conflict of interest with the Group.
2. All the Directors have not been convicted for any offences within the past five years other than for traffic offences, if any.
3. All the Directors have no family relationship with any other Directors or major shareholders of the Group with the exception of Mr. Fong Wah Kai, the Executive Director and substantial shareholder of the Company is the father of Mr. Fong Wern Sheng, the Company's Executive Chairman and a substantial shareholder of the Company.
4. The Directors' shareholdings are as disclosed in page 103 of this Annual Report.

PROFILE OF KEY SENIOR MANAGEMENT

FONG WERN SHENG
Executive Chairman
37
male
a Malaysian

The profile of Mr. Fong Wern Sheng is listed in the Profile of Directors on page 12.

TAN MING CHONG
Chief Operating Officer
38
male
a Malaysian

The profile of Mr. Tan Ming Chong is listed in the Profile of Directors on page 12.

KOH JOO LING
Senior Group Finance Manager
54
female
a Malaysian

Ms. Koh Joo Ling is an Associate Member of the Association of International Accountants (United Kingdom) since 1993. Before joining the Group in 1989, she has gained not less than 6 years of experience in finance related field with local rubber and wood manufacturing companies. Currently, Ms. Koh is overseeing the financial planning of the Group.

Notes:
1. Save as disclosed in the Directors' Profile for Mr. Fong Wern Sheng, none of the key senior management has any family relationship with any other Directors and/or substantial shareholders of the Company.
2. None of the key senior management has any conflict of interest with the Company.
3. None of the key senior management has been convicted for any offences against the law other than traffic offences (if any) within the past five (5) years.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors fully appreciates the importance of adopting high standards of corporate governance within the Group. The Board views corporate governance as synonymous with three key concepts, namely transparency, accountability and integrity.

The Board evaluates the status of the Group's corporate governance practices with a view to adopt and apply, where practicable, the Principles of Malaysian Code on Corporate Governance 2017 (the "Code"). As such, the Board is fully committed to the maintenance of high standards of corporate governance in its quest to enhance shareholders' value.

The Board is pleased to provide the following statement, which outlines the main corporate governance practices that were in place throughout the financial year under review unless otherwise stated.

PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

Board Composition and Balance

The Board currently has six (6) members, comprising three (3) Executive Directors and three (3) Independent Non-Executive Directors. This complies with the Listing Requirements of Bursa Malaysia Securities Berhad that one third of its Board consists of Independent Directors.

The Board comprises a mixture of businessmen and professionals. The current composition of the Board brings the required mix of skills and experience required for the Board to function effectively. A brief write-up of the background of the Board members as at the date of this statement is set out in the Directors' profile section of this Annual Report.

The Board recognizes that Mr. Fong Wern Sheng, the Chairman of the Board, also assumes an executive position and is of the view that there are sufficient experienced and independent non-executive Directors on Board to provide assurance that there is adequate check and balance.

Board Roles and Responsibilities

The Board has adopted a Board Charter that sets out the functions that are reserved for the Board.

The Board had delegated the management of the Group to Executive Directors and management team. The Executive Directors are responsible for implementing the policies and decisions of the Board, overseeing day to day operations as well as coordinating the development and implementation of business and corporate strategies.

The Non-Executive Directors ensure that the strategies proposed by the Management are fully deliberated and examined, taking into account the long term interest of the stakeholders including contributing to the formulation of policy and other decision-making process through their expertise and experience.

The Board of Directors regularly review the strategic direction of the Company and the progress of the Group's operations taking into account the changes in business environment and risk factors.

Board Charter and Code of Conduct/ Ethics

The Board has adopted a Board Charter which sets out the role, functions, compositions, operations and processes of the Board. The Charter provides guidance to the Board in relation to the Board's role, duties and responsibilities and authority.

The Board appreciates the need for a Code of Conduct for Directors and employees which governs the standards of ethics and good conduct expected of Directors and employees.

The Board will review the Board Charter regularly to ensure it remains consistent with the Board's objectives and responsibilities.

The Board Charter, Directors' Code of Conduct and Whistle Blowing Policy are posted on our website at www.polyglass.my.

STATEMENT ON CORPORATE GOVERNANCE
(CONT'D)

Supply of Information

The Chairman, with the assistance of the Company Secretary, ensures that all Directors have full and timely access to information with Board papers distributed in advance of meetings. Every Director also has unhindered access to the advice and services of the Company Secretary. The Company Secretary circulates relevant guidelines and updates on statutory and regulatory requirements from time to time for the Directors' reference.

Prior to the meetings of the Board and the Audit Committee, appropriate documents which include the agenda and reports relevant to the issues of the meetings covering the areas of strategic, financial, operational and regulatory compliance matters, are circulated to all the members to obtain further explanation, where necessary, in order to be properly briefed before the meeting. The Company Secretary ensures that all Board and Committee meetings are properly convened and that deliberations, proceedings and resolutions are properly minuted and documented.

The Directors review and approve all quarterly financial results and announcements before releasing them to Bursa Securities.

The Directors collectively determine, whether as a full Board or in their individual capacity, to take independent professional advice, where necessary and under appropriate circumstances, in furtherance of their duties, at the Group's expense.

Corporate Social Responsibility

The Board is aware of the importance of the practice of Corporate Social Responsibility. The Company is committed to support the nation's energy efficiency agenda and the Malaysian Prime Minister's carbon emission target commitment made in the Copenhagen Summit 2009. This could be achieved through educating policy makers and general public on the need for better passive insulation of Malaysian buildings. The Company, either individually or through the Malaysian Insulation Manufacturers Group under the Federation of Malaysian Manufacturers (FMM), contributes actively towards this end. The Group has also provided free insulation to charitable organization to improve occupants comfort and raise awareness of energy efficiency.

The manufacturing arm of the Group has continued to take initiatives to reduce carbon footprints in all areas of its operations, e.g. adopting energy efficient equipment to lower energy consumption and increase the use of recycled materials in its manufacturing process. With the recent upgrades and expansion of production, the Company has started collection of industrial glass waste from sheet glass fabricators and solar panel companies to use as raw material. These glass waste would otherwise been sent to landfill. Within the working environment, in the face of growing demand for energy and depleting natural resources, employees are encouraged to reduce the use of paper, recycle any recyclable items and reduce wastages.

PRINCIPLE 2: STRENGTHEN COMPOSITION

The Group strives to have a balanced Board comprising members with suitable qualifications, skills, expertise and exposures.

Board Committees

The Board has established the following Committees to assist the Board to discharge its fiduciary duties:

(a) Audit Committee

The Audit Committee comprises three (3) Independent Directors. A full report of the Audit Committee with details of its membership and a summary of the work performed during the financial year are set out in the Audit Committee Report of this Annual Report.

(b) Nominating Committee

The Nominating Committee is primarily responsible for identifying and recommending new nominees to the Board. Besides this, the Committee shall also assess the effectiveness of the Board, the committees of the Board and contributions of each director on an ongoing basis and annually review the required mix of skills, experiences and other qualities including core competencies. The recommendations of the Committee will be subject to the approval of the Board.

STATEMENT ON CORPORATE GOVERNANCE
(CONT'D)

PRINCIPLE 2: STRENGTHEN COMPOSITION (cont'd)

Board Committees (cont'd)

(b) Nominating Committee (cont'd)

As the date of this report, the members of the Nominating Committee comprise:

Encik Omar Bin Mohamed Said	Chairman- Independent Non-Executive Director
Members: -	
Mr. Sia Taik Hian	Senior Independent Non-Executive Director
Mr. Khoo Kah Hock	Independent Non-Executive Director

All members of the Nominating Committee are Non-Executive Independent Directors.

For the financial year ended 28 February 2018, the Nominating Committee met once with full attendance of its Members and has carried out the following key activities:

- Reviewed and recommended the re-election of Members of the Board at the AGM for shareholders' approval, pursuant to the Constitution of the Company;
- Reviewed the annual assessment of the required mix of skills and experience of the individual Board members and the Board committees;
- Assessed the annual effectiveness of the Board as a whole, the committees of the Board, the contribution of each individual director, including Independent Non-Executive Directors and Executive Directors; and
- Reviewed the Terms of Reference of the Nominating Committee.

The Board supports non-discrimination on gender, ethnicity and age group of candidates to be appointed as Board members although no formal policy has been formed. The Board encourages a dynamic and diverse composition by nurturing suitable and potential candidates equipped with skills, experience, time commitment and other qualities in meeting the future needs of the Group.

(c) Remuneration Committee

The Remuneration Committee comprises a majority of Independent Non-Executive Directors as follows:

Mr. Khoo Kah Hock	Chairman- Independent Non-Executive Director
Members: -	
Mr. Sia Taik Hian	Senior Independent Non-Executive Director
Encik Omar Bin Mohamed Said	Independent Non-Executive Director

The Remuneration Committee shall be responsible for developing the remuneration policy and determining the remuneration packages for Executive Directors of the Company.

The Company's policy on Directors' remuneration is to attract and retain the Directors of caliber needed to manage the business of the Company and to align the interest of the Directors to those of the shareholders.

The performance of the Executive Directors is measured based on the achievements of their annual Key Performance Indicators (KPIs). These KPIs comprise not only quantitative targets, such as revenue and profit growth, but also qualitative targets which include strategic milestones and initiatives that need to be achieved.

The determination of the remuneration of each Non-Executive Director is decided by the Board as a whole, with individual Directors abstaining from decisions in respect of their individual remuneration.

STATEMENT ON CORPORATE GOVERNANCE
(CONT'D)

PRINCIPLE 2: STRENGTHEN COMPOSITION (cont'd)

Board Committees (cont'd)

(c) Remuneration Committee (cont'd)

The Company pays each Non-Executive Directors an annual fee and benefits, which is approved by the shareholders at the Annual General Meeting. The Board, as a whole, determines the remuneration of the Executive Directors, with the individual Directors concerned abstaining from decision in respect of their individual remuneration. Details of the Directors' remuneration for the financial year are under review as follows:

Directors	Remuneration RM	Fees RM	Other emoluments RM	Benefits-in-kind RM
Fong Wern Sheng	347,758	-	-	20,106
Tan Ming Chong	314,582	-	-	10,613
Fong Wah Kai	246,281	-	-	-
Sia Taik Hian	-	8,400	2,750	-
Omar Bin Mohamed Said	-	8,400	2,200	-
Khoo Kah Hock	-	8,400	2,750	-

The number of Senior Management whose remuneration falls into the following bands comprises:

Range of remuneration RM	No. of Senior Management
200,001 – 250,000	1
300,001 – 350,000	2

PRINCIPLE 3: REINFORCE INDEPENDENCE OF THE BOARD

The Board consists of three Non-Executive Directors, all of them are Independent Directors and they are able to express their independent views without any constraint. The Independent Directors remain objective and independent in decision making, actively participated at meetings of the Board and Board Committees and provided constructive feedback.

Two of the three Independent Directors, Mr. Sia Taik Hian and Encik Omar Bin Mohamed Said had served the Company for a cumulative term of more than 9 years, exceeding the 9 years as per the recommendations of the Code. The Board believes that the length of the service does not in any way interfere with their exercise of independent judgement to act in the interest of the Company.

Re-election of Directors

The Constitution provide that all Directors of the Company are subject to retirement. At least one-third of the Directors for the time being, of if their number is not three (3) or a multiple of three (3), then the number nearest to, but not more than one-third (1/3) of the total shall retire from office at the Annual General Meeting, provided always that all Directors shall retire from office at least once in every three (3) years. A retiring Director shall be eligible for re-election. This provides an opportunity for shareholders to renew their mandates.

The election of each Director is voted on separately. To assist shareholders in their decision, sufficient information such as personal profile, attendance of meetings and the shareholdings in the Group of each Director standing for election are furnished in the Annual Report accompanying the Notice of the Annual General Meeting.

The Company Secretary ensures that all the necessary information is obtained and that all legal and regulatory obligations are met before the appointments are made.

STATEMENT ON CORPORATE GOVERNANCE
(CONT'D)

PRINCIPLE 4: FOSTER COMMITMENT

Each Director does not hold more than five directorships in public listed companies to ensure that they have sufficient time to focus and discharge their duties and responsibilities. The Board is satisfied with the level of the time commitment given by the Non-Executive Directors toward fulfilling their roles and responsibilities as Directors of the Company during the financial year ended 28 February 2018.

Board Meetings

The Board meets at least four times a year at quarterly intervals, with additional meetings convened as necessary. There were five meetings held during the financial year ended 28 February 2018 and details of the attendance of the Directors were as follows:

Director	No. of Meetings Attended
Mr. Fong Wern Sheng	5/5
Mr. Tan Ming Chong	5/5
Mr. Fong Wah Kai	4/5
Mr. Sia Taik Hian	5/5
Encik Omar Bin Mohamed Said	4/5
Mr. Khoo Kah Hock	5/5

Directors' training

Directors are encouraged to attend any form of training to enhance their knowledge and expertise in relations to the industry, laws and regulations, business environment, etc. The Directors continue to attend relevant seminars and programmes to keep their knowledge and expertise updated.

In FY 2018, training programmes attended by Directors of the Company are as follows:-

Training Programmes		Attended by
1.	Design Build 2017, Sydney	Fong Wern Sheng
2.	Glasstech Asia 2017, Singapore	Fong Wern Sheng
3.	Business Clinic for MyHijau Mark Registration	Tan Ming Chong
4.	Sirim QAS International's Updates and Networking Session 2017	Tan Ming Chong
5.	Malaysian Code On Corporate Governance : A New Dimension	Tan Ming Chong
6.	Thriving SMEs Growth through Malaysia Capital Market	Sia Taik Hian
7.	Corporate Governance and Listing Requirements Market Talk	Sia Taik Hian
8.	Preserving the integrity of Financial System: Prevention of Money Laundering & Terrorism Financing	Sia Taik Hian
9.	CPA Updates on Budget 2018	Sia Taik Hian
10.	Malaysia Budget 2018:Tax Planning for 2018	Sia Taik Hian
11.	First Solar Leadership Essentials Program • First Solar executive insights on leadership • Emotional intelligence • Presentation skills for executive • Coaching for Development Program • Fierce Conversation : Foundation, Team and Delegate • Mastering Complexity In Cross-functional Networking • Your Leadership Best • Financial & Business Acumen • Performance Management	Khoo Kah Hock
12.	25 Point Action Plan: Reduce Stock levels, Spares Costs and Stocking Costs	Khoo Kah Hock

In addition to the above, Directors are updated on the recent developments in the areas of statutory and regulatory requirements from briefings by the External Auditors, Company Secretary and the Internal Auditors during the Audit Committee and Board Meetings.

STATEMENT ON CORPORATE GOVERNANCE
(CONT'D)

PRINCIPLE 5: UPHOLD INTEGRITY IN FINANCIAL REPORTING

Financial reporting

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements, quarterly announcement of the results to shareholders and the Management Discussion and Analysis in the Annual Report. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting.

Relationship with External Auditors

The Company has established transparent and appropriate relationship with the external auditors through the Audit Committee of the Company. From time to time, the external auditors will highlight matters that require further attention of the Audit Committee and the Board of Directors.

Audit Committee meets with external auditors at least twice annually or whenever deemed necessary to discuss their audit plans, audit findings and their reviews of the Company's financial results/financial statements.

In addition, the external auditors will be attending the Annual General Meeting of the Company and are available to clarify and answer shareholders' questions on their conduct of the audit.

PRINCIPLE 6: RECOGNISE AND MANAGE RISKS

The Board regards risk management and internal controls as an integral part of the overall management processes. Recognising the importance of having risk management processes and practices, the Board has established a Risk Management Committee ("RMC"), which is chaired by an Independent Non-Executive Director, to oversee the identification, evaluation, control, monitoring and reporting of the critical risks faced by the Group.

Information on internal control and internal audit function of the Group is detailed in the Statement of Risk Management and Internal Control set out on pages 22 to 24.

PRINCIPLE 7: ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

The Company recognizes the importance of transparency and accountability to its shareholders and investors. The Board endeavours to keep its shareholders and investors informed of its progress through Annual Report, Annual General Meeting ("AGM") and Extraordinary General Meeting. It is the Company's practice to send the Notice of AGM and related papers to shareholders at least twenty-one (21) working days before the meeting. At the AGM, the shareholders are encouraged to ask questions both about the resolutions being proposed or about the Group's operations in general.

The Group also maintains a corporate website at www.polyglass.my whereby shareholders as well as members of the public may access for the latest information on the Group. Alternatively, they may obtain the Company's latest announcements via the website of Bursa Malaysia Securities Berhad at www.bursamalaysia.com.

STATEMENT ON CORPORATE GOVERNANCE
(CONT'D)

PRINCIPLE 8: STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

The Annual General Meeting ("AGM") is the principal forum for dialogue and interaction with the shareholders of the Company. Shareholders are encouraged to attend the Company's AGM and use the opportunity to actively participate in the proceedings. They are encouraged to ask questions both about the resolutions being proposed or any issues pertaining to the Company. Members of the Board and the External Auditors of the Company are present to answer questions raised at the meeting as and when appropriate.

Poll Voting

Pursuant to the Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities, the Company is required to ensure that any resolution set out in the notice of general meeting is voted by poll. All resolutions set out in the notice of AGM will be voted by way of poll.

Directors' responsibility statement in respect of the preparation of the audited financial statements

The Board is responsible for ensuring that the financial statements of the Group give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of their results and cashflows for the year then ended. In preparing the financial statements, the Directors have ensured that applicable approved accounting standards in Malaysia and the provisions of the Companies Act 2016 have been applied.

In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and made reasonable and appropriate judgments and estimates.

The Directors also have a general responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Malaysian Code on Corporate Governance ("MCCG") requires public listed companies to maintain a sound system of risk management and internal control to safeguard shareholders' investments and company's assets. Under the provisions of the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Main Listing Requirements"), under paragraph 15.26(b), Directors of public listed companies are required to produce a statement on the state of the group's internal control in their Annual Report.

The Board of Directors ("Board") continues with its commitment to maintain sound systems of risk management and internal control throughout Poly Glass Fibre (M) Bhd and its subsidiaries ("Group") and in compliance with the Main Listing Requirements and the Statement of Risk Management and Internal Control (Guidelines for Directors of Listed Issuers) ("Internal Control Guidelines"), the Board is pleased to provide the following statement which outlines the nature and scope of risk management and internal control of the Group during the financial year in review.

BOARD RESPONSIBILITY

The Board acknowledges the importance of sound risk management and internal control being embedded into the culture, processes and structures of the Group. The systems of internal control cover risk management and financial, organizational, operational, project and compliance controls. The Board affirms its overall responsibility for the Group's systems of internal control and for reviewing the effectiveness and efficiency of those systems to ensure its viability and robustness. It should be noted, however, that such systems are designed to manage, rather than eliminate, risks of failure to achieve corporate objectives. Inherently, it can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group has established an ongoing process for identifying, evaluating, monitoring and managing significant risks faced, or potentially exposed to, by the Group in pursuing its corporate objectives. The adequacy and effectiveness of this process have been continually reviewed by the Board and are in accordance with the Internal Control Guidelines.

RISK MANAGEMENT COMMITTEE'S ROLE

The Risk Management Committee ("RMC") is accountable to the Board for the implementation of the processes in identifying, evaluating, monitoring and reporting of risks and internal control.

CONTROL STRUCTURE AND ENVIRONMENT

In furtherance to the Board's commitment to maintain sound systems of risk management and internal control, the Board continues to maintain and implement a strong structure and environment for the proper conduct of the Group's business operations as follows:

- The Board meets at least quarterly and has set a schedule of matters which is required to be brought to its attention for discussion, thus ensuring that it maintains full and effective supervision over appropriate controls. The Chief Operating Officer provides explanation to the board papers on pertinent issues. In addition, the Board is kept updated on the Group's activities and its operations on a regular basis;
- An organization structure with well-defined scopes of responsibility, clear lines of accountability, and appropriate levels of delegated authority;
- A process of hierarchical reporting which provides for a documented and auditable trail of accountability;
- A set of documented internal policies and procedures for operational and human resource management, which is subject to regular review and improvement. A documented delegation of authority with clear lines of accountability and responsibility serves as a tool of reference in identifying the approving authority for various transactions including matters that require Board's approval;
- Information provided to Executive Directors, covering financial and operational performance and key business indicators, for effective monitoring and decision making;

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
(CONT'D)

RISK MANAGEMENT

The Board confirms that there is an ongoing process for identifying, assessing and responding to risks to achieve the objectives of the Group for the financial year under review. The process is in place for the period under review and up to the date of issuance of this Statement.

The Group has established sound risk management practices to safeguard the Group's business interest from risk events that may impede the achievement of business strategy, enable value creation and growth through identification of opportunities and provide assurance to the Groups' various stakeholders.

The Group, has implemented the Enterprise Risk Management ("ERM") processes to identify, assess, monitor, report and mitigate risks impacting the Group's business and supporting activities.

The main components of the Group's risk governance and structure consists of the Board, the Audit Committee and the RMC. The structure allows for strategic risk discussions to take place between the Board, the Audit Committee and the RMC on a periodical basis. The summary of the accountabilities for the Board, the Audit Committee and the RMC under the risk governance structure are as follows:

a. Board of Directors
- Overall risk oversight responsibility;
- Determines that the principal risks are identified, and appropriate as well as systems are implemented to manage these risks; and
- Reviews the adequacy and the integrity of the Group's internal control systems and information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

b. Audit Committee
- Reviews and endorses policies and frameworks and other key components of risk management for implementation within the Group; and
- Reviews and endorses the corporate risk profile for the Group, and the progress of ongoing risk management activities to identify, evaluate, monitor and manage critical risks.

c. Risk Management Committee
- Oversees the effective implementation of risk policies and guidelines, ERM and cultivation of risk management culture within the organization; and
- Reviews and monitors periodically the status of the Group's principal risks and their mitigation actions and update the Board and Audit Committee accordingly.

During the year, the Group has identified some significant risks which are critical to the success of the business. The likelihood and impact of the risks have been assessed and appropriate mitigation actions have been identified for the risks.

In essence, Risk Management is conducted through an ongoing process between the Board, the Management and employees in the Group. The Group believes that the risk management framework and guidelines adopted and implemented have strengthened the risk ownership and risk management culture amongst the employees.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
(CONT'D)

INTERNAL AUDIT FUNCTION

The Board acknowledges the importance of the internal audit function and has engaged the services of an independent professional consulting firm, JWC Consulting Sdn. Bhd. to provide much of the assurance it requires regarding the effectiveness as well as the adequacy and integrity of the Group's systems of internal control.

Please refer to page 26 of the Audit Committee Report for detailed information on internal audit function.

REVIEW OF THIS STATEMENT BY EXTERNAL AUDITORS

The External Auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3 (previously Recommended Practice Guide ("RPG") 5 (Revised 2015)), 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 ("MIA") for inclusion in the Annual Report of the Group for the year ended 28 February 2018, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the Annual Report of the Group, in all material respects:

(a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or

(b) is factually inaccurate.

AAPG 3 does not require the External Auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the process described to deal with material internal control aspects of any significant problems disclosed in the Annual Report will, in fact, remedy the problems.

CONCLUSION

The Board, having received assurance from the Executive Chairman, Chief Operating Officer and Senior Group Finance Manager, is satisfied with the adequacy and effectiveness of the Group's risk management and internal control system for the year under review and up to the date of the approval of this Statement. There were no material internal control weaknesses which had resulted in material losses, uncertainties or contingencies that would require disclosure in this Annual Report.

This statement is issued in accordance with a resolution of the Directors dated 1 June 2018.

AUDIT COMMITTEE REPORT

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2018

1. CONSTITUTION

The Audit Committee (the "Committee") was established by the Board in 1994 as the prime body to assist the Board in ensuring a high standard of corporate responsibility, integrity and accountability to shareholders in line with the corporate governance and disclosure standards expected from that of a public listed company in Malaysia.

The present members of the Committee are:

Mr. Sia Taik Hian	Chairman/ Senior Independent Non-Executive Director
Members:	
En. Omar Bin Mohamed Said	Independent Non-Executive Director
Mr. Khoo Kah Hock	Independent Non-Executive Director

2. ATTENDANCE AT MEETINGS

There were five (5) meetings convened the financial year ended 28 February 2018.

Details of the attendance of members at the Audit Committee Meetings are as follows:

	Attendance
Mr. Sia Taik Hian	5/5
En. Omar Bin Mohamed Said	4/5
Mr. Khoo Kah Hock	5/5

3. TERMS OF REFERENCE

The terms of reference of the Audit Committee are available on the Company's website www.polyglass.my.

4. SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

In line with the terms of reference, the following activities were carried out by the Committee during the financial year ended 28 February 2018 in discharge of its duties and responsibilities:

(a) reviewed the quarterly unaudited financial results and the annual audited financial statements of the Company and the Group prior to recommending them for approval by the Board of Directors;
(b) reviewed the external auditors' scope of work and the audit planning memorandum;
(c) reviewed with the external auditors the results of the annual audit, their audit and management letter together with management's response to the findings of the external auditors;
(d) reviewed with external auditors, the draft Audited Financial Statements of the Company and the Group;
(e) evaluated the performance and independence of the external auditors and made recommendations to the Board of Directors on their re-appointment and remuneration;
(f) reviewed the annual internal audit plans to ensure adequate scope, coverage of the activities of the Company and the Group;
(g) reviewed the internal audit reports, audit recommendations and management's responses to these recommendations;
(h) reviewed related party transaction entered into by the Company and the Group during the year;
(i) reviewed of the Statement on Risk Management and Internal Control for inclusion in the Annual Report; and
(j) reviewed and discussed with management the outcome of the exercise to identify, evaluate and manage significant strategic, operational and financial risks faced by the Group.

AUDIT COMMITTEE REPORT

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2018 (CONT'D)

5. INTERNAL AUDIT FUNCTION

Internal audit function was conducted by an outsourced professional firm with an objective that independent feedback and reviews will be provided to the Committee and subsequently to the Board of Directors.

The internal audit adopts a risk-based approach in developing its audit plan which addresses all the core auditable areas of the Group based on their risk profile. Scheduled internal audits are carried out by the internal auditors based on the audit plan presented to and approved by the Audit Committee.

The Audit Committee has full and direct access to the internal auditors and the Audit Committee receives reports on all internal audits performed. The internal auditors continue to independently and objectively monitor compliance with regard to policies and procedures, and the effectiveness of the internal controls systems. Significant findings and recommendations for improvement are highlighted to management and the Audit Committee with periodic follow-up of the implementation of actions plans. The management is responsible for ensuring that corrective actions are implemented accordingly.

Based on the internal audit reports, there is a reasonable assurance that the Group's systems of internal control are generally adequate and appear to be working satisfactorily. A number of minor internal control weaknesses were identified during the financial year, all of which have been, or are being, addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report.

The internal audit cost incurred for the financial year ended 28 February 2018 was RM10,000.

This report is made in accordance with a resolution of the Board of Directors dated 1 June 2018.

ADDITIONAL COMPLIANCE INFORMATION

The information disclosed below is in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

1. **Material Contracts**
   Save as disclosed below, the Company and its subsidiaries involving directors and substantial shareholders has not entered into any material contracts either still subsisting at the end of the financial year ended 28 February 2018 or entered into since the end of the previous financial year: -

   The Company via its wholly owned subsidiary company, PGF Insulation Sdn Bhd had obtained advances from a substantial shareholder of the Company, Equaplus Sdn Bhd, for working capital purposes.

   As at 28 February 2018, the total balance due and payable for the advances was recorded at RM11.2 million and shall be repaid not later than 31 August 2019.

   The advances are secured by way of a corporate guarantee from the Company with interest rate more specifically disclosed in Note 15 of the Notes to the Financial Statements for the financial year ended 28 February 2018.

2. **Audit and Non-Audit Services**
   During the financial year, the audit fees and non-audit fees paid/payable to the Company's external auditors by the Company and by the Group incurred for services rendered are as follows: -

Type of Fees	Company (RM)	Group (RM)
Audit Fees	20,000	85,000
Non-Audit Fees	9,986	27,124

3. **Employees Share Options Scheme**
   The Group did not offer any share scheme for employees during the financial year under review.

4. **Internal Audit Function**
   The internal audit function was outsourced and the cost incurred for the internal audit function in respect of the financial year under review was RM10,000.

5. **Continuing Education Programme**
   Details of the seminars or courses attended by the Directors of the Company are disclosed in the Corporate Governance Statement, as set out on Page 19 of this Annual Report.

6. **Recurrent Related Party Transaction Of A Revenue Nature Or Trading Nature**
   The Company does not have any recurrent related party transaction of a revenue nature or trading nature for the financial year ended 28 February 2018.

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DIRECTORS' REPORT

FOR THE YEAR ENDED 28 FEBRUARY 2018

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 28 February 2018.

Principal activities

The Company is principally engaged in the trading of fibre glasswool and its related products, provision of management services and investment holding, whilst the principal activities of the subsidiaries are as stated in Note 5 to the financial statements.

There has been no significant change in the nature of these activities during the financial year.

Subsidiaries

The details of the Company's subsidiaries are disclosed in Note 5 to the financial statements.

Results

	Group RM	Company RM
Profit for the year attributable to owners of the Company	1,812,062	742,558

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review.

Dividend

No dividend was paid since the end of the previous financial year and the Directors do not recommend any dividend to be paid for the financial year under review.

Directors of the Company

Directors who served during the financial year until the date of this report are:

Fong Wern Sheng, Executive Chairman
Tan Ming Chong, Chief Operating Officer
Fong Wah Kai, Executive Director
Sia Taik Hian, Senior Independent Non-Executive Director
Omar Bin Mohamed Said, Independent Non-Executive Director
Khoo Kah Hock, Independent Non-Executive Director

Directors of the subsidiaries

Directors of the subsidiaries who served during the financial year until the date of this report are :

Koh Joo Ling
Lee Kok Leong

DIRECTORS' REPORT

FOR THE YEAR ENDED 28 FEBRUARY 2018 (CONT'D)

Directors' interests in shares

The direct and indirect interests in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows :

	Number of ordinary shares			
	Balance at 1.3.2017	Bought	(Sold)	Balance at 28.2.2018
The Company				
Direct Interest				
Fong Wah Kai - own	6,798,800	-	-	6,798,800
Fong Wern Sheng - own	10,797,400	-	-	10,797,400
Indirect Interest				
Fong Wah Kai - others *	78,056,900	-	-	78,056,900
Fong Wern Sheng - others *	24,323,053	-	-	24,323,053

* These are shares held by corporations which are either controlled by the Director(s) or in which he and his associates hold more than 20% of the voting shares.

By virtue of their interests in the shares of the Company, Mr Fong Wah Kai and Mr Fong Wern Sheng are also deemed interested in the shares of all the subsidiaries during the financial year to the extent that the Company has an interest.

None of the other Directors holding office at 28 February 2018 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements of the Company and its related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than the interest paid by a subsidiary for advances from a corporate shareholder of the Company in which a Director has substantial financial interests as disclosed in the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares and debentures

There were no changes in the issued and paid-up capital of the Company and no debentures were issued during the financial year.

DIRECTORS' REPORT

FOR THE YEAR ENDED 28 FEBRUARY 2018 (CONT'D)

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year under review.

Indemnity and insurance cost

There was no indemnity given to or insurance effected for Directors or officers of the Company during the financial year.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that :

i) there are no bad debts to be written off and no provision needs to be made for doubtful debts; and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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

i) that would render it necessary to write off any bad debts or provide for any doubtful debts, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

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

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

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group 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 substantially 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, the financial performance of the Group and of the Company for the financial year ended 28 February 2018 has not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

DIRECTORS' REPORT

FOR THE YEAR ENDED 28 FEBRUARY 2018 (CONT'D)

Auditors

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 18 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors :

Fong Wern Sheng
Director

Tan Ming Chong
Director

Penang,

Date : 8 June 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 28 FEBRUARY 2018

	Note	2018 RM	2017 RM
Assets			
Property, plant and equipment	3	61,383,793	63,413,145
Investment property	4	5,864,748	5,855,717
Investment in an associate	6	60	-
Land held for property development	7	133,785,003	133,398,458
Deferred tax assets	8	1,387,000	1,916,000
Total non-current assets		202,420,604	204,583,320
Inventories	9	15,895,055	14,733,193
Trade and other receivables	10	11,581,452	10,304,448
Current tax assets		9,578	-
Cash and cash equivalents	11	698,840	1,870,745
Total current assets		28,184,925	26,908,386
Total assets		230,605,529	231,491,706
Equity			
Share capital	12	202,761,930	202,761,930
Reserves	13	(41,607,790)	(43,419,852)
Equity attributable to owners of the Company		161,154,140	159,342,078
Liabilities			
Loans and borrowings	14	17,926,984	19,102,107
Advances from a shareholder	15	11,166,969	9,816,969
Deferred tax liabilities	8	23,088,502	23,088,502
Total non-current liabilities		52,182,455	52,007,578
Loans and borrowings	14	7,964,902	9,981,357
Trade and other payables	16	9,272,515	10,057,239
Current tax liabilities		31,517	103,454
Total current liabilities		17,268,934	20,142,050
Total liabilities		69,451,389	72,149,628
Total equity and liabilities		230,605,529	231,491,706

The notes on pages 43 to 95 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 28 FEBRUARY 2018

	Note	2018 RM	2017 RM
Revenue	17	54,116,495	47,889,146
Reversal of impairment loss on land held for property development		-	40,936,783
Other operating income		1,614,035	460,483
Changes in manufactured inventories		(451,813)	6,066,596
Raw materials consumed		(20,865,121)	(20,352,716)
Property development costs		386,545	-
Staff costs	20	(10,675,004)	(10,422,810)
Depreciation and amortisation		(5,553,617)	(5,236,420)
Other operating expenses		(13,974,184)	(14,528,208)
Results from operating activities	18	4,597,336	44,812,854
Interest income		60,715	99,674
Interest expense	19	(1,916,960)	(1,641,357)
Profit before tax		2,741,091	43,271,171
Tax expense	22	(929,029)	(8,906,999)
Profit for the year representing total comprehensive income for the year attributable to owners of the Company		1,812,062	34,364,172
Basic earnings per ordinary share (sen)	23	1.13	21.48

The notes on pages 43 to 95 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 28 FEBRUARY 2018

	←	*Non-distributable*	→		*Distributable*	
	Share capital RM	**Share premium RM**	**Capital reserve RM**	**Accumulated losses RM**	**Capital reserve RM**	**Total equity RM**
At 1 March 2016	159,974,948	42,786,982	181,394	(78,635,821)	670,403	124,977,906
Profit for the year representing total comprehensive income for the year	-	-	-	34,364,172	-	34,364,172
Transfer in accordance with Section 618(2) of the Companies Act 2016	42,786,982	(42,786,982)	-	-	-	-
At 28 February 2017/ 1 March 2017	202,761,930	-	181,394	(44,271,649)	670,403	159,342,078
Profit for the year representing total comprehensive income for the year	-	-	-	1,812,062	-	1,812,062
At 28 February 2018	202,761,930	-	181,394	(42,459,587)	670,403	161,154,140
	(Note 12)		(Note 13)	(Note 13)	(Note 13)	

The notes on pages 43 to 95 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 28 FEBRUARY 2018

	Note	2018 RM	2017 RM
Cash flows from operating activities			
Profit before tax		2,741,091	43,271,171
Adjustments for :			
Depreciation of :			
- Property, plant and equipment	3	5,427,046	5,110,740
- Investment property	4	126,571	125,680
Plant and equipment written off	18	2,401	644
Interest income		(60,715)	(99,674)
Interest expense		1,916,960	1,641,357
(Gain)/Loss on disposal of property, plant and equipment	18	(150,359)	141,664
Reversal of provision for impairment loss on land held for property development	18	-	(40,936,783)
Operating profit before changes in working capital		10,002,995	9,254,799
Changes in working capital :			
Inventories		(1,161,862)	(6,494,005)
Land held for property development		(386,545)	-
Trade and other receivables		(1,277,004)	543,989
Trade and other payables		(784,724)	(3,351,670)
Cash generated from/(used in) operations		6,392,860	(46,887)
Tax paid		(481,544)	(252,753)
Net cash from/(used in) operating activities		5,911,316	(299,640)
Cash flows from investing activities			
Interest received		60,715	99,674
Proceeds from disposal of property, plant and equipment		1,677,349	36,682
Purchase of plant and equipment	A	(4,927,085)	(7,942,929)
Purchase of investment property		(135,602)	-
Acquisition of an associate		(60)	-
Net cash used in investing activities		(3,324,683)	(7,806,573)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 28 FEBRUARY 2018 (CONT'D)

	Note	2018 RM	2017 RM
Cash flows from financing activities			
Advances from a shareholder		1,350,000	-
Interest paid		(1,916,960)	(1,641,357)
Repayment of finance lease liabilities		(140,560)	(148,529)
Short term borrowings, net		(1,128,351)	2,006,074
(Repayment)/Drawdown of term loans, net		(2,984,296)	6,229,434
Net cash (used in)/from financing activities		(4,820,167)	6,445,622
Net decrease in cash and cash equivalents		(2,233,534)	(1,660,591)
Cash and cash equivalents at 1 March 2017/2016		1,456,936	3,117,527
Cash and cash equivalents at 28 February	B	(776,598)	1,456,936

NOTES

A. *Purchase of plant and equipment*

During the financial year, the Group acquired plant and equipment with an aggregate cost of RM4,927,085 (2017 : RM8,039,129) of which RM Nil (2017 : RM96,200) was acquired by means of finance lease. The balance of RM4,927,085 (2017 : RM7,942,929) was made by cash payments.

B. *Cash and cash equivalents*

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following consolidated statement of financial position amounts :

	Note	2018 RM	2017 RM
Cash and bank balances	11	698,840	336,259
Fixed deposits with a licensed bank	11	-	834,486
Short term deposits	11	-	700,000
Bank overdrafts	14	(1,475,438)	(413,809)
		(776,598)	1,456,936

STATEMENT OF FINANCIAL POSITION

AS AT 28 FEBRUARY 2018

	Note	2018 RM	2017 RM
Assets			
Property, plant and equipment	3	290,911	307,028
Investments in subsidiaries	5	198,341,890	197,807,703
Investment in an associate	6	60	-
Total non-current assets		198,632,861	198,114,731
Trade and other receivables	10	6,189,182	4,944,395
Current tax assets		9,579	-
Cash and cash equivalents	11	130,752	1,537,065
Total current assets		6,329,513	6,481,460
Total assets		204,962,374	204,596,191
Equity			
Share capital	12	202,761,930	202,761,930
Reserves	13	(724,781)	(1,467,339)
Equity attributable to owners of the Company		202,037,149	201,294,591
Liabilities			
Loans and borrowings	14	-	14,429
Total non-current liability			
Loans and borrowings	14	1,632,787	1,147,478
Trade and other payables	16	1,292,438	2,069,799
Current tax liabilities		-	69,894
Total current liabilities		2,925,225	3,287,171
Total liabilities		2,925,225	3,301,600
Total equity and liabilities		204,962,374	204,596,191

The notes on pages 43 to 95 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 28 FEBRUARY 2018

	Note	2018 RM	2017 RM
Revenue	17	2,785,109	2,365,942
Reversal of impairment loss in subsidiaries		57,259	85,777,937
Staff costs	20	(511,960)	(513,403)
Depreciation	3	(131,114)	(143,855)
Other operating expenses		(1,274,034)	(1,194,726)
Results from operating activities	18	925,260	86,291,895
Interest income		10,427	62,239
Interest expense	19	(66,987)	(75,853)
Profit before tax		868,700	86,278,281
Tax expense	22	(126,142)	(160,767)
Profit for the year representing total comprehensive income for the year attributable to owners of the Company		742,558	86,117,514

The notes on pages 43 to 95 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 28 FEBRUARY 2018

		Non-distributable		*Distributable*	
	Share capital RM	**Share premium RM**	**Accumulated losses RM**	**Capital reserve RM**	**Total equity RM**
At 1 March 2016	159,974,948	42,786,982	(88,820,601)	1,235,748	115,177,077
Profit for the year representing total comprehensive income for the year	-	-	86,117,514	-	86,117,514
Transfer in accordance with Section 618(2) of the Companies Act 2016	42,786,982	(42,786,982)	-	-	-
At 28 February 2017/1 March 2017	202,761,930	-	(2,703,087)	1,235,748	201,294,591
Profit for the year representing total comprehensive income for the year	-	-	742,558	-	742,558
At 28 February 2018	202,761,930	-	(1,960,529)	1,235,748	202,037,149
	(Note 12)		(Note 13)	(Note 13)	

The notes on pages 43 to 95 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 28 FEBRUARY 2018

	Note	2018 RM	2017 RM
Cash flows from operating activities			
Profit before tax		868,700	86,278,281
Adjustments for :			
Depreciation of property, plant and equipment	3	131,114	143,855
Plant and equipment written off	18	1	1
Dividend income	18	(500,000)	-
Interest income		(10,427)	(62,239)
Interest expense		66,987	75,853
Loss on disposal of property, plant and equipment	18	2	-
Reversal of impairment loss on investments in subsidiaries	18	(57,259)	(85,777,937)
Operating profit before changes in working capital		499,118	657,814
Changes in working capital :			
Trade and other receivables		(1,244,787)	(1,114,980)
Trade and other payables		(777,361)	1,159,310
Cash (used in)/generated from operations		(1,523,030)	702,144
Tax paid		(205,615)	(147,329)
Net cash (used in)/from operating activities		(1,728,645)	554,815
Cash flows from investing activities			
Purchase of plant and equipment	3	(115,000)	(838)
Increase of investment in subsidiaries		(476,928)	(99,998)
Increase of investment in an associate		(60)	-
Interest received		10,427	62,239
Dividend received		500,000	-
Net cash used in activities		(81,561)	(38,597)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 28 FEBRUARY 2018 (CONT'D)

	Note	2018 RM	2017 RM
Cash flows from financing activities			
Interest paid		(66,987)	(75,853)
Short term borrowings, net		428,000	(658,000)
Repayment of finance lease liabilities		(108,485)	(145,856)
Net cash from/(used in) financing activities		252,528	(879,709)
Net decrease in cash and cash equivalents		(1,557,678)	(363,491)
Cash and cash equivalents at 1 March 2017/2016		1,484,072	1,847,563
Cash and cash equivalents at 28 February		(73,606)	1,484,072

NOTES

Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts :

	Note	2018 RM	2017 RM
Cash and bank balances	11	130,752	2,579
Fixed deposits with a licensed bank	11	-	834,486
Short term deposits	11	-	700,000
Bank overdraft	14	(204,358)	(52,993)
		(73,606)	1,484,072

NOTES TO THE FINANCIAL STATEMENTS

Poly Glass Fibre (M) Bhd. is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the registered office and principal place of business of the Company are as follows :

Registered office

Suite 12-A, Level 12
Menara Northam
No 55, Jalan Sultan Ahmad Shah
10050 George Town
Penang

Principal place of business

2449, Lorong Perusahaan 10
Kawasan Perusahaan Perai
13600 Perai
Penang

The consolidated financial statements of the Company as at and for the financial year ended 28 February 2018 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the financial year ended 28 February 2018 do not include other entities.

The Company is principally engaged in the trading of fibre glasswool and its related products, provision of management services and investment holding. The principal activities of its subsidiaries are disclosed in Note 5.

These financial statements were authorised for issue by the Board of Directors on 8 June 2018.

1. Basis of preparation

(a) Statement of compliance

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

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but have not been adopted by the Group and by the Company :

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- FRS 9, *Financial Instruments (2014)*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards (Annual Improvements to FRS Standards 2014-2016 Cycle)*
- Amendments to FRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to FRS 4, *Insurance Contracts – Applying FRS 9 Financial Instruments with FRS 4 Insurance Contracts*
- Amendments to FRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to FRS Standards 2014-2016 Cycle)*
- Amendments to FRS 140, *Investment Property – Transfers of Investment Property*

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

1. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*

FRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed
- Amendments to FRS 10, *Consolidated Financial Statements* and FRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company are transitioning entities and have elected to apply FRS during the financial year. The Group will be adopting the new IFRS-compliant framework, Malaysian Financial Reporting Standards ("MFRS") for annual period beginning on 1 March 2018. As a result, the Group and the Company will not be adopting the above FRSs, Interpretations and amendments. Upon adoption of MFRS, the Group and the Company will be applying MFRS 1 "First-time Adoption of MFRS".

The main standards that are applicable to the Group and the Company, but are not yet effective, and have not been early adopted are as follows :

(i) MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, Construction Contracts, MFRS 118, Revenue, IC Interpretation 13, Customer Loyalty Programmes, IC Interpretation 15, Agreements for Construction of Real Estate, IC Interpretation 18, Transfers of Assets from Customers and IC Interpretation 131, Revenue - Barter Transactions Involving Advertising Services.

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

Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

A new five-step process is applied before revenue can be recognised :-

- Identify contracts with customers
- Identify the separate performance obligations
- Determine the transaction price of the contract
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied

The Group and the Company are currently assessing the financial and disclosure impacts of adopting MFRS 15.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

1. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

(ii) MFRS 9 Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in FRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The Group and the Company are currently performing an assessment on the financial and disclosure impacts arising from the adoption of the standard.

(iii) MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, Leases, IC Interpretation 4, Determining whether an Arrangement contains a Lease, IC Interpretation 115, Operating Leases – Incentives and IC Interpretation 127, Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group and the Company are currently assessing the impact of adopting MFRS 16.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in Note 5, Investment in subsidiaries and Note 7, Land held for property development.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as :

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

2. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows :

Financial assets

Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement (cont'd)

Financial assets (cont'd)

Loans and receivables (cont'd)

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method and are subject to review for impairment (see Note 2(j)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost.

(iii) Financial guarantee contracts

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

Fair value arising from financial guarantee contracts are classified as deferred income and is amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(iv) Regular way purchase or sale of financial assets

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

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to :

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(v) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

(v) Derecognition (cont'd)

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost/valuation less any accumulated depreciation and any accumulated impairment losses.

The Group has availed itself to the transitional provision when the MASB first adopted IAS 16 (Revised) : Property, plant and equipment in 1998. The buildings erected on the short term leasehold land of the Group are shown at Directors' valuation on 1 March 1992 based on the valuation exercise carried out by a firm of professional valuers on an open market value basis. No later valuation has been recorded for these property, plant and equipment.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other operating income" and "other operating expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

2. Significant accounting policies (cont'd)

(d) Property, plant and equipment (cont'd)

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Property, plant and equipment under construction (capital in-progress) are not depreciated until the assets are ready for their intended use.

The principal annual rates used for the current and comparative periods are as follows :

	%
Buildings	2 - 5
Plant, machinery and equipment	5 - 25
Furniture, fittings and equipment	10 - 20
Motor vehicles	20

Leasehold land is depreciated over the lease term of 60 years.

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

(e) Investment property

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. These include freehold land and leasehold land which in substance is a finance lease held for a currently undetermined future use. Properties that are occupied by the Group are accounted for as owner-occupied rather than as investment properties. Investment properties are initially and subsequently measured at cost.

Cost includes expenditures that are directly attributable to the acquisition of the investment property. The cost of self-constructed investment property also includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of 50 years.

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.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

2. Significant accounting policies (cont'd)

(f) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

(g) Land held for property development and Property development costs

(i) Land held for property development

Land held for property development consists of land (including costs associated with the acquisition of land) or such portions thereof on which no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified as non-current asset and is measured at cost less accumulated impairment losses.

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

2. Significant accounting policies (cont'd)

(g) Land held for property development and Property development costs (cont'd)

(ii) Property development costs

Property development costs comprise costs associated with the acquisition of land and all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities, including interest expense incurred during the period of active development.

Property development costs not recognised as an expense is recognised as an asset and is stated at the lower of cost and net realisable value.

The excess of revenue recognised in profit or loss over billings to purchasers is shown as accrued billings under trade and other receivables and the excess of billings to purchasers over revenue recognised in profit or loss is shown as progress billings under trade and other payables.

(h) Inventories

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

The cost of inventories is calculated based on the following bases :

Raw materials Manufactured inventories	}	first-in, first-out
Consumables	-	weighted average

Cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity.

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.

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(j) Impairment

(i) Financial assets

All financial assets (except for investments in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

2. Significant accounting policies (cont'd)

(j) Impairment (cont'd)

(i) Financial assets (cont'd)

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

The carrying amount of other assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating unit. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. 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 or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amount of the other assets in the cash-generating unit (group of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only 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. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

2. Significant accounting policies (cont'd)

(k) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not re-measured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(l) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

(m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

2. Significant accounting policies (cont'd)

(n) Contingencies

(i) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statement of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(ii) Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

(o) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Property development revenue

Revenue from property development activities is recognised based on the stage of completion measured by reference to the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Where the financial outcome of a property development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on the development units sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised immediately in profit or loss.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

2. Significant accounting policies (cont'd)

(o) Revenue and other income (cont'd)

(iv) Commissions

When the Company acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Company.

(p) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

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 capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended sale are interrupted or completed.

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.

(q) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entity, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

2. Significant accounting policies (cont'd)

(q) Income tax (cont'd)

Unutilised reinvestment allowance and investment tax allowances, being tax incentives that are not tax bases of an asset, are recognised as deferred tax asset to the extent that it is probable that the future taxable profits will be available against which the unutilised tax incentives can be utilised.

(r) Earnings per ordinary share

The Group presents basic earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

(s) Operating segments

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

(t) Fair value measurements

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

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

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

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

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

3. Property, plant and equipment

	At valuation		At cost						
	Leasehold land RM	Buildings RM	Leasehold land RM	Buildings RM	Plant, machinery and equipment RM	Furniture, fittings and equipment RM	Motor vehicles RM	Capital in-progress RM	Total RM
Group									
Valuation/Cost									
At 1 March 2017	1,820,000	2,885,000	5,047,691	11,818,816	85,564,881	1,860,110	1,620,490	486,850	111,103,838
Additions	-	-	-	64,708	1,161,485	84,795	103,145	6,624,996	8,039,129
Disposals	-	-	-	-	(202,950)	-	(64,620)	-	(267,570)
Write-off	-	-	-	-	-	(12,419)	-	-	(12,419)
Reclassification	-	-	551,869	6,559,977	-	-	-	(7,111,846)	-
At 28 February 2017/ 1 March 2017	1,820,000	2,885,000	5,599,560	18,443,501	86,523,416	1,932,486	1,659,015	-	118,862,978
Additions	-	-	-	923,761	3,762,615	240,709	-	-	4,927,085
Disposals	-	-	-	-	(2,665,599)	(15,430)	-	-	(2,681,029)
Write-off	-	-	-	-	(1,937)	(15,294)	-	-	(17,231)
At 28 February 2018	1,820,000	2,885,000	5,599,560	19,367,262	87,618,495	2,142,471	1,659,015	-	121,091,803

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

3. **Property, plant and equipment (cont'd)**

	At valuation		At cost						
	Leasehold land RM	Buildings RM	Leasehold land RM	Buildings RM	Plant, machinery and equipment RM	Furniture, fittings and equipment RM	Motor vehicles RM	Capital in-progress RM	Total RM
Group									
Depreciation									
At 1 March 2016	492,130	1,383,275	2,285,413	1,409,273	42,229,628	1,449,947	1,190,426	-	50,440,092
Depreciation for the year	36,400	57,700	262,281	291,203	4,205,029	122,357	135,770	-	5,110,740
Disposals	-	-	-	-	(45,956)	-	(43,268)	-	(89,224)
Write-off	-	-	-	-	-	(11,775)	-	-	(11,775)
At 28 February 2017/ 1 March 2017	528,530	1,440,975	2,547,694	1,700,476	46,388,701	1,560,529	1,282,928	-	55,449,833
Depreciation for the year	36,400	57,700	286,190	585,276	4,205,739	133,900	121,841	-	5,427,046
Disposals	-	-	-	-	(1,138,614)	(15,425)	-	-	(1,154,039)
Write-off	-	-	-	-	(1,404)	(13,426)	-	-	(14,830)
At 28 February 2018	564,930	1,498,675	2,833,884	2,285,752	49,454,422	1,665,578	1,404,769	-	59,708,010

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

3. **Property, plant and equipment (cont'd)**

	At valuation		At cost						
	Leasehold land RM	Buildings RM	Leasehold land RM	Buildings RM	Plant, machinery and equipment RM	Furniture, fittings and equipment RM	Motor vehicles RM	Capital in-progress RM	Total RM
Carrying amounts									
At 1 March 2016	1,327,870	1,501,725	2,762,278	10,409,543	43,335,253	410,163	430,064	486,850	60,663,746
At 28 February 2017/ 1 March 2017	1,291,470	1,444,025	3,051,866	16,743,025	40,134,715	371,957	376,087	-	63,413,145
At 28 February 2018	1,255,070	1,386,325	2,765,676	17,081,510	38,164,073	476,893	254,246	-	61,383,793

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

3. Property, plant and equipment (cont'd)

	Furniture, fittings and equipment RM	Motor vehicles RM	Total RM
Company			
Cost			
At 1 March 2016	491,107	774,923	1,266,030
Additions	838	-	838
Write-off	(6,925)	-	(6,925)
At 28 February 2017/1 March 2017	485,020	774,923	1,259,943
Additions	115,000	-	115,000
Write-off	(6,418)	-	(6,418)
Disposals	(6,900)	-	(6,900)
At 28 February 2018	586,702	774,923	1,361,625
Depreciation			
At 1 March 2016	435,071	380,913	815,984
Depreciation for the year	25,123	118,732	143,855
Write-off	(6,924)	-	(6,924)
At 28 February 2017/1 March 2017	453,270	499,645	952,915
Depreciation for the year	30,677	100,437	131,114
Write-off	(6,417)	-	(6,417)
Disposals	(6,898)	-	(6,898)
At 28 February 2018	470,632	600,082	1,070,714
Carrying amounts			
At 1 March 2016	56,036	394,010	450,046
At 28 February 2017/1 March 2017	31,750	275,278	307,028
At 28 February 2018	116,070	174,841	290,911

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

3. Property, plant and equipment (cont'd)

3.1 Revaluation

The buildings erected on the leasehold land of the Group are shown at Directors' valuation on 1 March 1992 based on the valuation exercise carried out by a firm of professional valuers on an open market value basis. No later valuation has been recorded for these property, plant and equipment.

Had the revalued leasehold land and buildings been carried at historical cost less accumulated depreciation, the carrying amounts of the revalued assets of the Group that would have been included in the financial statements at the end of the year would be RM437,916 (2017 : RM461,169).

3.2 Assets under finance leases

The carrying amounts of plant and equipment of the Group and of the Company acquired under finance leases are as follows :

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Under finance leases				
Furniture, fittings and equipment	-	13,373	-	13,373
Motor vehicles	221,970	369,984	142,892	270,277

3.3 Security

The leased plant and machinery in Note 3.2 above secures lease obligations (see Note 14).

The carrying amounts of property, plant and equipment of the Group charged to financial institutions for banking facilities granted to the Group (see Note 14) are as follows :

	Group	
	2018	**2017**
	RM	**RM**
Leasehold land and buildings	13,147,473	12,865,779
Plant, machinery and equipment	19,796,308	26,454,349

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

4. Investment property - Group

	RM
Cost	
At 1 March 2016/28 February 2017/1 March 2017	6,253,416
Additions	135,602
At 28 February 2018	6,389,018
Accumulated depreciation	
At 1 March 2016	272,019
Depreciation for the year	125,680
At 28 February 2017/1 March 2017	397,699
Depreciation for the year	126,571
At 28 February 2018	524,270
Carrying amount	
At 1 March 2016	5,981,397
At 28 February 2017/1 March 2017	5,855,717
At 28 February 2018	5,864,748

The following are recognised in profit or loss in respect of investment property :

	2018 RM	2017 RM
Rental income	360,000	60,000
Direct operating expenses :		
- income generating investment property	245,307	276,726

4.1 Fair value information

The fair value was based on Directors' estimation using the latest available market information of similar property within the same locality and adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot. The estimated fair value would increase/(decrease) if the price per square foot is higher/(lower). The fair value of the investment property of the Group as at 28 February 2018 is classified as level 3 of fair value hierarchy and determined to be approximately RM7,430,000 (2017 : RM6,237,000).

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

5. Investments in subsidiaries - Company

	Note	2018 RM	2017 RM
Unquoted shares, at cost		196,120,309	196,120,309
Amount due from a subsidiary	5.1	2,402,322	1,925,394
Less : Accumulated impairment loss		(180,741)	(238,000)
		198,341,890	197,807,703

5.1 Amount due from a subsidiary

The amount due from a subsidiary is unsecured, interest-free and repayable on demand.

The amount due from a subsidiary is regarded as investment by the Company as the Company does not expect repayment by the subsidiary within the foreseeable future.

5.2 Reversal of impairment loss

A subsidiary of the Company, Golden Approach Sdn. Bhd. ("GASB") has suspended and delayed the development of its development properties since April 1999. The value of investment in GASB at the financial year end amounted to RM164,571,550 (2017 : RM164,094,623). Following the conclusion of all legal cases with the contractors of the Group in the previous financial year and the potential revival of development activities, the Board of Directors reassessed the recoverable amount of this investment in this subsidiary at the end of the reporting period.

The recoverable amount of the investment in GASB is its fair value less cost to sell determined based on fair value of the net assets in the subsidiary, which mainly comprise its land held for property development. Fair value of land held for property development of GASB was determined based on a professional valuation carried out by a firm of professional valuers on an open market value basis conducted in March 2017. In view that the recoverable amount is higher than the carrying amount, the Company made a reversal of impairment loss previously made during the financial year of RM Nil (2017 : RM85,760,241) in the statement of profit or loss and other comprehensive income.

Details of the subsidiaries are as follows :

Name of subsidiary	Country of incorporation	Effective ownership interest 2018 %	2017 %	Principal activities
PGF Insulation Sdn. Bhd.	Malaysia	100	100	Manufacture and sale of fibre glasswool and its related products
Golden Approach Sdn. Bhd.	Malaysia	100	100	Property development
Concrete Energy Sdn. Bhd.	Malaysia	100	100	Property holding
Clover Sdn. Bhd.	Malaysia	100	100	Property holding, trading in fibre glasswool and its related products
SK Insulation Solutions Sdn. Bhd.	Malaysia	100	100	Trading in fibre glasswool and its related products

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

5. Investments in subsidiaries - Company (cont'd)

5.2 Reversal of impairment loss (cont'd)

Restriction imposed by bank covenants

The covenant of a loan facility taken by a subsidiary of the Group restricts the ability of the subsidiary to provide advances to other companies within the Group and to declare dividends to its shareholders in excess of 50% of the subsidiary's profit after tax unless prior written consent from the financial institution is obtained.

6. Investments in associate

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Unquoted shares, at cost	60	-	60	-

Details of the associate are as follows :

Name of associate	Country of incorporation	Effective ownership interest		Principal activity
		2018	**2017**	
		%	**%**	
Ecowool Insulation Pty Ltd	Australia	20	-	Sale and distribution of fibre glasswool and related products

7. Land held for property development, at cost - Group

	Note	2018	2017
		RM	**RM**
At 1 March 2017/2016		133,398,458	92,467,559
Development costs credited to profit or loss	7.1	386,545	-
Reversal of prior years' development cost		-	(5,884)
Reversal of impairment loss		-	40,936,783
At 28 February	7.2	133,785,003	133,398,458

7.1 The development costs credited to profit or loss represents the net impact which arose mainly from the rescission of sales during the financial year.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

7. Land held for property development, at cost - Group (cont'd)

7.2 Balance at end of financial year comprised :

	2018 RM	2017 RM
Leasehold land	184,899,515	184,899,515
Less : Accumulated impairment loss	(44,186,259)	(44,186,259)
	140,713,256	140,713,256
Development costs	77,618,712	77,618,712
Accumulated costs charged to profit or loss	(84,546,965)	(84,933,510)
	133,785,003	133,398,458

Reversal of impairment loss

The Group through its subsidiary, Golden Approach Sdn. Bhd. ("GASB") has suspended and delayed the development of its development properties since April 1999 pending outcome of various litigations with various contractors of GASB. Following the conclusion of all legal cases with the contractors of the Group in the previous financial year and the potential revival of development activities, the Board of Directors reassessed the recoverable amount of land held for future development included in the property development segment at the end of each reporting period.

The recoverable amount of the land held for property development is its fair value less cost to sell determined based on a professional valuation carried out by a firm of professional valuers on an open market value basis conducted in March 2017. In view that the recoverable amount is higher than the carrying amount, the Group made a reversal of impairment loss during the previous financial year amounting to RM40,936,783 in the statement of profit or loss and other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

8. Deferred tax assets/(liabilities) - Group

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following :

	Assets		Liabilities		Net	
	2018 RM	2017 RM	2018 RM	2017 RM	2018 RM	2017 RM
Property, plant and equipment						
- capital allowances	(6,927,394)	(6,051,394)	-	-	(6,927,394)	(6,051,394)
- revaluation	(288,606)	(288,606)	-	-	(288,606)	(288,606)
Unutilised reinvestment allowance	2,020,000	2,073,000	-	-	2,020,000	2,073,000
Unutilised investment tax allowance	5,979,000	5,979,000	-	-	5,979,000	5,979,000
Unutilised increased export allowance	388,000	130,000	-	-	388,000	130,000
Land held for property development						
- revaluation	-	-	(23,088,502)	(23,088,502)	(23,088,502)	(23,088,502)
Provisions	216,000	74,000	-	-	216,000	74,000
Deferred tax assets/ (liabilities)	1,387,000	1,916,000	(23,088,502)	(23,088,502)	(21,701,502)	(21,172,502)

Movement in temporary differences during the year :

	At 1.3.2016 RM	Recognised in profit or loss (Note 22) RM	At 28.2.2017/ 1.3.2017 RM	Recognised in profit or loss (Note 22) RM	At 28.2.2018 RM
Property, plant and equipment					
- capital allowances	(5,005,394)	(1,046,000)	(6,051,394)	(876,000)	(6,927,394)
- revaluation	(288,606)	-	(288,606)	-	(288,606)
Unutilised reinvestment allowances	-	2,073,000	2,073,000	(53,000)	2,020,000
Unutilised investment tax allowance	5,979,000	-	5,979,000	-	5,979,000
Unutilised increased export allowance	-	130,000	130,000	258,000	388,000
Land held for property development					
- revaluation	(13,263,674)	(9,824,828)	(23,088,502)	-	(23,088,502)
Provisions	42,000	32,000	74,000	142,000	216,000
Net tax liabilities	(12,536,674)	(8,635,828)	(21,172,502)	(529,000)	(21,701,502)

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

8. Deferred tax assets/(liabilities) - Group (cont'd)

Unrecognised deferred tax assets

Deferred tax assets (stated at gross) have not been recognised in respect of the following items :

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Deductible temporary differences	333,800	268,800	172,000	108,000
Tax loss carry-forwards	16,241,000	15,756,000	-	-
Provisions	114,000	127,000	114,000	127,000
	16,688,800	16,151,800	286,000	235,000

Tax loss carry-forwards and unutilised reinvestment allowance do not expire under current tax legislation.

9. Inventories - Group

	2018	2017
	RM	RM
Raw materials	4,680,973	3,821,166
Manufactured inventories	8,418,377	8,870,190
Consumables	2,795,705	2,041,837
	15,895,055	14,733,193

10. Trade and other receivables

		Group		Company	
	Note	2018	2017	2018	2017
		RM	RM	RM	RM
Trade					
Trade receivables		10,319,793	9,179,724	5,600,369	4,559,176
Non-trade					
Other receivables		282,082	599,656	104,400	-
Subsidiaries	10.1	-	-	463,346	367,918
Deposits		112,284	97,384	9,260	9,290
Prepayments		867,293	427,684	11,807	8,011
		1,261,659	1,124,724	588,813	385,219
		11,581,452	10,304,448	6,189,182	4,944,395

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

10. Trade and other receivables (cont'd)

10.1 Amount due from subsidiaries

The non-trade amount due from subsidiaries is unsecured, interest-free and repayable on demand.

11. Cash and cash equivalents

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash and bank balances	698,840	336,259	130,752	2,579
Fixed deposits with a licensed bank	-	834,486	-	834,486
Short term deposits	-	700,000	-	700,000
	698,840	1,870,745	130,752	1,537,065

Included in the cash and bank balances of the Group is an amount of RM46,016 (2017 : RM7,141) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act, 1966 and is restricted from use in other operations.

12. Share capital - Group/Company

	2018		2017	
	Amount RM	Number of shares	Amount RM	Number of shares
Issued and fully-paid :				
Ordinary shares				
At 1 March 2017/2016	202,761,930	159,974,948	159,974,948	159,974,948
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016	-	-	42,786,982	-
At 28 February	202,761,930	159,974,948	202,761,930	159,974,948
	Note 12.2			

12.1 In accordance with Section 618 of the Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. The Company has twenty-four months upon the commencement of Companies Act 2016 on 31 January 2017 to utilise the credit.

12.2 Included in share capital is share premium amounting to RM42,786,982 (2017 : RM42,786,982) that is available to be utilised in accordance with Section 618(3) of the Companies Act 2016 on or before 30 January 2019 (24 months from the commencement of Section 74).

12.3 The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

13. Reserves

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Non-distributable					
Capital reserve	13.1	181,394	181,394	-	-
Accumulated losses		(42,459,587)	(44,271,649)	(1,960,529)	(2,703,087)
		(42,278,193)	(44,090,255)	(1,960,529)	(2,703,087)
Distributable					
Capital reserve	13.1	670,403	670,403	1,235,748	1,235,748
		(41,607,790)	(43,419,852)	(724,781)	(1,467,339)

13.1 Capital reserve

The distributable capital reserve represents gain on disposal of a subsidiary.

The non-distributable capital reserve represents the surplus arising from the revaluation of short term leasehold land and building.

14. Loans and borrowings

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Non-current					
Secured					
Term loans		16,438,521	17,190,360	-	-
Finance lease liabilities	14.2	29,376	75,880	-	14,429
		16,467,897	17,266,240	-	14,429
Unsecured					
Term loan		1,459,087	1,835,867	-	-
		17,926,984	19,102,107	-	14,429

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

14. Loans and borrowings (cont'd)

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Current					
Secured					
Term loans		3,149,866	4,838,838	-	-
Finance lease liabilities	14.2	46,505	140,561	14,429	108,485
		3,196,371	4,979,399	14,429	108,485
Unsecured					
Bank overdrafts		1,475,438	413,809	204,358	52,993
Bankers' acceptances		2,834,000	2,986,000	1,414,000	986,000
Export credit refinancing		131,000	-	-	-
Onshore foreign currency loan		-	1,107,351	-	-
Term loan		328,093	494,798	-	-
		4,768,531	5,001,958	1,618,358	1,038,993
		7,964,902	9,981,357	1,632,787	1,147,478

14.1 Security

The finance lease liabilities are secured as the rights to the leased assets revert to the lessor in the event of default.

The secured term loans are secured over fixed and floating charges over certain property, plant and equipment of the Group (see Note 3).

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

14. Loans and borrowings (cont'd)

14.2 Finance lease liabilities

Finance lease liabilities are payable as follows :

	2018			2017		
	Future minimum lease payments RM	Interest RM	Present value of minimum lease payments RM	Future minimum lease payments RM	Interest RM	Present value of minimum lease payments RM
Group						
Less than 1 year	50,026	3,521	46,505	152,285	11,724	140,561
Between 1 and 5 years	31,642	2,266	29,376	81,668	5,788	75,880
	81,668	5,787	75,881	233,953	17,512	216,441
Company						
Less than 1 year	15,478	1,049	14,429	117,737	9,252	108,485
Between 1 and 5 years	-	-	-	15,478	1,049	14,429
	15,478	1,049	14,429	133,215	10,301	122,914

14.3 Reconciliation of movement of liabilities to cash flows arising from financing activities

	At 1.3.2017 RM	Net changes from financing cash flows RM	At 28.2.2018 RM
Group			
Bankers' acceptances	2,986,000	(152,000)	2,834,000
Export credit refinancing	-	131,000	131,000
Onshore foreign currency loan	1,107,351	(1,107,351)	-
Short term borrowings	4,093,351	(1,128,351)	2,965,000
Term loans	24,359,863	(2,984,296)	21,375,567
Finance lease liabilities	216,441	(140,560)	75,881
	28,669,655	(4,253,207)	24,416,448
Company			
Bankers' acceptances	986,000	428,000	1,414,000
Finance lease liabilities	122,914	(108,485)	14,429
	1,108,914	319,515	1,428,429

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

15. Advances from a shareholder, unsecured - Group

	2018 RM	2017 RM
Non-current		
Advances from a shareholder	11,166,969	9,816,969

The advances from a shareholder are unsecured and carry interests at 6.9% (2017 : 6.65%) per annum.

The Company has issued a corporate guarantee of similar amount in favour of the shareholder to guarantee the repayment of debt by its subsidiary.

These advances shall be repaid by 31 August 2019 based on the extended repayment period granted by the shareholder during the financial year.

16. Trade and other payables

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Trade				
Subsidiary	-	-	670,495	1,432,342
Trade payables	600,390	646,914	-	-
Progress billings	1,952,550	1,952,550	-	-
	2,552,940	2,599,464	670,495	1,432,342
Non-trade				
Other payables	2,842,138	2,467,873	272,541	349,424
Accrued expenses	3,877,437	4,989,902	349,402	288,033
	6,719,575	7,457,775	621,943	637,457
	9,272,515	10,057,239	1,292,438	2,069,799

17. Revenue

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Sale of goods	54,019,277	47,829,146	-	-
Rental income	421,000	60,000	-	-
Property development revenue (*)	(323,782)	-	-	-
Commission income	-	-	1,612,301	1,708,840
Management fees received	-	-	672,808	657,102
Dividend income	-	-	500,000	-
	54,116,495	47,889,146	2,785,109	2,365,942

* Represents the net impact which arose mainly from the rescission of sales during the financial year.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

18. Results from operating activities

Results from operating activities are arrived at :

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
After charging :				
Auditors' remuneration				
Audit fees				
- current year	85,000	85,000	20,000	19,616
Other services				
- KPMG PLT	4,500	6,000	2,000	6,000
- Affiliates of KPMG PLT	22,624	22,949	7,986	7,986
Depreciation of :				
- property, plant and equipment (Note 3)	5,427,046	5,110,740	131,114	143,855
- investment property (Note 4)	126,571	125,680	-	-
Directors' emoluments				
Directors of the Company				
- fees	25,200	25,200	25,200	25,200
- remuneration	916,321	818,748	916,321	818,748
Property, plant and equipment				
- write off	2,401	644	1	1
- loss on disposal	-	141,664	2	-
Rental of premises	27,600	25,200	27,600	25,200
Unrealised loss on foreign exchange	-	676,568	-	-
and crediting :				
Dividend income from a subsidiary	-	-	500,000	-
Rental income from properties	421,000	75,600	-	-
Gain on disposal of plant and equipment	150,359	-	-	-
Gain on foreign exchange				
- realised	82,700	390,282	-	-
- unrealised	1,267,752	-	-	-
Reversal of impairment loss on :				
- investments in subsidiaries	-	-	57,259	85,777,937
- land held for property development	-	40,936,783	-	-

The estimated monetary value of Directors' benefits-in-kind of the Group and of the Company otherwise than in cash is RM30,719 (2017 : RM30,943).

Included in Directors' remuneration of the Group and of the Company is an amount of RM112,803 (2017 : RM100,764), representing contributions made to the state plans.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

19. Interest expense

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Bank overdrafts	1,887	1,113	770	511
Banker's acceptances	103,218	71,352	56,864	63,158
Advances from a shareholder	738,088	658,629	-	-
Finance lease obligations	11,825	12,390	9,353	12,184
Term loans	1,059,317	897,873	-	-
Export credit refinancing	2,625	-	-	-
	1,916,960	1,641,357	66,987	75,853

20. Staff costs

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Wages, salaries and others (excluding Directors' remuneration)	9,907,212	9,654,734	450,748	449,084
Contribution to state plan	767,792	768,076	61,212	64,319
Staff costs	10,675,004	10,422,810	511,960	513,403

21. Key management personnel compensations

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Executive Directors				
- Remuneration	916,321	818,748	916,321	818,748
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	30,719	30,943	30,719	30,943
	947,040	849,691	947,040	849,691
Other key management personnel				
- Short term employee benefits	501,074	491,234	232,971	203,133
	1,448,114	1,340,925	1,180,011	1,052,824

Other key management personnel comprises persons other than the Directors of the Group and of the Company having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

22. Tax expense

Recognised in profit or loss

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Current tax expense				
- current year	384,385	290,381	127,000	173,500
- prior years	15,644	(19,210)	(858)	(12,733)
	400,029	271,171	126,142	160,767
Deferred tax expense				
- current year	578,000	8,635,828	-	-
- prior years	(49,000)	-	-	-
	529,000	8,635,828	-	-
Total tax expense	929,029	8,906,999	126,142	160,767

Reconciliation of tax expense

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Profit before tax	2,741,091	43,271,171	868,700	86,278,281
Tax at Malaysian tax rate of 24%	657,862	10,385,081	208,488	20,706,787
Non-deductible expenses	433,733	481,323	40,695	47,332
Income not subject to tax	-	-	(133,742)	(20,586,705)
Reinvestment allowance and increased export allowance claimed	(257,414)	(2,044,960)	-	-
Effect of deferred tax assets previously not recognised	128,880	105,120	12,240	5,280
Other items	(632)	(355)	(681)	806
	962,429	8,926,209	127,000	173,500
Over provision in prior years	(33,400)	(19,210)	(858)	(12,733)
Tax expense	929,029	8,906,999	126,142	160,767

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

23. Earnings per ordinary share - Group

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share as at 28 February 2018 was based on the Group's profit attributable to the owners of the Company of RM1,812,062 (2017 : RM34,364,172) and on the weighted average number of ordinary shares outstanding during the year of RM159,974,948 (2017 : 159,974,948).

24. Operating segments

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Executive Chairman (the chief operating decision maker) reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments :

Fibre glasswool and related products	Manufacturer and distributor of fibre glasswool and other related products
Property development	Development of a country retreat comprising bungalow lots and orchard lots
Investment holding	Investment in shares and letting of properties

Performance is measured based on segment profit before tax and interest ("segment profit") as included in the internal management reports that are reviewed by the Group's Executive Chairman (the chief operating decision maker). Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

The total of segment asset is measured based on all assets of a segment, as included in the internal management reports that are reviewed by the Group's Executive Chairman. Segment total asset is used to measure the return of assets of each segment.

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Group's Executive Chairman. Hence, no disclosure is made on segment liability.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment and investment properties.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

24. Operating segments (cont'd)

	Fibre glasswool and related products RM'000	Property development RM'000	Investment holding RM'000	Total RM'000
2018				
Segment profit	4,520	(738)	815	4,597
Included in the measure of segment profit are:				
Revenue from external customers	54,019	(263)	360	54,116
Depreciation and amortisation	4,784	1	769	5,554
Not included in the measure of segment profit but provided to Executive Chairman :				
Finance costs	1,397	-	520	1,917
Tax expense	663	-	266	929
Interest income	23	38	-	61
Segment assets	76,648	134,685	19,273	230,606
Included in the measure of segment assets are :				
Additions to non-current assets other than financial instruments	3,995	8	1,060	5,063
Deferred tax assets	1,387	-	-	1,387
2017				
Segment profit	4,458	40,083	272	44,813
Included in the measure of segment profit are:				
Revenue from external customers	47,829	-	60	47,889
Depreciation and amortisation	4,805	1	431	5,237
Reversal of impairment loss on land held for property development	-	40,937	-	40,937
Not included in the measure of segment profit but provided to Executive Chairman :				
Finance costs	1,284	-	357	1,641
Tax expense	(1,019)	9,841	85	8,907
Interest income	100	-	-	100
2017				
Segment assets	77,313	134,961	19,218	231,492
Included in the measure of segment assets are :				
Additions to non-current assets other than financial instruments	1,081	5	6,953	8,039
Deferred tax assets	1,916	-	-	1,916

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

24. Operating segments (cont'd)

Geographical information

Revenue and non-current assets are based on the geographical location of customers and assets respectively. The amounts of non-current assets do not include interests in an associate and deferred tax assets.

	2018		2017	
	Revenue	Non-current assets	Revenue	Non-current assets
	RM'000	RM'000	RM'000	RM'000
Geographical information				
Malaysia	20,796	201,034	21,273	202,667
Asia (excluding Malaysia)	10,263	-	9,952	-
Oceania	22,449	-	15,802	-
Others	608	-	862	-
	54,116	201,034	47,889	202,667

Major customers

Major customers contributing more than 10% of the Group's total revenue for the financial year are as follows :

	Segment	2018 RM	2017 RM
Customer A	Fibre glasswool and related products	12,919,357	12,196,886
Customer B	Fibre glasswool and related products	6,584,632	30,630

25. Related parties

25.1 Identity of related parties

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

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. Key management personnel includes the Executive Directors of the Group and certain members of senior management of the Group.

The Group has a related party relationship with its subsidiaries, a corporate shareholder, Directors and key management personnel.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

25. Related parties (cont'd)

25.2 Significant related party transactions

The significant related party transactions of the Group and the Company are shown below. The balances related to the transactions below are shown in Notes 5, 10, 15 and 16.

i) Transactions with subsidiaries

	Company	
	2018	**2017**
	RM	**RM**
Commission income	1,612,301	1,708,840
Management fees received	672,808	657,102
Dividend income	500,000	-

ii) Transactions with Equaplus Sdn. Bhd., a corporate shareholder of the Company

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Interest payable and paid	738,088	658,629	-	-

iii) Transactions with key management personnel

There were no transactions with key management personnel other than the remuneration package paid to them in accordance with the terms and conditions of their appointment as disclosed in Note 21.

26. Capital commitment - Group

	2018	**2017**
	RM'000	**RM'000**
Property, plant and equipment		
- Contracted but not provided for	977	1,052

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

27. Financial instruments

27.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables ("L&R"); and
(b) Financial liabilities measured at amortised cost ("FL").

	Carrying amount RM	L&R RM
Financial assets		
2018		
Group		
Trade and other receivables (excluding deposits and prepayments)	10,601,875	10,601,875
Cash and cash equivalents	698,840	698,840
	11,300,715	11,300,715
Company		
Trade and other receivables (excluding deposits and prepayments)	6,168,115	6,168,115
Cash and cash equivalents	130,752	130,752
	6,298,867	6,298,867
2017		
Group		
Trade and other receivables (excluding deposits and prepayments)	9,779,380	9,779,380
Cash and cash equivalents	1,870,745	1,870,745
	11,650,125	11,650,125
Company		
Trade and other receivables (excluding deposits and prepayments)	4,927,094	4,927,094
Cash and cash equivalents	1,537,065	1,537,065
	6,464,159	6,464,159

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

27. Financial instruments (cont'd)

27.1 Categories of financial instruments (cont'd)

	Carrying amount RM	FL RM
Financial liabilities		
2018		
Group		
Loans and borrowings	25,891,886	25,891,886
Trade and other payables	9,272,515	9,272,515
Advances from a shareholder	11,166,969	11,166,969
	46,331,370	46,331,370
Company		
Loans and borrowings	1,632,787	1,632,787
Trade and other payables	1,292,438	1,292,438
	2,925,225	2,925,225
2017		
Group		
Loans and borrowings	29,083,464	29,083,464
Trade and other payables	10,057,239	10,057,239
Advances from a shareholder	9,816,969	9,816,969
	48,957,672	48,957,672
Company		
Loans and borrowings	1,161,907	1,161,907
Trade and other payables	2,069,799	2,069,799
	3,231,706	3,231,706

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

27. Financial instruments (cont'd)

27.2 Net gains and losses arising from financial instruments

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Net (losses)/gains arising on :				
Loans and receivables	(5,145)	359,938	10,427	62,239
Financial liabilities measured at amortised cost	(500,647)	(2,187,907)	(66,987)	(75,853)
	(505,792)	(1,827,969)	(56,560)	(13,614)

27.3 Financial risk management

The Group has exposures to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

27.4 Credit risk

Credit risk is the risk of a financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from its receivables from customers and advances to subsidiaries.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally financial guarantees by directors of the customers and security bond by the customers are obtained, and credit evaluations are performed on customers requiring credit over a certain amount.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 60 days, which are deemed to have higher credit risk, are monitored individually.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

27. Financial instruments (cont'd)

27.4 Credit risk (cont'd)

Receivables (cont'd)

Exposure to credit risk, credit quality and collateral (cont'd)

The Group and the Company received financial guarantees given by directors of customers in managing exposure to credit risks. At the end of the reporting period, financial guarantees received by the Group and the Company are as follows :

	Group/Company	
	2018	2017
	RM	RM
Limit	4,950,000	4,600,000
Outstanding balance of trade receivables	2,248,918	2,625,902

The exposure to credit risk for trade receivables as at the end of the reporting period by geographic region was :

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Malaysia	6,561,779	6,081,537	5,600,369	4,559,176
Asia (excluding Malaysia)	800,173	929,730	-	-
Oceania	2,957,841	2,168,457	-	-
	10,319,793	9,179,724	5,600,369	4,559,176

Impairment losses

The Group and the Company maintain an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was :

	Gross	Individual impairment	Net
	RM	RM	RM
Group			
2018			
Not past due	4,468,953	-	4,468,953
Past due 1 - 30 days	1,842,191	-	1,842,191
Past due 31 - 60 days	2,467,393	-	2,467,393
Past due more than 60 days	1,541,256	-	1,541,256
	10,319,793	-	10,319,793

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

27. Financial instruments (cont'd)

27.4 Credit risk (cont'd)

Receivables (cont'd)

Impairment losses (cont'd)

	Gross RM	Individual impairment RM	Net RM
Group			
2017			
Not past due	3,353,469	-	3,353,469
Past due 1 - 30 days	3,456,571	-	3,456,571
Past due 31 - 60 days	718,762	-	718,762
Past due more than 60 days	1,650,922	-	1,650,922
	9,179,724	-	9,179,724
Company			
2018			
Not past due	2,733,640	-	2,733,640
Past due 1 - 30 days	1,709,538	-	1,709,538
Past due 31 - 60 days	994,531	-	994,531
Past due more than 60 days	162,660	-	162,660
	5,600,369	-	5,600,369
2017			
Not past due	2,682,405	-	2,682,405
Past due 1 - 30 days	1,495,028	-	1,495,028
Past due 31 - 60 days	353,622	-	353,622
Past due more than 60 days	28,121	-	28,121
	4,559,176	-	4,559,176

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries and to a shareholder, Equaplus Sdn. Bhd. in respect of advances given to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

27. Financial instruments (cont'd)

27.4 Credit risk (cont'd)

Financial guarantees (cont'd)

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM20,175,000 (2017 : RM24,360,000) and RM11,167,000 (2017 : RM9,817,000) representing the outstanding banking facilities of the subsidiaries and amount owing to a corporate shareholder, Equaplus Sdn. Bhd. by the subsidiary respectively as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

Inter company loans and advances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Impairment losses

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries are not recoverable. The Company does not specifically monitor the ageing of the advances to the subsidiaries.

27.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

27. Financial instruments (cont'd)

27.5 Liquidity risk (cont'd)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments :

	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
Non-derivative financial liabilities							
Group							
2018							
Secured term loans	19,588,387	3.50 - 6.95	20,199,410	3,422,871	3,602,102	10,190,414	2,984,023
Unsecured term loan	1,787,180	3.35 - 3.77	1,787,180	328,093	328,093	984,280	146,714
Finance lease liabilities	75,881	2.40 - 3.50	81,668	50,026	31,642	-	-
Unsecured bank overdrafts	1,475,438	8.29	1,475,438	1,475,438	-	-	-
Unsecured bankers' acceptances	2,834,000	4.46 - 4.76	2,834,000	2,834,000	-	-	-
Unsecured export credit refinancing	131,000	4.28 - 4.55	131,000	131,000	-	-	-
Advances from a shareholder	11,166,969	6.90	11,937,490	770,521	11,166,969	-	-
Trade and other payables	9,272,515	-	9,272,515	9,272,515	-	-	-
	46,331,370		47,718,701	18,284,464	15,128,806	11,174,694	3,130,737

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

27. Financial instruments (cont'd)

27.5 Liquidity risk (cont'd)

Maturity analysis (cont'd)

	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
Non-derivative financial liabilities							
Group							
2017							
Secured term loans	22,029,198	2.65 - 5.22	23,024,035	5,292,468	2,620,624	9,746,525	5,364,418
Unsecured term loan	2,330,665	2.65 - 3.40	2,524,152	494,798	539,780	1,489,574	-
Finance lease liabilities	216,441	2.40 - 3.50	233,953	152,285	50,026	31,642	-
Unsecured bank overdrafts	413,809	7.95	413,809	413,809	-	-	-
Unsecured bankers' acceptances	2,986,000	4.26 - 4.55	2,986,000	2,986,000	-	-	-
Advances from a shareholder	9,816,969	6.65	10,469,797	652,828	9,816,969	-	-
Trade and other payables	10,057,239	-	10,057,239	10,057,239	-	-	-
Unsecured onshore foreign currency loan	1,107,351	2.60	1,107,351	1,107,351	-	-	-
	48,957,672		50,816,336	21,156,778	13,027,399	11,267,741	5,364,418

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

27. Financial instruments (cont'd)

27.5 Liquidity risk (cont'd)

Maturity analysis (cont'd)

	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
Non-derivative financial liabilities							
Company							
2018							
Unsecured bank overdraft	204,358	8.29	204,358	204,358	-	-	-
Unsecured bankers' acceptances	1,414,000	4.46 - 4.76	1,414,000	1,414,000	-	-	-
Finance lease liabilities	14,429	2.40 - 3.50	15,478	15,478	-	-	-
Trade and other payables	1,292,438	-	1,292,438	1,292,438	-	-	-
Financial guarantees	-	-	31,342,000	31,342,000	-	-	-
	2,925,225		34,268,274	34,268,274	-	-	-
2017							
Unsecured bank overdraft	52,993	7.95	52,993	52,993	-	-	-
Unsecured bankers' acceptances	986,000	4.26	986,000	986,000	-	-	-
Finance lease liabilities	122,914	2.40 - 3.50	133,215	117,737	15,478	-	-
Trade and other payables	2,069,799	-	2,069,799	2,069,799	-	-	-
Financial guarantees	-	-	34,176,832	34,176,832	-	-	-
	3,231,706		37,418,839	37,403,361	15,478	-	-

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

27. Financial instruments (cont'd)

27.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flows.

27.6.1 Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than Ringgit Malaysia. The currencies giving rise to this risk are primarily US Dollar and Singapore Dollar.

Risk management objectives, policies and processes for managing the risk

The Group does not specifically hedge its exposure to foreign currency risk.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was :

	Denominated in	
	US Dollar RM	Singapore Dollar RM
Group		
2018		
Balances recognised in the statement of financial position		
Trade receivables	2,509,909	398,410
Trade payables	(657,506)	-
Cash and cash equivalents	402,648	-
Term loans	(9,938,359)	-
	(7,683,308)	398,410
2017		
Balances recognised in the statement of financial position		
Trade receivables	302,441	946,981
Trade payables	(168,264)	(197)
Cash and cash equivalents	275,219	-
Onshore foreign currency loan	(1,107,351)	-
Term loans	(11,569,330)	-
	(12,267,285)	946,784

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

27. Financial instruments (cont'd)

27.6 Market risk (cont'd)

27.6.1 Currency risk (cont'd)

Currency risk sensitivity analysis

Foreign currency risk arises from Group entities which have a Ringgit Malaysia (RM) functional currency.

A 5% strengthening of the RM against the following currencies at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Profit or loss	
	2018	2017
	RM	RM
Group		
US Dollar	291,966	466,157
Singapore Dollar	(15,140)	(35,978)

A 5% weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

27.6.2 Interest rate risk

The Group's and the Company's exposures to interest rate risk is confined to the fluctuations in interest rates on borrowings which vary with reference to the prime lending rate of the banks.

Risk management objectives, policies and processes for managing the risk

The Group and the Company borrow for operations at variable rates using their banking facilities, and use fixed rate finance lease facility as well as the floating rate term loan to finance their capital expenditure. The Group and the Company also obtained advances from a major shareholder for which the financing cost is also essentially pegged against the bank's borrowing costs that varies according to the prime lending rate of an anchor bank.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

27. Financial instruments (cont'd)

27.6 Market risk (cont'd)

27.6.2 Interest rate risk (cont'd)

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was :

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Fixed rate instruments				
Financial assets	-	1,534,486	-	1,534,486
Financial liabilities	(4,153,526)	(5,891,859)	(1,428,429)	(1,108,914)
	(4,153,526)	(4,357,373)	(1,428,429)	425,572
Floating rate instruments				
Financial liabilities	(32,905,329)	(33,008,574)	(204,358)	(52,993)

Interest rate risk sensitivity analysis

(a) *Fair value sensitivity analysis for fixed rate instruments*

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(b) *Cash flow sensitivity analysis for floating rate instruments*

A change of 50 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

	Profit or loss			
	Group		Company	
	50 bp increase	50 bp decrease	50 bp increase	50 bp decrease
	RM	RM	RM	RM
2018				
Floating rate instruments	(125,040)	125,040	(777)	777
2017				
Floating rate instruments	(125,433)	125,433	(201)	201

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

27. Financial instruments (cont'd)

27.7 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	RM	RM
Group										
2018										
Financial liabilities										
Advances from a shareholder	-	-	-	-	-	-	11,166,969	11,166,969	11,166,969	11,166,969
Term loans	-	-	-	-	-	-	21,375,567	21,375,567	21,375,567	21,375,567
Finance lease liabilities	-	-	-	-	-	-	75,881	75,881	75,881	75,881
	-	-	-	-	-	-	32,618,417	32,618,417	32,618,417	32,618,417
Company										
2018										
Financial liabilities										
Finance lease liabilities	-	-	-	-	-	-	14,429	14,429	14,429	14,429

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

27. Financial instruments (cont'd)

27.7 Fair value information (cont'd)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	RM	RM
Group										
2017										
Financial liabilities										
Advances from a shareholder	-	-	-	-	-	-	9,816,969	9,816,969	9,816,969	9,816,969
Term loans	-	-	-	-	-	-	24,359,863	24,359,863	24,359,863	24,359,863
Finance lease liabilities	-	-	-	-	-	-	216,441	216,441	216,441	216,441
	-	-	-	-	-	-	34,393,273	34,393,273	34,393,273	34,393,273
Company										
2017										
Financial liabilities										
Finance lease liabilities	-	-	-	-	-	-	122,914	122,914	122,914	122,914

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

The fair value of advances from a shareholder, term loans and finance lease liabilities are calculated using discounted cash flows based on the current market rate of borrowings.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

28. Capital management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio.

During 2018, the Group's strategy which was unchanged from 2017, was to maintain the debt-to-equity ratio at below 1.5 : 1. The debt-to-equity ratios at 28 February 2018 and 28 February 2017 were as follows:

	Group	
	2018 RM'000	2017 RM'000
Total borrowings	37,059	38,900
Less : Cash and cash equivalents (Note 11)	(699)	(1,871)
Net debt	36,360	37,029
Total equity	161,154	159,342
Debt-to-equity ratio	0.23	0.23

There were no changes in the Group's approach to capital management during the financial year.

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

In the opinion of the Directors, the financial statements set out on pages 33 to 95 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 28 February 2018 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors :

Fong Wern Sheng
Director

Tan Ming Chong
Director

Penang,

Date : 8 June 2018

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, **Koh Joo Ling**, the officer primarily responsible for the financial management of Poly Glass Fibre (M) Bhd., do solemnly and sincerely declare that the financial statements set out on pages 33 to 95 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed **Koh Joo Ling**, NRIC: 641029-07-5146, at George Town in the State of Penang on 8 June 2018.

Koh Joo Ling

Before me :

Goh Suan Bee
(No. P125)
Commissioner for Oaths
Penang

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF POLY GLASS FIBRE (M) BHD.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Poly Glass Fibre (M) Bhd., which comprise the statements of financial position as at 28 February 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 33 to 95.

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 at 28 February 2018 and of their financial performance and their cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' 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 financial 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.

1. Impairment of land held for property development

Refer to Note 1(d) (*basis of preparation - use of estimates and judgements*), Note 2(g)(i) *(significant accounting policies – land held for property development)* and Note 7 Land held for property development.

The Group has land held for property development amounting to RM133.8 million as at 28 February 2018. This is one of the major assets of the Group and for which the development was suspended since April 1999. The conclusion of all litigation cases with the contractors of the Group in the previous financial year and the potential revival of development activities have brought about the reassessment of the recoverable value of the land held for property development by the Directors during the previous financial year. Nevertheless, the Group continued to monitor the recoverable amount based upon the valuation performed by the valuer in the previous financial year to ascertain that the value remains relevant.

We have determined the carrying amount of the land held for property development as a key audit matter because there are inherent uncertainties and significant judgement by the Directors involved in the valuation of this property to arrive at the recoverable amount based on the valuation performed by a firm of professional valuers. The inherent uncertainties include among others, the appropriateness of the valuation method used by the professional valuer and the extent of adjustments by the valuer, including the size of the property, the infrastructure available and the lay of the land for these to remain relevant this financial year.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF POLY GLASS FIBRE (M) BHD. (CONT'D)

Key Audit Matters (cont'd)

1. Impairment of land held for property development (cont'd)

How our audit addressed the key audit matter

Our audit procedures included, amongst others:

- Assessed the recoverable amount of the land as at the end of the reporting period based on the valuation carried out by a firm of professional valuers engaged by the Group.
- Read the valuation report by the valuer engaged by the Group in estimating the recoverable amount of the land held for property development for their basis in arriving at the estimated market value on Comparison method. Assessed the reasonableness of market value assumptions made by the firm of professional valuers on Comparison method, taking into consideration factors of adjustments by the valuer, including the size of the property, the infrastructure available and the lay of the land.
- Compared the estimated market value determined by the valuer against recent asking price for comparable properties around the vicinity.
- Considered the adequacy of the disclosures on the impairment assessment.

2. Impairment of investment in subsidiaries

Refer to Note 1(d) (*basis of preparation - use of estimates and judgements*), Note 2(a)(i) *(significant accounting policies – basis of consolidation: subsidiaries)* and Note 5 *Investments in subsidiaries*.

The Company's carrying amount of investment in subsidiaries as at 28 February 2018 was RM198.3 million. The conclusion of all litigation cases with the contractors of the subsidiary, Golden Approach Sdn Bhd ("GASB") in the previous financial year and the potential revival of development activities have brought about the reassessment of the recoverable value of the Company's investment in GASB by the Directors during the previous financial year. Nevertheless, the Company continued to monitor the recoverable amount of its investment in GASB at the end of this reporting period.

We have determined the impairment loss of its investment in GASB as a key audit matter because there are inherent uncertainties and significant judgement by the Directors involved in arriving at the recoverable amount based on the fair value of net assets of the affected subsidiary. Fair value of the major asset of the subsidiary, land held for property development, is based on the valuation performed by a firm of professional valuers. The inherent uncertainties include among others, the appropriateness of the valuation method used by the professional valuer and the extent of adjustments by the valuer, including the size of the property, the infrastructure available and the lay of the land.

How our audit addressed the key audit matter

Our audit procedures included, amongst others:

- Assessed the appropriateness of recoverable amount of the subsidiary determined using the fair value less costs to sell method derived mainly from the fair value of the land held for property development in the subsidiary;
- Read the valuation report by the valuer engaged by the Group in estimating the recoverable amount of the land held for property development for their basis in arriving at the estimated market value on Comparison method. Assessed the reasonableness of market value assumptions made by the firm of professional valuers on Comparison method, taking into consideration factors of adjustments by the valuer, including the size of the property, the infrastructure available and the lay of the land.
- Compared the estimated market value determined by the valuer against recent asking price for comparable properties around the vicinity.
- Considered the adequacy of the disclosures on the impairment assessment.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF POLY GLASS FIBRE (M) BHD. (CONT'D)

Information Other than the Financial Statements and Auditors' Report Thereon

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

Our opinion on the financial statements of the Group and of the Company does not cover the Annual Report 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 Annual Report and, in doing so, consider whether the Annual Report 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, we conclude that there is a material misstatement of the Annual Report, 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 ability of the Group and of the Company 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 internal control of the Group and of the Company.

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF POLY GLASS FIBRE (M) BHD. (CONT'D)

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

- 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 ability of the Group or of the Company 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 gives a true and fair view.

- 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 auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 content of this report.

KPMG PLT
LLP0010081-LCA & AF 0758
Chartered Accountants

Lee Phaik Im
Approval Number : 03177/05/2019 J
Chartered Accountant

Date : 8 June 2018

Penang

LIST OF PROPERTIES

	Location/Address	Tenure	Area	Description		Age of Assets (Years)	Net Book Value RM'000	Date of Acquisition
1.	Plot 255, Mukim 1 Prai Industrial Estate Seberang Perai Tengah Pulau Pinang	Leasehold (60 years expiring 25.10.2044)	6,142 sq. metres	Office and Factory Building	)))			
2.	Plot 254, Mukim 1 Prai Industrial Estate Seberang Perai Tengah Pulau Pinang	Leasehold (60 years expiring 14.05.2039)	10,117 sq. metres	Office and Factory Building	)))	32	9,344	01-03-1992
3.	Plot 4710, Mukim 1 Prai Industrial Estate Seberang Perai Tengah Pulau Pinang	Leasehold (60 years expiring 06.03.2041)	19,806 sq. metres	Office and Factory Building		10	12,617	12-08-2008
4.	Plot 254(a) Prai Industrial Park Seberang Perai Tengah Pulau Pinang	Leasehold (60 years title deed in process)	2,549 sq. metres	Office and Factory Building		2	528	20-04-2016
5.	Unit No. A12A.01 Lot No. 491, Section 10 Town of Georgetown North East District of Penang	Freehold	1,908 sq. metres	Light Industrial Lot		5	5,865	28-03-1996
6.	Diamond Creeks Country Retreat Mukim Ulu Bernam Timur, Daerah Batang Padang, Perak	Leasehold (99 years expiring 04.07.2095)	5,306,034 sq. metres	Land held for future Development		21	133,785*	21-02-1997

* For additional details please refer to Note 7 of the financial statements

ANALYSIS OF SHAREHOLDINGS

AS AT 1 JUNE 2018

Class of Securities : Ordinary shares
Total number of issued shares : 159,974,948 ordinary shares
Voting Rights : One vote per share

DIRECTORS' SHAREHOLDINGS IN THE COMPANY

Name	Direct	%	Deemed	%
Fong Wern Sheng	10,797,400	6.75	24,323,053(i)	15.20
Tan Ming Chong	-	-	-	-
Fong Wah Kai	6,798,800	4.25	78,056,900(ii)	48.79
Sia Taik Hian	-	-	-	-
Omar Bin Mohamed Said	-	-	-	-
Khoo Kah Hock	-	-	-	-

Notes: -
(i) Deemed interested by virtue of Section 8(4) of the Companies Act 2016 and held through Green Cluster Sdn. Bhd.
(ii) Deemed interested by virtue of Section 8(4) of the Companies Act 2016 and held through Equaplus Sdn. Bhd.

LIST OF SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

Name of Shareholders	Direct	% of Shares	Deemed	% of Shares
Equaplus Sdn. Bhd.	78,056,900	48.79	-	-
Fong Wah Kai	6,798,800	4.25	78,056,900(i)	48.79
Green Cluster Sdn. Bhd.	24,323,053	15.20	-	-
Fong Wern Sheng	10,797,400	6.75	24,323,053(ii)	15.20

Notes: -
(i) Deemed interested by virtue of Section 8(4) of the Companies Act 2016 and held through Equaplus Sdn. Bhd.
(ii) Deemed interested by virtue of Section 8(4) of the Companies Act 2016 and held through Green Cluster Sdn. Bhd.

DISTRIBUTION SCHEDULE OF SHAREHOLDINGS

No. of Holders	Size of Holdings	Total Holdings	%
90	Less than 100	1,277	0.00
1,645	100 to 1,000 shares	1,579,341	0.99
2,285	1,001 to 10,000 shares	8,971,131	5.61
386	10,001 to 100,000 shares	10,498,800	6.56
33	100,001 to less than 5% of issued shares	36,544,446	22.84
2	5% and above of issued shares	102,379,953	64.00
4,441	**TOTAL**	**159,974,948**	**100.00**

ANALYSIS OF SHAREHOLDINGS

AS AT 1 JUNE 2018 (CONT'D)

LIST OF THIRTY (30) LARGEST SHAREHOLDERS

	Shareholder's Name	Shareholdings	%
1.	Equaplus Sdn. Bhd.	78,056,900	48.79
2.	Green Cluster Sdn. Bhd.	24,323,053	15.20
3.	Tan Seok Leng	7,195,600	4.50
4.	Mayban Nominees (Tempatan) Sdn. Bhd. Fong Wern Sheng	6,510,600	4.07
5.	Mayban Nominees (Tempatan) Sdn. Bhd. Fong Wah Kai	4,440,600	2.78
6.	Mayban Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Fong Wern Sheng	4,257,000	2.66
7.	Koh Chye Khim	3,056,496	1.91
8.	Fong Wah Kai	2,341,600	1.46
9.	Loo Chee Hin	1,118,800	0.70
10.	Mayban Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Kok Hooy	726,000	0.45
11.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ang Hong Lim (E-TJJ/TMB)	658,600	0.41
12.	George Lee Sang Kian	650,100	0.41
13.	Tan Chong Kheng	600,000	0.38
14.	Ooi Say Hup	459,000	0.29
15.	Ooi Say Hup	449,900	0.28
16.	Foh Chong & Sons Sdn. Bhd.	338,000	0.21
17.	Teh Bee Gaik	326,800	0.20
18.	Yeong Tuck Wai	285,450	0.18
19.	Lim Jin Chow	281,000	0.18
20.	Lim Tye Nee	281,000	0.18
21.	Chang Ah Boon	226,400	0.17
22.	George Lee Sang Kian	252,500	0.16
23.	Young N Successful Sdn. Bhd.	239,000	0.15
24.	Cimsec Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Yap Koon Teck (Penang-CL)	200,000	0.13
25.	Sam Ah Tak	186,000	0.12
26.	Tan Say Fung	180,000	0.11
27.	Hii Tiong Huat	165,000	0.10
28.	Wong Ah Yew & Ah Yew	151,000	0.09
29.	Tan Hock Ghee	150,000	0.09
30.	Ong Ah Yiew @ Ong Keng Wah	140,000	0.09

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 28th Annual General Meeting ("AGM") of the Company will be held at Kelawai Room, Lobby Level, Evergreen Laurel Hotel Penang, No. 53, Persiaran Gurney, 10250 Penang on 27 July 2018 at 10.30 a.m. for the following purposes: -

AGENDA

ORDINARY BUSINESS

1. To receive the Company's Audited Financial Statements for the year ended 28 February 2018 together with the Reports of Directors and Auditors thereon.
2. To re-elect the following Directors who retire in accordance with the Company's Constitution (Article 84 of the Articles of Association), and being eligible have offered themselves for re-election: -
   (a) Mr. Fong Wah Kai (Resolution 1)
   (b) Mr. Sia Taik Hian (Resolution 2)
3. To approve the Directors' Fees and Other Benefits of RM32,900 for the financial year ended 28 February 2018. (Resolution 3)
4. To approve the Directors' Other Benefits Payables up to an amount of RM8,250 from 28 July 2018 to the next AGM of the Company. (Resolution 4)
5. To re-appoint Messrs KPMG PLT as Auditors to hold office until the conclusion of the next AGM and to authorise the Directors to fix their remuneration. (Resolution 5)

SPECIAL BUSINESS

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

6. **Authority to Issue Shares Pursuant to the Companies Act 2016**
   "That, subject always to the Companies Act 2016 ("the Act") and the Constitution of the Company (Articles of Association) and approvals of the Bursa Malaysia Securities Berhad ("Bursa Securities") and other relevant Governmental or regulatory authorities, where such approvals are necessary, the Directors be and are hereby given full authority, pursuant to Section 75 and 76 of the Act to issue and allot shares in the capital of the Company at any time upon such terms and conditions and for such purposes as the Directors may, in their discretion, deem fit, provided that the aggregate number of the shares to be issued pursuant to this resolution does not exceed ten percentum (10%) of the issued and paid-up share capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next AGM of the Company." (Resolution 6)
7. **CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTORS**
   (a) Subject to the passing of Resolution 2, to retain the Mr. Sia Taik Hian, who has served for more than nine (9) years as Independent Non-Executive Director of the Company, pursuant to Practice 4.2 of the Malaysian Code on Corporate Governance (the "Code"). (Resolution 7)
   (b) To retain the En. Omar Bin Mohamed Said, who have served for more than nine (9) years as Independent Non-Executive Director of the Company, pursuant to Practice 4.2 of the Code. (Resolution 8)
8. To transact any other ordinary business for which due notice has been given in accordance with the Act.

NOTICE IS HEREBY GIVEN that for purpose of determining a member who shall be entitled to attend this 28th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd, in accordance with the Article 62(3) of the Company's Constitution (Articles of Association) and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 20 July 2018. Only a depositor whose name appears on the Record of Depositors as at 20 July 2018 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

By Order of the Board

Ch'ng Lay Hoon
Company Secretary

Penang
29 June 2018

NOTICE OF ANNUAL GENERAL MEETING

(CONT'D)

NOTES:

i) A member of the Company entitled to attend, speak and vote at this meeting is entitled to appoint a proxy to attend and vote in his place.
ii) Where a member appoints more than one (1) proxy [but not more than two (2)], the appointment shall be invalid unless he specifies the proportions of his holdings 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 the appointor is a corporation, either under its common seal or under the hand of its officer or attorney duly authorised.
iv) Where a member of the Company is an exempt authorized nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.
v) All forms of proxy must be deposited at the Company's registered office at Suite 12A, Level 12, Menara Northam, No. 55, Jalan Sultan Ahmad Shah, 10050 Georgetown Penang, not less than forty-eight (48) hours before the time stipulated for holding the meeting or adjournment thereof.

Explanatory Note On Special Business

Resolution 6

The proposed resolution is in relation to authority to allot shares pursuant to Section 75 and 76 of the Act, and if passed, will give a renewed mandate to the Directors of the Company, from the date of above AGM, authority to issue and allot shares in the Company up to and not exceeding in total ten per centum (10%) of the issued share capital of the Company for the time being, for such purposes as the Directors consider would be in the interest of the Company ("General Mandate"). This General Mandate, unless revoked or varied at a general meeting of the Company, will expire at the conclusion of the next AGM of the Company or the period within which the next AGM of the Company is required by law to be held whichever is the earlier.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors of the Company at the 27th AGM held on 28 July 2017 and which will lapse at the conclusion of the 28th AGM.

At this juncture, there is no decision to issue new shares. However, should the need arise to issue new shares the General Mandate would avoid any delay and costs in convening a general meeting of the Company to specifically approve such issue of share. If there should be a decision to issue new shares after the General Mandate is obtained, the Company would make an announcement in respect of the purpose and utilization of the proceeds arising from such issue.

Resolution 7 & 8

The Board of Directors via the Nominating Committee assessed the independence of Mr. Sia Taik Hian and En. Omar Bin Mohammed Said, who has served on the Board as Independent Non-Executive Directors of the Company for a cumulative of more than nine (9) years and the Board has recommended that the approval of the shareholders be sought to re-appoint Mr. Sia Taik Hian and En. Omar Bin Mohammed Said, based on the following justifications: -

(a) They have met the criteria the independence guidelines set out in Chapter 1 of the Main Market Listing Requirements of Bursa Securities and therefore able to give independent opinion to the Board;
(b) Being directors for more than nine (9) years have enabled them to contribute positively during deliberations/ discussions at meetings as they are familiar with the operations of the Company and possess tremendous knowledge of the Company's operations;
(c) They have the caliber, qualifications, experiences and personal qualities to challenge management in an effective and constructive manner; and
(d) They have contributed sufficient time and exercised due care during their tenure as Independent Non-Executive Directors and carried out their fiduciary duties in the interest of the Company and minority shareholders.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

PURSUANT TO PARAGRAPH 8.27(2) OF BURSA MALAYSIA SECURITIES BERHAD'S MAIN MARKET LISTING REQUIREMENTS

No individual is standing for election as a Director of the Company at the 28th AGM.

POLY GLASS FIBRE (M) BHD. (42138-X)
(Incorporated in Malaysia)

CDS ACCOUNT NO.	NO. OF SHARES HELD

PROXY FORM

I/We, ____
(*Full name of a member in BLOCK LETTERS as per Identity Card("MYKAD")/Passport/Certificate of Incorporation)*

MYKAD/PassportNo./Company No. ______________________ of ______________________

____
(Address in full)

telephone no. ______________________, being a member of POLY GLASS FIBRE (M) BHD.

("the Company") hereby appoint ____
(Full name of proxy in BLOCK LETTERS as per MYKAD/Passport)

MYKAD/Passport No. ______________________ of ______________________

____
(Address in full)

And/or failing him ____
(Full name of proxy in BLOCK LETTERS as per MYKAD/Passport)

MYKAD/Passport No. ______________________ of ______________________

____
(Address in full)

or failing the abovenamed proxies, the Chairman of the Meeting, as my/our proxy to vote for me/us on my/our behalf at the 28th Annual General Meeting of the Company, to be held at **Kelawai Room, Lobby Level, Evergreen Laurel Hotel Penang, No. 53, Persiaran Gurney, 10250 Penang on 27 July 2018 at 10.30 a.m.** and any adjournment thereof. My/our proxy/proxies is to be vote as indicated below:

	Resolution	For	Against
1.	Re-election of Mr. Fong Wah Kai as Director		
2.	Re-election of Mr. Sia Taik Hian as Director		
3.	Approval of Directors' Fees & Other Benefits Payable for the financial year ended 28 February 2018		
4.	Approval of Directors Other Benefits Payable up to RM8,250.00		
5.	Re-appointment of Auditors		
6.	Approval for Directors to issue shares pursuant to Section 75 and 76 of the Companies Act 2016		
7.	Continuing in Office as Independent Non Executive Director for Mr. Sia Taik Hian		
8.	Continuing in Office as Independent Non Executive Director for En. Omar Bin Mohamed Said		

(Please indicate with "X" in the spaces on how you wish your votes to be cast for or against the resolutions. In the absence of specific directions, your proxy will vote or abstain from voting at his discretion.)

Dated this ______ day of ___________ 2018

The proportions of my/or holding to be represented by my/our proxies are as follows: -		
	No. of Shares	Percentage
First Proxy		
Second Proxy		
Total		**100%**

____
Signature(s)/Common Seal of Member(s)

NOTES:

1. *A member entitled to attend and vote at this meeting may appoint more than one (1) proxy, who need not be a member, to attend and vote in his stead. Where a member appoints more than one (1) proxy the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.*
2. *If the appointer is a corporation, the form of proxy must be executed under its Common Seal or under the hand of its officer or attorney duly authorised.*
3. *Where a member of the Company is an exempt authorized nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each Omnibus Account it holds.*
4. *To be valid, the duly completed form of proxy must be deposited at the Company's registered office at Suite 12A, Level 12, Menara Northam, No. 55, Jalan Sultan Ahmad Shah, 10050 Georgetown Penang, not less than forty-eight (48) hours before the time stipulated for holding the meeting or adjournment thereof.*
5. *For the purpose of determining a member who shall be entitled to attend this 28th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd, in accordance with the Company's Constitution (Article 62(3) of the Company's Articles of Association) and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 20 July 2018. Only a depositor whose name appears on the Record of Depositors as at 20 July 2018 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.*

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Stamp

The Company Secretary
POLY GLASS FIBRE (M) BHD. (42138-X)
Suite 12-A, Level 12
Menara Northam
No. 55 Jalan Sultan Ahmad Shah
10050 Georgetown Penang

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