



 **FoundPac<sup>®</sup>**  
**Group Berhad** (1165946-H)

LEADING ASIA, GLOBALISING MISSIONS

Annual Report 2017



## LEADING ASIA, GLOBALISING MISSIONS

Founded in Malaysia, FoundPac Group Berhad has shown great capacity and the Company displayed strong business performance in expanding from its roots in Malaysia to the rest of the world. With FoundPac Group Berhad's primary export markets to US and Europe, the IPO marks the new beginning for the Company's future growth to more countries as it strives to create profitable and sustainable opportunities. To remain competitive in the global market, FoundPac Group Berhad strives to globalise its missions in order to deliver products and services with excellent international standards in the electronics and semiconductor industry.



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# CORPORATE STRUCTURE

FoundPac Group Berhad (“FoundPac”) was incorporated in Malaysia under the Companies Act 2016 on 16 November 2015 as a private limited company under the name of FoundPac Group Sdn. Bhd. Subsequently, it was converted into a public limited company and assumed its present name on 11 March 2016.



The details of the FoundPac and its subsidiaries (“FoundPac Group” or “Group”) are as follows:

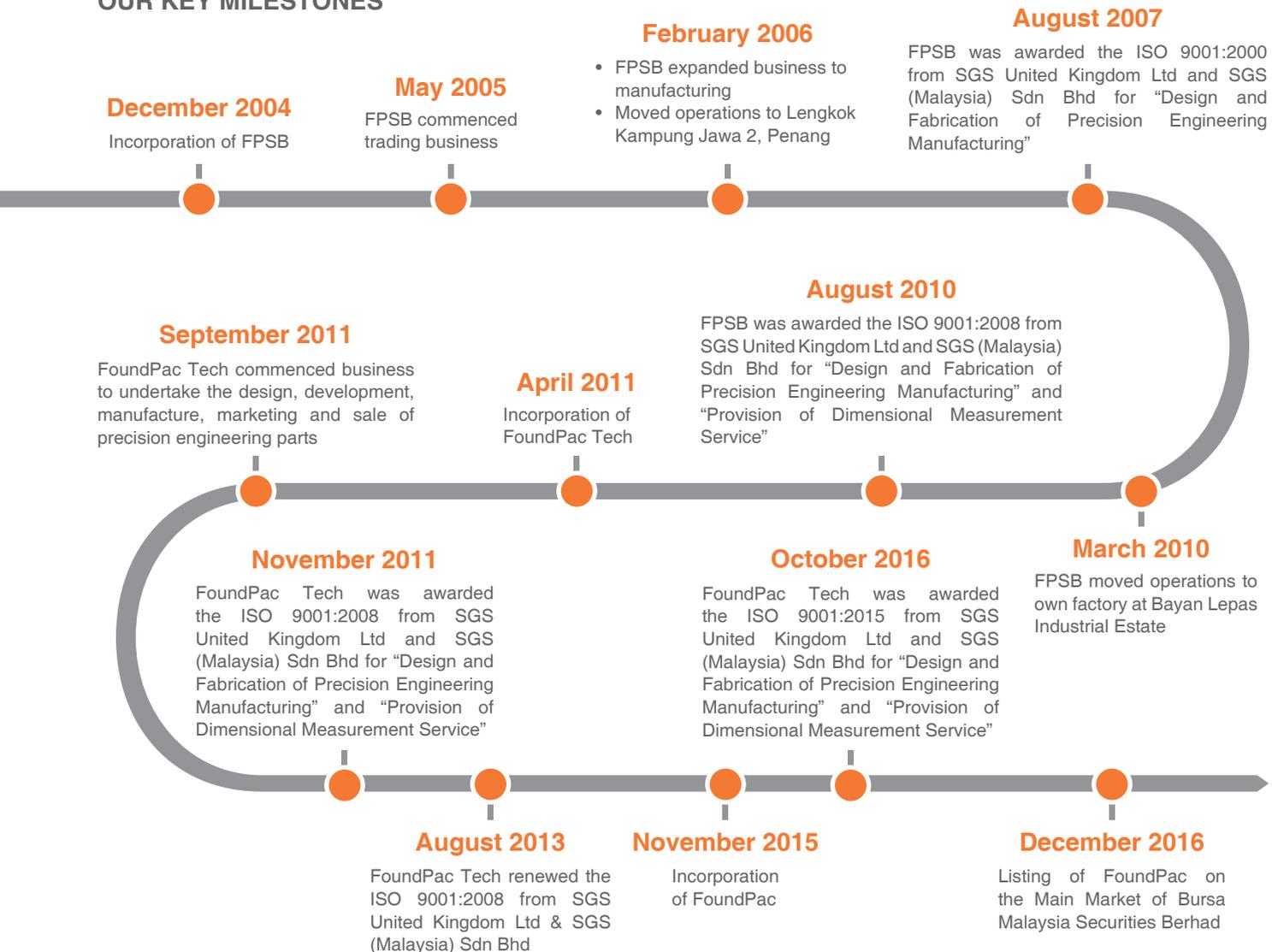
Corporation	Date/ Country of Incorporation	Effective Ownership Interest %	Principal Activity
FoundPac Group Berhad (1165946-H) (“FoundPac”)	16-11-2015/ Malaysia	-	Investment holding
<b>Subsidiaries of FoundPac</b>			
FoundPac Sdn. Bhd. (675052-D) (“FPSB”)	13-12-2004/ Malaysia	100	Investment holding
FoundPac Technologies Sdn. Bhd. (939942-M) (“FoundPac Tech”)	11-04-2011/ Malaysia	100	Design, development, manufacture, marketing and sale of stiffeners, test sockets, hand lids and related accessories



**100%**  
FoundPac Sdn. Bhd.  
(675052-D)

**100%**  
FoundPac Technologies  
Sdn. Bhd.  
(939942-M)

## OUR KEY MILESTONES



Our Company was incorporated in Malaysia under our Companies Act 2016 on 16 November 2015 as a private limited company under the name of FoundPac Group Sdn. Bhd. as a listing vehicle to undertake the listing of our Company on the Main Market of Bursa Malaysia Securities Berhad ("Listing"). Our Company was subsequently converted into a public limited company and assumed its present name on 11 March 2016. FoundPac Group is principally involved in the design, development, manufacture, marketing and sale of precision engineering parts namely stiffeners, test sockets, hand lids and related accessories.

In FoundPac Group, we strongly believe that our competitive strengths are important in sustaining our business as well as providing us with future business growth. On account of the fact that our customers are primarily large multinational semiconductor manufacturers, outsourced semiconductor assembly and test companies ("OSATs") and printed circuit board ("PCB") design houses, our Company's experienced management team with strong technical expertise is able to provide quality focus that can meet the international standards.

FoundPac Group intends to further expand its business through diversifying its customer base to include other end-user industries. In essence, our Company is endeavoured to provide added-value products and services to our clients in order to achieve profitability and sustainability for our shareholders and business partners.



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Tan Cheik Eaik

*Independent Non-Executive Chairman*

### Lee Chun Wah

*Executive Director / CEO*

### Tan Sin Khoon

*Executive Director / COO*

### Ong Choon Heng

*Executive Director / CFO*

### Chan Bee Cheng

*Independent Non-Executive Director*

### Teoh Lay Fung

*Independent Non-Executive Director*

## AUDIT COMMITTEE

### Chan Bee Cheng

*Chairman of Audit Committee  
Independent Non-Executive Director*

### Tan Cheik Eaik

*Member of Audit Committee  
Independent Non-Executive Chairman*

### Teoh Lay Fung

*Member of Audit Committee  
Independent Non-Executive Director*

## REMUNERATION COMMITTEE

### Teoh Lay Fung

*Chairman of Remuneration Committee  
Independent Non-Executive Director*

### Chan Bee Cheng

*Member of Remuneration Committee  
Independent Non-Executive Director*

### Ong Choon Heng

*Member of Remuneration Committee  
Executive Director / CFO*

## NOMINATING COMMITTEE

### Tan Cheik Eaik

*Chairman of Nominating Committee  
Independent Non-Executive Chairman*

### Chan Bee Cheng

*Member of Nominating Committee  
Independent Non-Executive Director*

### Teoh Lay Fung

*Member of Nominating Committee  
Independent Non-Executive Director*

## RISK MANAGEMENT COMMITTEE

### Tan Sin Khoon

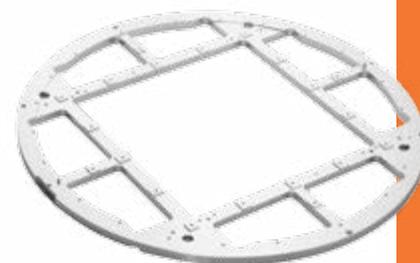
*Chairman of Risk Management Committee  
Executive Director / COO*

### Chan Bee Cheng

*Member of Risk Management Committee  
Independent Non-Executive Director*

### Teoh Lay Fung

*Member of Risk Management Committee  
Independent Non-Executive Director*



## COMPANY SECRETARIES

How Wee Ling (MAICSA 7033850)  
Ooi Ean Hoon (MAICSA 7057078)

## REGISTERED OFFICE

57-G Persiaran Bayan Indah  
Bayan Bay, Sungai Nibong  
11900 Penang  
Tel No. : (04) 640 8932/8933  
Fax No. : (04) 643 8911

## HEAD OFFICE

Plot 35, Hilir Sungai Keluang 2  
Bayan Lepas Industrial Estate  
Non-Free Industrial Zone Phase IV  
11900 Bayan Lepas Penang  
Tel No. : (04) 630 9336  
Fax No. : (04) 630 9333  
E-mail : corporate@foundpac.com  
Website : www.foundpac.com

## PRINCIPAL BANKERS

OCBC Bank (Malaysia) Berhad  
CIMB Bank Berhad

## SHARE REGISTRAR

Securities Services (Holdings)  
Sdn. Bhd. (36869-T)  
Level 7, Menara Milenium  
Jalan Damanela  
Pusat Bandar Damansara  
Damansara Heights  
50490 Kuala Lumpur  
Tel No. : (03) 2084 9000  
Fax No. : (03) 2094 9940/2095 0292

## AUDITORS

Crowe Horwath (AF: 1018)  
Chartered Accountants  
Level 6, Wisma Penang Garden  
42, Jalan Sultan Ahmad Shah  
10050 Penang  
Tel No. : (04) 227 7061  
Fax No. : (04) 227 8011

## STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia  
Securities Berhad  
Stock Name : FPGROUP  
Stock Code : 5277



## BOARD OF DIRECTORS



In the Picture (from left to right):

① **Teoh Lay Fung**  
Independent Non-Executive Director

② **Chan Bee Cheng**  
Independent Non-Executive Director

③ **Ong Choon Heng**  
Executive Director/CFO

④ **Lee Chun Wah**  
Executive Director/CEO

⑤ **Tan Cheik Eaik**  
Independent Non-Executive Chairman

⑥ **Tan Sin Khoon**  
Executive Director/COO



## PROFILE OF DIRECTORS



**TAN CHEIK EAIK** ▶  
Independent  
Non-Executive Chairman

**Tan Cheik Eaik** aged 52, male, Malaysian, is the Independent Non-Executive Chairman of FoundPac. He was appointed to the Board on 22 November 2016. He is the Chairman of Nominating Committee, and also a member of Audit Committee of FoundPac.

He graduated with a Bachelor (Hons) of Electrical Engineering from the University of Malaya in 1990. Upon graduation, he joined Hewlett Packard (M) Sdn. Bhd. as a Design Engineer and was soon promoted to Senior Design Engineer.

In 1992, he left Hewlett Packard (M) Sdn. Bhd. to begin his entrepreneurial career, succeeding his late brother-in-law's electrical wiring business, Siang Electronics Technology, a partnership company. Subsequently, Siang Electronics Technology was converted to Siangtronics Technology Sdn. Bhd. ("STSB") of which he became the Managing Director. In 2003, pursuant to a restructuring exercise, STSB transferred its operations to Elsoft Research Berhad ("Elssoft"), a public listed company on Main Market of Bursa Malaysia Securities Berhad and subsequently, he assumed the role of Executive Director and Chief Executive Officer in Elsoft until to date.

As an engineer, he specialises in the areas of test metrology and embedded application system design that contribute to the fundamentals of the Elsoft's success. Over the years, under his leadership and business entrepreneurship, an in-house research and development team is built to support the development of a series of customised automated test equipment for the semiconductor and optoelectronic industries.

He attended all two (2) Board of Directors meetings held in the financial year 2017 after he was appointed to the Board. Mr. Tan has no family relationship with any director and/or major shareholder of the Company nor does he have any conflict of interest with the Company. He has not been convicted of any offences, other than traffic offences (if applicable) within the past five (5) years and no public sanction or penalty imposed by the relevant regulatory bodies to him during the financial year.

**Lee Chun Wah** aged 47, male, Malaysian, is the Executive Director and Chief Executive Officer of FoundPac. He was appointed to the Board on 16 February 2016. He is responsible for overseeing the strategic business planning, development and operations of our Group.

He graduated from Tunku Abdul Rahman College with a Diploma in Technology (Electronic Engineering) in 1994. Thereafter, he obtained a Master of Science in Mechatronics from De Montfort University (UK) in 1995.

He began his career as a Service Engineer with Ever Technologies Sdn. Bhd. (currently known as AEM Microtronics (M) Sdn. Bhd.) in 1995, and in 1997, he was promoted to Sales Engineer. Later, in 2000, he was promoted to Business Manager, where he was responsible for the profitability of the local office in Penang, as well as the procurement, inventory and logistics of the Singapore office. He left Ever Technologies Sdn. Bhd. in November 2005.

In January 2006, he joined our Group as a General Manager, overseeing the trading of precision engineered parts such as stiffeners, test sockets and hand lids and conversion kits. In April of the same year, he assumed his present position as CEO of our Group. With over twenty-one (21) years of experience and eleven (11) years with our Group, he brings with him extensive experience in the precision engineering industry.

He attended all three (3) Board of Directors meetings held in the financial year 2017. Mr. Lee has no family relationship with any director and/or major shareholder of the Company nor does he have any conflict of interest with the Company. He has not been convicted of any offences, other than traffic offences (if applicable) within the past five (5) years and no public sanction or penalty imposed by the relevant regulatory bodies to him during the financial year.



◀ **LEE CHUN WAH**  
Executive Director/CEO

## PROFILE OF DIRECTORS

(Cont'd)

**Tan Sin Khoon** aged 50, male, Malaysian, is the Executive Director and Chief Operating Officer of FoundPac. He was appointed to the Board on 16 February 2016. He is the Chairman of Risk Management Committee of FoundPac. He responsible for overseeing the engineering, manufacturing operations and quality assurance functions of our Group.

He graduated from The University of Southwestern Louisiana (currently known as University of Louisiana at Lafayette) in the US with a Bachelor of Science in Electrical Engineering in 1992. Upon graduation, he started his career with Hitachi Semiconductor (M) Sdn. Bhd. as a Production Engineer. In 1994, he joined Intel Technology Sdn. Bhd. as a Senior Equipment and Process Engineer. The subsequent year, he moved to Talam BSC Sdn. Bhd. where he was a Project Manager.

In 1996, he joined Dijaya Enterprise Sdn. Bhd. as an Assistant General Manager. He subsequently moved to Ever Technologies Sdn. Bhd. (currently known as AEM Microtronics (M) Sdn. Bhd.) in 1999 as an Equipment Manager. He was subsequently promoted in 2004 to Operations Manager. He left AEM Microtronics (M) Sdn Bhd in July 2006 and was self-employed between the period of August 2006 and June 2007. In July 2007, he joined our Group as Operation cum Business Director and in January 2009, he was promoted to COO. He brings with him over twenty-four (24) years of experience in engineering and manufacturing operations.

He attended all three (3) Board of Directors meetings held in the financial year 2017. Mr. Tan has no family relationship with any director and/or major shareholder of the Company nor does he have any conflict of interest with the Company. He has not been convicted of any offences, other than traffic offences (if applicable) within the past five (5) years and no public sanction or penalty imposed by the relevant regulatory bodies to him during the financial year.



**TAN SIN KHOON**  
Executive Director/COO

**Ong Choon Heng** aged 41, male, Malaysian, is the Executive Director and Chief Financial Officer of FoundPac. He was appointed to the Board on 16 February 2016. He is a member of Remuneration Committee of FoundPac. He is responsible for the Group's strategic investment, corporate management and planning as well as heading the Finance Division.

He graduated from University of Malaya with Bachelor of Accounting with First Class Honours in 2000. He is an accountant by profession and a member of the Malaysian Institute of Certified Public Accountants (MICPA) as well as the Malaysian Institute of Accountants (MIA).

He started his career as Staff Assistant with an international audit firm, Arthur Andersen & Co. in 2000 and Ernst & Young, Penang after the merger of these two firms in 2002. He left the firm as a Senior Associate in the Assurance and Advisory Business Services in 2004 and joined a plastic recycling company as the Financial Controller. He then left the company in 2006 to set up a business entity with his siblings which mainly involved in general trading as the Finance Manager. The family business expanded and it was subsequently converted to a private limited company where he was appointed as a Director until 2008.

In 2009, he left the family business to his siblings and focus on his new business venture. He was the Independent, Non-Executive Director of Dufu Technology Corp Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad from May 2013 to March 2016. He also serves as the Non-Executive Director of AsakaRiken (M) Sdn. Bhd., a subsidiary company of Asaka Riken Co. Ltd., a company listed on the JASDAQ, Japan.

He attended all three (3) Board of Directors meetings held in the financial year 2017. Mr. Ong has no family relationship with any director and/or major shareholder of the Company nor does he have any conflict of interest with the Company. He has not been convicted of any offences, other than traffic offences (if applicable) within the past five (5) years and no public sanction or penalty imposed by the relevant regulatory bodies to him during the financial year.



**ONG CHOON HENG** ▶  
Executive Director/CFO

# PROFILE OF DIRECTORS

(Cont'd)



**CHAN BEE CHENG** ▶  
Independent Non-Executive  
Director

**Chan Bee Cheng** aged 41, female, Malaysian, was appointed as Independent Non-Executive Director of FoundPac on 15 March 2016. She is the Chairman of the Audit Committee, and also a member of the Nominating Committee, Remuneration Committee and Risk Management Committee of FoundPac.

She obtained her Bachelor in Accounting with First Class Honours from University Malaya in 2000. She is an accountant by profession and a member of the Malaysian Institute of Certified Public Accountants (MICPA) as well as the Malaysian Institute of Accountants (MIA).

She started her career with KPMG as an Audit Assistant in 2000 and left the firm as Audit Supervisor in 2004. Subsequently, she joined Astro All Asia Networks Plc as Senior Executive in Group Finance Division and left in 2005 to join Ernst & Young, People's Republic of China as Audit Manager. In addition, she was the reporting accountant involved in financial due diligence of a company undertaking a dual listing on the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

Subsequently, she came back to Malaysia and joined Global Process Systems Sdn. Bhd. in 2008 as Finance Manager, a company providing technology-based design and builds process facilities solutions for the upstream oil & gas industry until 2013. She then served as Finance Manager for Foster Wheeler E&C (Malaysia) Sdn. Bhd., heading the treasury and accounting functions and left the company in 2015 to venture into consultancy services.

She attended all three (3) Board of Directors meetings held in the financial year 2017. Ms. Chan has no family relationship with any director and/or major shareholder of the Company nor does she have any conflict of interest with the Company. She has not been convicted of any offences, other than traffic offences (if applicable) within the past five (5) years and no public sanction or penalty imposed by the relevant regulatory bodies to her during the financial year.

**Teoh Lay Fung** aged 39, female, Malaysian, was appointed as Independent Non-Executive Director of FoundPac on 15 March 2016. She is the Chairman of Remuneration Committee, and also a member of Audit Committee, Nominating Committee and Risk Management Committee of FoundPac.

She graduated with a Bachelor of Laws (Honours) from the University of Northumbria at Newcastle, United Kingdom in June 2002 and thereafter obtained the Certificate of Legal Practice (CLP) from the Legal Profession Qualifying Board of Malaysia in 2003. She started her pupillage in Choy & Associates in 2004. After completion of the pupillage, she had been admitted to the Malaysian Bar as an Advocate & Solicitor of the High Court of Malaya in October 2004.

She commenced her legal career as a legal assistant in Zawiyah & Yeoh and became a partner of the firm in 2009. She specialises in the area of conveyancing and litigation.

She attended two (2) out of three (3) Board of Directors meetings held in the financial year 2017. Ms. Teoh has no family relationship with any director and/or major shareholder of the Company nor does she have any conflict of interest with the Company. She has not been convicted of any offences, other than traffic offences (if applicable) within the past five (5) years and no public sanction or penalty imposed by the relevant regulatory bodies to her during the financial year.



◀ **TEOH LAY FUNG**  
Independent Non-Executive  
Director

## Directors' Shareholding

The details of the Directors' interest in securities of the Company are set out in the Analysis of Shareholding on page 87 of the Annual Report.

## KEY MANAGEMENT PERSONNEL

**Low Cher Shyong** aged 44, male, Malaysian, is our Vice President of Sales and Marketing and is responsible for managing overall sales, marketing and business development activities of our Group.

He graduated with Honours from University Science Malaysia with Bachelor of Engineering in Electrical & Electronic Engineering in 1998. Upon graduation, he joined Intel Technology Sdn. Bhd. as a Hardware Development Engineer, and was later promoted to Senior Hardware Engineer in 2002. Subsequently in 2004, he was promoted to Manager. In 2007, through an internal transfer, he joined Intel Products (M) Sdn. Bhd. as a Technical Supplier Manager.

In 2008, he was awarded a certificate from the International Printed Circuit ("IPC") as an IPC Certified Interconnect Designer. He was promoted to Strategic Sourcing Manager in 2010.

In 2012, he joined our Group as Business Development Director and became the Sales and Marketing Director in 2013. In June 2016, he was re-designated as our Vice President of Sales and Marketing.

Presently, he does not hold any directorship in any public companies. He also does not have any family relationship with any director or major shareholder of the Company and does not have any conflict of interest with the Company. He has not been convicted of any offences, other than traffic offences (if applicable) within the past five (5) years and no public sanction or penalty imposed by the relevant regulatory bodies to him during the financial year.

**Lam Yoong Leng** aged 42, male, Malaysian, is our Engineering Manager and is responsible for overseeing the Engineering department.

He obtained a Certificate in Mechanical Engineering from Polytechnic Sultan Mu'azam Shah in 1996. In the same year, he completed a six (6)-month industrial training programme with Alpha Master Sdn. Bhd. and joined Penang Seagate Industries (M) Sdn. Bhd. as a Line Technician. Thereafter, he continued his studies and graduated with a Diploma in Mechanical Engineering in 1997.

Upon obtaining his Diploma, he joined Hitachi Nippon Steel Semiconductor Singapore Pte Ltd as a Wafer Testing Technician in 1998. In 2000, he moved to Ever Technologies Sdn. Bhd. as a Mechanical Engineer. He returned to tertiary education and obtained a Bachelor's degree in Mechanical Engineering from the Institute of Engineers Malaysia in 2003.

Prior to joining our Group, he joined Kenstronic Sdn. Bhd. in 2004 as a Mechanical Engineer. In 2006, he joined our Group and assumed his current position as an Engineering Manager.

Presently, he does not hold any directorship in any public companies. He also does not have any family relationship with any director or major shareholder of the Company and does not have any conflict of interest with the Company. He has not been convicted of any offences, other than traffic offences (if applicable) within the past five (5) years and no public sanction or penalty imposed by the relevant regulatory bodies to him during the financial year.

**Fathil bin Mohamed** aged 54, male, Malaysian, is our Operations Manager and he is responsible for overseeing the overall manufacturing operations of our Group.

He graduated with an Executive Diploma in Human Resource Management in 2004. Thereafter, he completed his Executive Master Business Administration in 2017.

He started his career in 1982 with Dynacraft Industries Sdn. Bhd. In 2004, he took up his Executive Diploma in Human Resource Management with Penang Distd College and left Dynacraft Industries Sdn. Bhd. in 2006 as a Product Engineer. Thereafter, he continued his career as a QA Manager with Anixter Malaysia Sdn. Bhd. for four (4) years. He then left Anixter Malaysia Sdn. Bhd. in October 2010.

In April 2011, he joined our Group as a QA Assistant Manager. He was promoted to his present position as Operations Manager in 2014.

Presently, he does not hold any directorship in any public companies. He also does not have any family relationship with any director or major shareholder of the Company and does not have any conflict of interest with the Company. He has not been convicted of any offences, other than traffic offences (if applicable) within the past five (5) years and no public sanction or penalty imposed by the relevant regulatory bodies to him during the financial year.

**Tan Yong Yong** aged 42, Female, Malaysian, is our Senior Finance and Admin Manager. She graduated in 1999 and holds a Degree of Bachelor in Accountancy from University of Malaya. She is a Chartered Accountant and a member of Malaysian Institute of Accountants.

She started her career as an Audit Assistant in SH Yeoh & Co from May 1999 to November 1999. Then, she joined Arthur Andersen & Co. Penang in 1999 as Senior Associate 2 in Assurance and Business Services and remained at Ernst & Young, Penang after the merger of these two (2) firms in 2002. She left the firm in 2003 as Senior Associate in Assurance and Business Advisory Services.

She joined Eng Teknologi Holdings Bhd, a Penang-based regional manufacturer and global supplier of hard disk drive components, as Accountant in May 2003. Subsequently she joined Inter-Pacific Securities Sdn. Bhd., a stock broking firm at Penang, as Finance Manager in December 2007. She was responsible for the overall finance functions as well as human resource functions for more than eight (8) years.

In March 2016, she left the stock broking firm and joined our Group as Senior Finance Manager to strengthen our Group's accounting, corporate and internal control functions. She is responsible for the overall finance and accounts functions of our Group. She was re-designated as the Senior Finance and Admin Manager in June 2016.

Presently, she does not hold any directorship in any public companies. She also does not have any family relationship with any director or major shareholder of the Company and does not have any conflict of interest with the Company. She has not been convicted of any offences, other than traffic offences (if applicable) within the past five (5) years and no public sanction or penalty imposed by the relevant regulatory bodies to her during the financial year.

# Prospectus Launch

13 December 2016



# Listing Day

# 29

December 2016





# Company Trip

March 2017



# Annual Dinner

March 2017



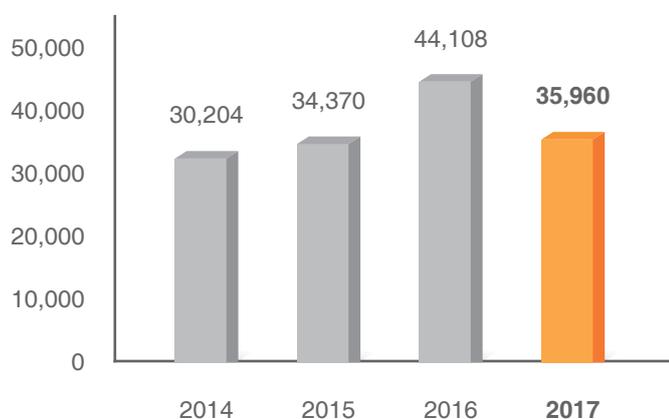
# FINANCIAL HIGHLIGHTS

	Financial Year Ended			
	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000
Revenue	30,204	34,370	44,108	35,960
Profit before tax ("PBT")	10,024	14,070	17,592	12,987
Profit for the financial year ("PAT")	9,211	12,898	16,432	10,220
Shareholders' Fund / Net Assets	17,778	22,857	42,289	67,519
Earnings Before Interests, Taxation, Depreciation & Amortisation ("EBITDA")	10,800	15,248	18,862	13,290
PBT Margin (%)	33.19	40.94	39.88	36.12
PAT Margin (%)	30.50	37.53	37.25	28.42
Basic Earnings Per Share (Sen) *	2.88	4.03	5.03	2.92
Net Assets Per Share (Sen) **	5.39	6.93	12.81	18.25
Weighted Average Number of Share in Issue ('000)	319,762	319,762	326,587	350,164
Number of Shares in Issue ('000)	330,000	330,000	330,000	370,000

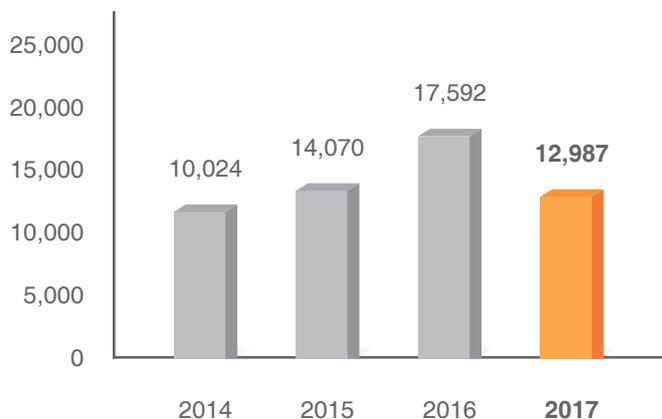
\* Basic Earnings Per Share is computed based on Weighted Average Number of Share in Issue

\*\* Net Assets Per Share is computed based on Number of Share in Issue

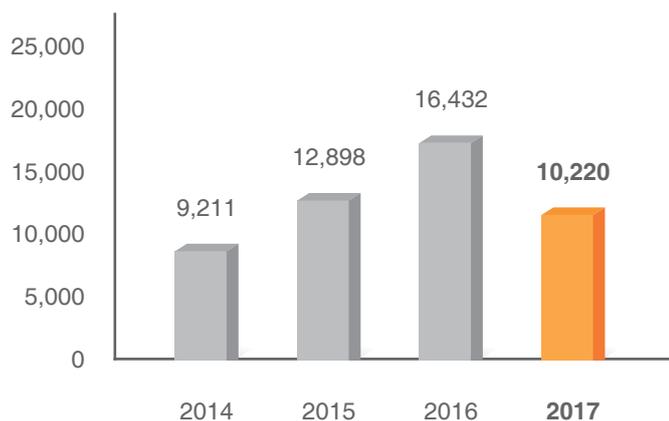
## Revenue (RM'000)



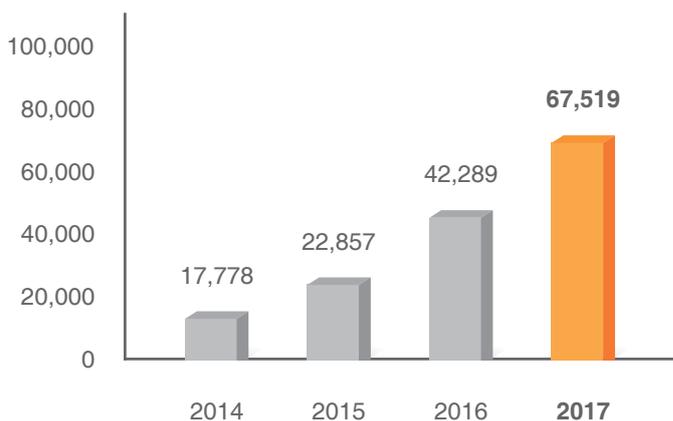
## Profit before tax (RM'000)



## Profit for the financial year (RM'000)



## Shareholders' Fund / Net Assets (RM'000)



# MANAGEMENT DISCUSSION & ANALYSIS

## OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS

Our Group is principally involved in the design, development, manufacture, marketing and sale of precision engineering parts namely:

1. Stiffeners and accessories for stiffeners; and
2. Test socket, hand lids and accessories for test sockets

These precision engineering parts are sold to our customers in the electronics and semiconductor industry in the following principal markets:

1. United States ("US");
2. Europe;
3. Malaysia and other Asian countries.

Our Group operates principally in Malaysia and generates revenue from different geographical location. As such, information about operating segments have not been reported separately as the Group's revenue, profit or loss, assets and liabilities are mainly confined to a single operating segment.

## REVIEW OF FINANCIAL PERFORMANCE

	Audited		Audited	
	Financial Year Ended		Variance	
	30 June 2016	30 June 2017	RM'000	%
	RM'000	RM'000	RM'000	
Revenue	44,108	<b>35,960</b>	(8,148)	(18.47)
Cost of Sales	(23,352)	<b>(20,201)</b>	(3,151)	(13.49)
Gross profit ("GP")	20,756	<b>15,759</b>	(4,997)	(24.07)
Other income	1,059	<b>2,034</b>	975	92.07
Administrative and general expenses	(3,183)	<b>(3,343)</b>	160	5.03
Selling and distribution expenses	(1,040)	<b>(1,463)</b>	423	40.67
Profit before tax ("PBT")	17,592	<b>12,987</b>	(4,605)	(26.18)
Tax expense	(1,160)	<b>(2,767)</b>	1,607	138.53
Profit for the financial year ("PAT")	16,432	<b>10,220</b>	(6,212)	(37.80)
Other comprehensive income for the financial year	-	-	-	-
Total comprehensive income for the financial year	16,432	<b>10,220</b>	(6,212)	(37.80)
Basic earnings per share (sen)	5.03	<b>2.92</b>		
Dividend per share (sen)	0.00	<b>1.00</b>		

# MANAGEMENT DISCUSSION & ANALYSIS

(Cont'd)

## REVIEW OF FINANCIAL PERFORMANCE (CONT'D)

### 1. Revenue

The detailed breakdown of our Group's revenue by principal markets for the financial year ended 30 June 2016 ("FYE 2016") and the financial year ended 30 June 2017 ("FYE 2017") are set out below:-

Revenue by principle market	FYE 2016		Audited FYE 2017		Variance	
	RM'000	%	RM'000	%	RM'000	%
<b>US</b>	<b>32,058</b>	<b>72.68</b>	<b>20,348</b>	<b>56.59</b>	<b>(11,710)</b>	<b>(36.53)</b>
<b>Europe</b>						
France	4,173	9.46	3,498	9.73	(675)	(16.18)
UK	2,451	5.56	4,568	12.70	2,117	86.37
Others <sup>(1)</sup>	672	1.52	1,000	2.78	328	48.81
	<b>7,296</b>	<b>16.54</b>	<b>9,066</b>	<b>25.21</b>	<b>1,770</b>	<b>24.26</b>
<b>Asia</b>						
Malaysia	1,285	2.91	3,132	8.71	1,847	143.74
Singapore	1,101	2.50	1,094	3.04	(7)	(0.64)
Others <sup>(2)</sup>	2,368	5.37	2,320	6.45	(48)	(2.03)
	<b>4,754</b>	<b>10.78</b>	<b>6,546</b>	<b>18.20</b>	<b>1,792</b>	<b>37.69</b>
<b>Total</b>	<b>44,108</b>	<b>100.00</b>	<b>35,960</b>	<b>100.00</b>	<b>(8,148)</b>	<b>(18.47)</b>

Notes:-

<sup>(1)</sup> Others include Italy, Belgium and Germany.

<sup>(2)</sup> Others include Vietnam, Republic of Korea, the People's Republic of China, Taiwan, Hong Kong, India and Philippines.

For the FYE 2017, FoundPac Group recorded revenue of RM35.960 million, representing a decrease of RM8.148 million or 18.47% as compared to revenue of RM44.108 million recorded in the FYE 2016. The decrease in revenue was mainly attributable to the decrease in export sales.

The export revenue, which remained the main contributor to our Group's total revenue of the FYE 2017, accounted for RM32.828 million or 91.29% of our Group's total revenue. However, the export revenue for the FYE 2017 has decreased by RM9.995 million or 23.34% as compared to the export revenue in the FYE 2016 of RM42.823 million or 97.09% of total revenue for the FYE 2016.

The decrease in export revenue was mainly attributable to the decrease in revenue in US market. Revenue contribution from US decreased by RM11.710 million or 36.53% from RM32.058 million in the FYE 2016 to RM20.348 million in the FYE 2017. The decrease was mainly due to lower revenue generated from our major customer in US, from RM21.040 million in the FYE 2016 to RM5.195 million in the FYE 2017, represents a decrease by RM15.845 million or 75.31% as compared to the FYE 2016. However, the impact was cushioned by revenue from other new customers in US secured during the FYE 2017.

On the other hand, there was increase in revenue from both Europe market and local market in FYE 2017. Revenue contribution from Europe market increased by RM1.770 million or 24.26% from RM7.296 million in the FYE 2016 to RM9.066 million in the FYE 2017 while local market contributed an increase in revenue by RM1.847 million or 143.74% from RM1.285 million in the FYE 2016 to RM3.132 million in the FYE 2017. The increase in sales to these markets was mainly contributed by new customers in UK and Malaysia.

# MANAGEMENT DISCUSSION & ANALYSIS

(Cont'd)

## REVIEW OF FINANCIAL PERFORMANCE (CONT'D)

### 2. Cost of Sales, GP and GP Margin

Our Group's cost of sales, GP and GP margin for the FYE 2016 and FYE 2017 are as follows:-

	FYE 2016		Audited FYE 2017		Variance	
	RM'000	%	RM'000	%	RM'000	%
	<b>Cost of Sales</b>					
Material and fabrication costs	18,659	79.92	15,169	75.09	(3,490)	(18.70)
Labour cost	1,812	8.64	1,964	9.72	152	8.39
Overheads	2,881	11.44	3,068	15.19	187	6.49
<b>Total</b>	<b>23,352</b>	<b>100.00</b>	<b>20,201</b>	<b>100.00</b>	<b>(3,151)</b>	<b>(13.49)</b>
<b>GP and GP margin</b>	<b>20,756</b>	<b>47.06</b>	<b>15,759</b>	<b>43.82</b>	<b>(4,997)</b>	<b>(24.07)</b>

Our Group's cost of sales decreased by RM3.151 million or 13.49% from RM23.352 million in the FYE 2016 to RM20.201 million in the FYE 2017. Decrease in cost of sales was mainly due to the decrease in material and fabrication costs by RM3.490 million or 18.70% from RM18.659 million in the FYE 2016 to RM15.169 million in the FYE 2017 which was in line with the decrease in revenue. However, the labour cost and overheads increased marginally as compared to the FYE 2016 was mainly attributed to annual increment of salary and salary related costs, higher tools and equipment expenses, as well as repair and maintenance expenses incurred for machineries in the FYE 2017.

Our Group's GP also decreased by RM4.997 million or 24.07% from RM20.756 million in the FYE 2016 to RM15.759 million in the FYE 2017. GP margin decreased by 3.24% from 47.06% in the FYE 2016 to 43.82% in the FYE 2017, which was mainly due to change in sale of product mix as a result of decrease in revenue in test sockets, hand lids and accessories for test sockets with higher margin during the FYE 2017.

### 3. Other Income

The detailed breakdown of our other income for the FYE 2016 and FYE 2017 is as follows:-

	FYE 2016		Audited FYE 2017		Variance	
	RM'000	%	RM'000	%	RM'000	%
	Bad debts recovered	4	0.38	-	-	(4)
Gain on disposal of property, plant and equipment	6	0.57	56	2.75	50	
Gain on disposal of unquoted investment	-	-	420	20.65	420	
Interest income	326	30.78	1,102	54.18	776	
Realised gain on foreign exchange	723	68.27	435	21.39	(288)	
Unrealised gain on foreign exchange	-	-	21	1.03	21	
<b>Total</b>	<b>1,059</b>	<b>100.00</b>	<b>2,034</b>	<b>100.00</b>	<b>975</b>	<b>92.07</b>

Our Group's other income increased by RM0.975 million or 92.07% from RM1.059 million in the FYE 2016 to RM2.034 million in the FYE 2017. The increase was mainly attributed to the increase in interest income by RM0.776 million from RM0.326 million in the FYE 2016 to RM1.102 million in the FYE 2017 as a result of placement of proceeds from initial public offering and cash generated from operating activities into interest-earning fund. In addition, our Group earned gain on disposal of unquoted investment of RM0.420 million.

# MANAGEMENT DISCUSSION & ANALYSIS

(Cont'd)

## REVIEW OF FINANCIAL PERFORMANCE (CONT'D)

### 3. Other Income (Cont'd)

Despite increase in interest income and gain on disposal of unquoted investment, our Group's realised gain on foreign exchange decreased by RM0.288 million from RM0.723 million in the FYE 2016 to RM0.435 million in the FYE 2017 as US Dollar fluctuated relatively more stable in FYE 2017 against RM as compared to FYE 2016

Save for gain on disposal of unquoted investment as disclosed above, there was no other unusual or material one-off gain/loss affecting the revenue or profit for the FYE 2016 and FYE 2017.

### 4. Operating Expenses

	Audited					
	FYE 2016		FYE 2017		Variance	
	RM'000	%	RM'000	%	RM'000	%
Administrative and general expenses	3,183	75.37	3,343	69.56	160	
Selling and distribution expenses	1,040	24.63	1,463	30.44	423	
<b>Total</b>	<b>4,223</b>	<b>100.00</b>	<b>4,806</b>	<b>100.00</b>	<b>583</b>	<b>13.81</b>
<b>Total salaries related expenses</b>	<b>2,421</b>	<b>57.33</b>	<b>3,372</b>	<b>70.16</b>	<b>951</b>	<b>39.28</b>

Our Group's operating expenses increased by RM0.583 million or 13.81% from RM4.223 million in the FYE 2016 to RM4.806 million in the FYE 2017. The increase was mainly attributed to increase in staff related expenses by RM0.951 million attributed to annual increment of salary and salary related costs. However, there was decrease in unrealised loss on foreign exchange by RM0.295 million as compared to FYE 2016 as a result of USD strengthened against RM as at 30 June 2017.

### 5. PBT and PBT Margin

	Audited					
	FYE 2016		FYE 2017		Variance	
	RM'000	%	RM'000	%	RM'000	%
PBT and PBT margin	17,592	39.88	12,987	36.12	(4,605)	(26.18)

Our Group's PBT decreased by RM4.605 million or 26.18% from RM17.592 million in the FYE 2016 to RM12.987 million in the FYE 2017. The decrease in PBT was mainly due to the decrease in GP by RM4.997 million or 24.07% as compared to FYE 2016. PBT margin also decreased by 3.76% from 39.88% in the FYE 2016 to 36.12% in the FYE 2017 which was in line with the decrease in GP margin as compared to the FYE 2016.

### 6. PAT and PAT Margin

	Audited					
	FYE 2016		FYE 2017		Variance	
	RM'000	%	RM'000	%	RM'000	%
Tax expense & effective tax rate	1,160	6.69	2,767	21.31	1,607	138.53
PAT and PAT margin	16,432	37.25	10,220	28.42	(6,212)	(37.80)

Our Group's PAT and PAT margin decreased by RM6.212 million or 37.80% were mainly attributed to the decrease in PBT as well as increase in tax expense due to expiry of tax incentive on 31 August 2016 enjoyed by FoundPac Technologies Sdn. Bhd., being one of our subsidiaries.

# MANAGEMENT DISCUSSION & ANALYSIS

(Cont'd)

## REVIEW OF FINANCIAL POSITION AND LIQUIDITY

### 1. Statement of Financial Position

Non-current assets of our Group consisted of property, plant and equipment ("PPE"). Decrease in non-current assets by RM1.351 million to RM14.438 million as at 30 June 2017 from RM15.789 million as at 30 June 2016 was mainly due to the depreciation of PPE of RM1.405 million.

The current assets of our Group consisted of inventories, trade and other receivables, prepayments and cash and cash equivalents. Increase in current assets by RM25.756 million to RM57.454 million as at 30 June 2017 from RM31.698 million as at 30 June 2016 was mainly due to increase in cash and cash equivalents by RM26.205 million generated from operating activities and issue of shares pursuant to listing scheme. In December 2016, 40,000,000 new ordinary shares were issued at RM0.54 per share ("Public Issue") pursuant to our Group's listing scheme on the Main Market of Bursa Malaysia Securities Berhad. Accordingly, our Group received proceeds from Public Issue of RM21.600 million.

### 2. Statement of Cash Flows

The summary of our statements of cash flows for the FYE 2016 and FYE 2017 is set out below:-

	Audited	
	FYE 2016 RM'000	FYE 2017 RM'000
Cash flows from operating activities	16,227	9,656
Cash flows (used in)/ from investing activities	(836)	1,524
Cash flows (used in)/ from financing activities	(1,400)	15,010
Net increase in cash and cash equivalents	13,991	26,190
Effects of changes in exchange rates	(295)	15
Cash and cash equivalents at the beginning of the year	6,485	20,181
<b>Cash and cash equivalents at the end of the year</b>	<b>20,181</b>	<b>46,386</b>
<b>Cash and cash equivalents comprise the following:</b>		
Short-term highly liquid investments	800	14,452
Term deposits	15,981	-
Cash and bank balances	3,400	31,934
	<b>20,181</b>	<b>46,386</b>

Our Group's cash and cash equivalents increased by RM26.205 million or 129.85% from RM20.181 million as at 30 June 2016 to RM46.386 million as at 30 June 2017. The cash inflow was mainly derived from financing activities of RM15.010 million, followed by cash flow from operating activities of RM9.656 million and cash flow from investing activities of RM1.524 million.

During the FYE 2017, our Group's cash flow from financing activities was mainly derived from proceeds raised from Public Issue of RM21.600 million, netting off against dividend paid of RM3.700 million and share issue transaction cost of RM2.890 million.

Our Group generated operating profit before working capital changes of RM12.793 million in the FYE 2017. After adjusting for net outflow of RM0.254 million from working capital changes and net income tax paid of RM2.883 million, the net operating cash flow was RM9.656 million.

Cash flow from investing activities was mainly generated from interest received of RM1.102 million and net proceeds from disposal of unquoted investment of RM0.420 million in the FYE 2017.

Giving our strong financial position, our Group will continue to explore good investment opportunities to strengthen and enhance the position of our Group.

## CAPITAL STRUCTURE, RESOURCES AND EXPENDITURE

The overall capital management objective of our Group is to safeguard its ability to continue as a going concern so as to provide fair returns to shareholders of our Company. In order to meet this objective, our Group always strives to maintain an optimal capital structure to reduce the cost of capital and sustain its business development.

Our Group considers its total equity and total loans and borrowings to be the key components of its capital structure and may, from time to time, adjust the dividend payouts, issue new shares, sell assets, raise or redeem debts, where necessary, to maintain an optimal capital structure. Our Group monitors capital using a debt-to-equity ratio, which is calculated as total loans and borrowings divided by total equity.

Our primary sources of funds are mainly derived from the net cash generated internally from our operations and to a certain extent, external source of funds which comprises credit terms granted by our suppliers. The average credit terms granted to us ranges between 30 to 90 days. We may raise additional capital or funds through debt or equity offerings in the future to part finance our expansion plans or to meet our financing requirements should the need arise.

Our Board of Directors ("Board") is of the opinion that, after taking into consideration the funds to be generated from our business operations, the internal generated funds to our Group as well as the net proceeds raised from our Public Issue, our Group will have sufficient working capital for a period of twelve (12) months from the date of this Annual Report.

There are no legal, financial or economic restrictions on the ability of our subsidiary companies to transfer/receive funds to/from our Company in the form of cash dividends, loan or advances. In addition, as stated in our financial statements, our Group does not have bank borrowings as at the FYE 2017. Therefore, we are confident that we can meet our cash obligations.

Our Group manages capital spending in upgrading our existing machines to support our business growth cautiously. In the FYE 2017, we incurred minimum capital expenditures of RM0.078 million to support capacity expansion, innovation and cost efficiencies, which was much lower than RM1.175 million incurred in the FYE 2016.

## RISK EXPOSURES

Our Group's financial position and results of operations have been and will continue to be affected by, amongst others, the following factors which may not be within our control:-

### 1. Impact of Foreign Currency Exchange Rates

We may be exposed to foreign currency exchange risks from the dealings with customers and suppliers as majority of our customers are primarily located overseas (i.e. Europe and US). Any significant change in foreign exchange rates may affect our Group's financial results.

To minimise its exposure to foreign currency exchange risks, our Group observes the movements in exchange rates and acts accordingly. Where necessary, our Group enters into derivative contracts to hedge the exposure.

Such exposure is also partly mitigated in the following ways:-

- (i) Our Group's foreign currency sales and purchases provide a natural hedge against fluctuations in foreign currencies; and
- (ii) Our Group maintains part of its cash and cash equivalents in foreign currency accounts to meet future obligations in foreign currencies.

### 2. Risk of dependency on major customer

Our Group are exposed to the risk of dependency on major customer. For both the FYE 2016 and FYE 2017, there was one (1) major customer that contributed 10% or more of our Group's total revenue. This major customer is a global semiconductor company whose product portfolio serves multiple applications within four primary end markets, namely wired infrastructure, wireless communications, enterprise storage, and industrial and others. The loss of this major customer may adversely impact our Group's operating results.

Although our Group are still exposed to the risk of dependency on major customer, the exposure was reduced significantly. The total revenue generated from this major customer was reduced by RM15.845 million or 75.31% from RM21.040 million or 47.70% of our Group's total revenue in the FYE 2016 to RM5.195 million or 14.45% of our Group's total revenue in the FYE 2017.

# MANAGEMENT DISCUSSION & ANALYSIS

(Cont'd)

## RISK EXPOSURES (CONT'D)

### 2. Risk of dependency on major customer (Cont'd)

Our future performance depends largely on how we maintaining our customer relationship with our major customer. As we do not have any long-term contracts with our customers and the majority of our sales are based on order-by-order basis, which is the norm in the industry. The major customer may also appoint additional companies as suppliers, in which case our business volume may decrease. If any of these events occur, our financial condition could be materially affected.

Despite the lack of formal long-term contracts, we have developed long-term business relationships with our major customer and we have been receiving repeat orders from the major customer. We will continuously strive to develop a good understanding of our major customer and customers' requirements and meet their expectations, ensuring continuity of business with them.

Meanwhile, we also continue to secure new customers to minimise our expose to the risk of dependency on major customer.

### 3. Competition Risk

Notwithstanding our competitive strengths, we continue to face competition from existing and prospective competitors which may be capable of offering similar products. Additionally, consolidation of market players within the industry may heighten the competition.

Whilst we strive to remain competitive, there can be no assurance that any changes in the competitive environment would not have any material and adverse impact on our business and financial performance.

## FORWARD-LOOKING STATEMENTS

### Prospects and Outlook

As disclosed in the Prospectus of our Company dated 13 December 2016, our Group's future plans and strategies will focus on the expansion of its manufacturing activities, market presence and product range through the following areas:

- (a) Production capacity expansion  
Our Group intends to expand its production capacity through the acquisition of new machineries and equipment.
- (b) Diversify customer base  
Our Group is planning to diversify its customer base to include end-user industries.
- (c) Setting up a design and development ("D&D") team  
Our Group is planning to set up a dedicated D&D team to focus on product development.
- (d) Overseas expansion  
Our Group intends to establish sales offices in Europe and the US to continue expanding our presence in these major markets.

Semiconductor and electronics industries are projected to continue growing in the coming years. Demand for our stiffeners and accessories for stiffeners are expected to remain steady. For medium to long term, we will put more effort and concentrate on the products of test socket, hand lids and accessories for test sockets to gain more market segment.

Our Group will continue to uphold its core and long-term strategy to focus on business expansion and diversification, product development, as well as business process optimisation through lean implementation across all operations in the organisation.

Based on the uptrend market outlook of the semiconductor industry and electronics industry, coupled with our Group competitive strengths, as well as our commitment towards the future plans and strategies of our Group, the Board and the management is positive about our future prospects and we would able to meet challenges in the years to come and would deliver favourable results to the shareholders and investors.

### Dividend Policy

The Board adopted a dividend policy to recommend and distribute dividend of at least 30.00% of our annual audited profit after tax to shareholders of our Company, depending on our financial performance, the availability of adequate distributable reserves and on condition that such distribution will not be detrimental to our Group's cash flow requirements.

In June 2017, the Board declared and paid an interim single tier dividend of RM0.01 per share amounting to RM3.700 million in respect of the FYE 2017. The total dividend payment is 36.20% of our Group's audited profit after tax and it is above our 30.00% dividend policy.

# STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors (“Board”) of FoundPac Group recognises the importance of adopting good corporate governance and acknowledges the importance of the principles set out in the Malaysian Code on Corporate Governance 2017 (“MCCG 2017”) and is committed to ensure high standards of good corporate governance are in place and practiced within our Group in order to safeguard the shareholders and relevant stakeholders’ interests as well as enhancing shareholders’ value.

Following the introduction of MCCG 2017 in April 2017, our Group has progressively applied the principles as set out in the MCCG 2017.

## PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

### I. BOARD RESPONSIBILITIES

The Board is collectively responsible for the long-term success of our Company and the delivery of sustainable value to its stakeholders. In discharging its fiduciary duties and leadership functions, the Board governs and sets the strategic direction of the Company while exercising oversight on management. The Board plays a critical role in setting the appropriate tone at the top, providing thought leadership and championing good governance and ethical practices throughout the Company.

#### 1.1 Set Strategic Aims, Values and Standards for the Company

The Board has full control of and is responsible for the Group’s strategic aims, ensure the necessary resources are in place for the Group to meet its objectives and review management performance. The Board has set the Group’s values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

The Group has adopted top-down strategic planning process whereby the Executive Directors will periodically formulate Group’s strategy and communicate it down to the organisation for implementation. During the strategic planning process, the Executive Directors will set the Group’s mission and objective. The Executive Directors will carry out situation analysis, inclusive of allocation of time, human capital and budget with senior management before formulating the strategy in achieving the Group’s objectives. During the implementation of the strategic plans, relevant policies will be set and communicate to the respective team for implementation and necessary organisational changes will be put in place. During the implementation stage, senior management will continuously monitor and to ensure the effectiveness of the plan.

The Board is responsible for the good corporate governance practices of the Group. It guides and monitors the affairs of the Group on behalf of the shareholders and other stakeholders of the Group.

All Board members are responsible to the Group for achieving a high level of good corporate governance. Each director has a duty to act in the best interests of the Group. The directors, both individually and collectively, are aware of their responsibilities to the shareholders and other stakeholders for the manner in which the affairs of the Group are managed.

Following the guidelines as stated in the MCCG 2017 and the Board Charter, the Board recognises the key role it plays in charting the strategic direction of the Group and has assumed the following core responsibilities in discharging its fiduciary and leadership functions:

- Set the vision and mission for the Company;
- Establish good corporate governance and culture for the Group;
- Ensure that the Group adheres to high standards of ethics and corporate behaviour including transparency in the conduct of business. In this regard, our directors are required to comply with the Directors’ Code of Ethics which amongst others includes the declaration of any personal, professional or business interests, direct or indirect which may conflict with directors’ responsibilities as a Board member and to refrain from voting on such transaction with the Group;
- Reviewing and adopting strategic plans for the Group;
- Overseeing the conduct of the Group’s business and to evaluate whether the business is being properly managed;
- Set the goals for the management to meet and monitor their performance by setting relevant Key Performance Indicators (“KPI”);
- Establish written procedures (such as the Memorandum and Articles of Association of the Company, Terms of Reference of relevant Board Committees, Standard Operating Procedure and other documents) in determining which issues required decision of the full Board and which issues can be delegated to relevant Board Committees or to the management;
- Establish various relevant Board Committees and ensure their effectiveness to address specific issues, by considering recommendations of the various Board Committees and acting on their reports;

# STATEMENT ON CORPORATE GOVERNANCE

(Cont'd)

## PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

### I. BOARD RESPONSIBILITIES (CONT'D)

#### 1.1 Set Strategic Aims, Values and Standards for the Company (Cont'd)

- Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- Establish succession planning including appointing, training, fixing the compensation of, and, where appropriate, replacing senior management;
- Reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines;
- Ensure that the financial statements of the Group and the Company are fairly stated and conform with the relevant regulations including acceptable accounting policies that result in balanced and understandable financial statements;
- Developing and implementing an appropriate investor relations and communications policy for the Company.

Subject to the applicable laws and Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), our Board reserves full decision-making powers on the following matters:-

- Corporate strategies and plans;
- Conflict of interest issues relating to a substantial shareholder or a director;
- Material acquisitions and disposition of assets not in the ordinary course of business;
- Material investments in capital projects;
- Risk management and internal control policies;
- Key human resource issues.

The Board has delegated some of its duties and responsibilities to various committees within the Board. Currently the Board has established 4 Committees, namely the Audit Committee, Nominating Committee, Remuneration Committee and Risk Management Committee, the primary functions of which are to assist the Board in overseeing the affairs of the Company and these Committees have been entrusted with specific responsibilities and authority. The authorities and functions of these Board committees are properly set out in their respective Terms of Reference.

The abovementioned Committees are authorised to examine specific issues and report to the Board with their recommendations. The responsibility of decisions on all matters ultimately lies with the Board as a whole. The Board receives regular reports on the respective Committees' proceedings and deliberations. On matters reserved for the Board and where Committees have no authority to make decisions, recommendations are highlighted in their respective reports for the Board's deliberation and endorsement.

The Board meets in person at least once every quarter to facilitate the discharge of their responsibilities. Additional meetings will be convened when the needs arise.

#### 1.2 Appointment of Chairman

Mr. Tan Cheik Eaik was appointed as the Independent Non-Executive Chairman of the Company. Mr. Tan has been acting as facilitator at meetings of the Board to ensure the discussion takes place effectively and constructively, the opinions of all directors relevant to the subject under discussion are solicited and freely expressed, and that Board discussions lead to appropriate decisions.

Mr. Tan has also from time to time communicate with the senior management to ensure that our Company complies with all relevant laws and regulations. He has also playing the role to promote and leading our Company to apply recommended best practices relevant to our Company.

#### 1.3 The Positions of Chairman and CEO Are Held by Different Individuals

Our Company practises a division of responsibilities between the Chairman of the Board and the Chief Executive Officer ("CEO"). Their roles are separately and clearly defined to ensure a balance of power and authority, increase accountability and greater capacity of the Board for independent decision.

The Chairman of the Board is responsible for instilling good corporate governance practices, leadership and effectiveness of the Board. The CEO is responsible for implementation the policies, strategies and decisions adopted by the Board as well as the day-to-day management of the Company's operations and shall adhere to the guidelines and instructions provided by the Board.

# STATEMENT ON CORPORATE GOVERNANCE

(Cont'd)

## PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

### I. BOARD RESPONSIBILITIES (CONT'D)

#### 1.3 The Position of Chairman and CEO Are Held by Different Individuals (Cont'd)

Currently, the Board is chaired by Mr. Tan Cheik Eaik, one of the Independent and Non-Executive Director of FoundPac Group and Mr. Lee Chun Wah is the Executive Director/ CEO of FoundPac Group. Therefore, there is a clear division between the Chairman of the Board and the CEO which ultimately allows the Chairman of the Board to have the time and capacity to focus on his role and responsibility whilst ensuring clear balance of power and authority and to provide a clear demarcation of power between the strategy and policy-making process and the day-to-day management of our Group.

#### 1.4 Qualified and Competent Company Secretary

Both Company Secretaries of our Company have legal credentials, and are qualified to act as company secretary under Section 235(2) of the Companies Act 2016.

The roles and responsibilities of our Company Secretary include, but not limited to the following:

- manage all Board and Board Committees meeting logistics, attending and recording minutes of all meetings and facilitate Board communications;
- advise the Board on its roles and responsibilities;
- facilitate the orientation of new directors and assist in director training and development;
- advise the Board on corporate disclosures and compliance with company and securities regulations and listing requirements;
- ensure that the relevant procedures are followed and rules and regulations are complied with by the Board;
- monitor corporate governance developments and assist the Board in applying governance practices to meet the Board's needs and stakeholders' expectations;
- update the Board, from time to time, on changes in the laws, governance and other regulatory requirements;
- provides the Board with information pertaining to the Company's business affairs to enable the Board to discharge its responsibilities effectively; and
- managing processes pertaining to the annual general meeting.

The Board is satisfied with the service and support rendered by the Company Secretary in discharging of their functions. Our Company Secretary possesses adequate knowledge and experience to carry out their functions and they undertake continuous professional development.

#### 1.5 Supply of Information

The management is responsible for providing the Board with the required information in an appropriate and timely manner. The Chairman, assisted by the Company Secretary, assesses the type of information required to be provided to the Board. If the information provided by the management is insufficient, the Board will make further enquiries where necessary to which the persons responsible will respond as fully and promptly as possible.

Generally, the notice of meeting for the Board of Directors' meeting and/or respective Committees' meetings are circulated at least 7 days prior to the meetings.

The meeting papers will be prepared and distribute to the Board and respective Board Committees via e-mail. This is to ensure the Board and Committee members are able to access the information timely especially when the Directors are oversea. This has proven to be more efficient, thus improving the performance and overall effectiveness of the Board's decision making.

Amongst others, the Board papers include the following:-

- Quarterly financial report and report on the Company's cash and borrowing positions;
- Minutes of meetings of all Committees of the Board;
- Reports on Related Party Transactions and Recurrent Related Party Transactions, if any;
- A current review of the operations of the Company;
- Summary of directors' share-dealings, announcements and Directors' Circular Resolution passed during the period from the previous Board meetings until to date;
- Reports from Internal and External Auditors, if any.

# STATEMENT ON CORPORATE GOVERNANCE

(Cont'd)

## PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

### I. BOARD RESPONSIBILITIES (CONT'D)

#### 1.5 Supply of Information (Cont'd)

In promoting productive discussion during the respective meetings, the directors may seek advice from the management on issues under their respective purview. The directors may also interact directly with the management, or request further explanation, information or updates on any aspect of the Company's operations or business concerns from them. In addition, the Board may seek independent professional advice at the Company's expense on specific issues to enable it to discharge its duties in relation to matters being deliberated. Individual directors may also obtain independent professional or other advice in furtherance of their duties, subject to the approval of the Chairman or the Board, depending on the quantum of the fees involved.

#### 2. Demarcation of Responsibilities

The Board acknowledges the importance of the demarcation of responsibilities between the Board, Board Committees and management. In order to achieve the aim of the clarity in the authority of the Board, its Committees and individual directors, the Board has formalised and adopted a Board Charter.

##### 2.1 Board Charter

The Board Charter serves as a reference and primary induction literature providing all Board members and management insights into the fiduciary and leadership functions of the Board.

The Board Charter clearly sets out:-

- the respective roles and responsibilities of the Board, Board Committees, individual directors and management;
- issues and decisions reserved for the Board;
- Board composition and balances; and
- processes and procedures for convening their meetings.

The Board reviews the Board Charter regularly, to keep it up to date with changes in regulations and best practices and ensure its effectiveness and relevance to the Board's strategic intent as well as relevant standards of corporate governance.

A copy of the Board Charter is available at the Company's website, [www.foundpac.com](http://www.foundpac.com).

#### 3. Ethics and Compliance

The Board is committed to promote good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The Board, management, employees and other stakeholders of the Group are clear on what is considered acceptable behaviour and practice in FoundPac Group.

##### 3.1 Codes of Conduct and Ethics

The Company's Codes of Ethics for directors continue to govern the standards of ethics and good conduct expected of directors. The directors are, collectively and individually, aware of their responsibilities to the shareholders and stakeholders for the manner in which the affairs of the Company are managed. The Board sets the Group's values and standards and ensures that its obligations to its shareholders and stakeholders are understood and met.

# STATEMENT ON CORPORATE GOVERNANCE

(Cont'd)

## PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

### I. BOARD RESPONSIBILITIES (CONT'D)

#### 3. Ethics and Compliance (Cont'd)

##### 3.1 Codes of Conduct and Ethics (Cont'd)

The Code of Ethics is intended to focus on the Board and each director based on principles of integrity, responsibility, sincerity and corporate social responsibility. The Code of Ethics is designed to enhance the standard of corporate governance and corporate behaviour with the intention of achieving the following objectives:

- to establish a standard of ethical behaviour for directors;
- managing conflicts of interest; and
- preventing the abuse of power, corruption and insider trading.

The Code of Conduct for employees is also in place to provide guidance to all employees of the Group to meet performance standards and behave appropriately in the workplace. The policies, practices and procedures of the Code of Conduct for employees are clearly outlined in the Employee Handbook of the Group. The Code of Conduct for employees is integrated into our Group management practices and reviewed periodically by the management.

##### 3.2 Whistle-Blowing Policy

The Board has established, reviewed and implemented the policies and procedures on whistleblowing.

The Whistle-Blowing Policy of FoundPac Group is in place with the objective to facilitate the stakeholders of the Group to report genuine concerns or allegations to a senior or independent member of the management of the Group about alleged unethical behaviour, actual or suspected fraud within the Group, or improper business conduct affecting the Group. The policy is designed to provide protection to those who makes the allegation or reports the misconduct.

The Whistle-Blowing Policy of FoundPac Group has detailed the procedures in making report.

A copy of the Whistle-Blowing Policy is available at the Company's website, [www.foundpac.com](http://www.foundpac.com).

### II BOARD COMPOSITION

In order to achieve the intended outcome of the MCGG 2017, the Board decisions are made objectively in the best interests of the Company taking into account diverse perspectives and insights, our Group has met most of the good practices recommended by the MCGG 2017 as follows:-

#### 4.1 Board Balance

The MCGG 2017 recommends the practice of at least half of the Board comprises Independent Directors. Currently, three (3) out of six (6) of our directors are Independent Directors. This composition complied the MCGG 2017's recommended practice and the requirement of the Para 15.02 of the Main Market Listing Requirements of Bursa Securities whereby the Company must have at least two (2) directors or one-third (1/3) of the Board, whichever is higher, who are Independent Directors.

#### 4.2 Tenure of Independent Directors

Currently, none of our Independent Directors had served the Company exceed a cumulative term limit of nine (9) years as per the recommendations of the MCGG 2017.

#### 4.3 Nine-Years Policy for Independent Directors

Currently, we do not adopt a policy which limits the tenure of our Independent Directors to nine (9) years.

Notwithstanding the recommendation of the MCGG 2017, the Board is presently of the view that there is no necessity to fix a maximum tenure limit for directors as there are significant advantages to be gained from the long-serving directors who possess tremendous insight and knowledge of the Company's businesses and affairs. The ability of a director to serve effectively as an Independent Director is very much dependent on his calibre, qualification, experience and personal qualities, particularly his integrity and objectivity, and has no real connection to his tenure as an Independent Director.

# STATEMENT ON CORPORATE GOVERNANCE

(Cont'd)

## PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

### II BOARD COMPOSITION (CONT'D)

#### 4.3 Nine-Years Policy for Independent Directors (Cont'd)

Nominating Committee conducts an annual assessment of Independent Directors in respect of *inter alia* their skills, experience and contributions, and whether the Independent Directors are able to discharge their duties with unbiased judgement. Furthermore, the Nominating Committee also reviews the directors profile of Independent Directors and assess its family relationship, interest of shareholdings in the Company and related party transactions with the Group (if any).

#### 4.4 Appointment of the Board and Senior Management

Our Company practices in the appointment of the Board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

The Independent Directors provide independent judgement, experience and objectivity without being subordinated to operational considerations, as well as help to ensure that the interests of all shareholders, and not only the interests of a particular fraction or group, are taken into consideration by the Board and that the relevant issues are subjected to objective and impartial consideration by the Board. While the Executive Directors, namely Chief Executive Officer, Chief Operating Officer and Chief Financial Officer are responsible for the management of the Company.

The Board comprises a mix of qualified and experienced directors with diverse experience, background and expertise. The combination of diverse professionals with varied background, experience and expertise in finance and corporate affairs have also enables the Board to discharge its responsibilities effectively and efficiently. The Board through the Nominating Committee regularly reviews the composition of the Board and Board Committees.

A brief profile of each director is presented in this Annual Report. The skillsets and diversity of the existing Board are as follows:-

Directors	Nationality	Designation	Industry / Background Experience							By Composition				
			Technology	Marketing	Industrial	Corporate	Accounting / Finance	Law / legal	Age	Ethic	Gender			
									30 – 39 years	40 – 49 years	50 – 59 years	Chinese	Male	Female
Tan Cheik Eaik	Malaysian	Independent Non-Executive Chairman	√	√	√	√					√	√	√	
Lee Chun Wah	Malaysian	Executive Director/CEO	√	√	√	√			√			√	√	
Tan Sin Khoo	Malaysian	Executive Director/COO	√		√				√			√	√	
Ong Choon Heng	Malaysian	Executive Director/CFO				√	√		√			√	√	
Chan Bee Cheng	Malaysian	Independent Non-Executive Director					√		√			√		√
Teoh Lay Fung	Malaysian	Independent Non-Executive Director						√	√			√		√

The Board takes cognisance of diversity relating to ethnicity and will endeavour to comply with the principles and recommendations of the relevant guidelines in relation to corporate governance. The Board will continue to tap talent from human capital market from time to time with the aim of invite the participation of Bumiputra director in its Board.

# STATEMENT ON CORPORATE GOVERNANCE

(Cont'd)

## PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

### II BOARD COMPOSITION (CONT'D)

#### 4.5 Gender Diversity

The Board has not set gender diversity target as of the reporting period. The Board is of the view that the appointment of Board member or management should be determined based on objective criteria, merit and with due regard for diversity in skills, experience and other qualities regardless of gender but will nevertheless consider appointing more directors of the female gender where suitable to be in line with the MCGG 2017's target.

As of the reporting period, two (2) out of six (6) of our directors are female directors, which meet the MCGG 2017's recommendation.

#### 4.6 Identification of Candidates

The Board noted that it shall not solely rely on recommendations from the existing Board members, management or substantial shareholders in identifying candidates for appointment of directors. The Board will utilise independent sources to identify suitably qualified candidates for future candidates of directors.

#### 4.7 Nominating Committee

The Board has established Nominating Committee on 15 March 2016.

The Nominating Committee is responsible for identifying, evaluating and recommending to the Board, suitable candidates to fill the Board vacancies. The Nominating Committee makes the recommendations following a careful consideration of the required mix of skills, experience and diversity, as well as gender where appropriate.

The present composition of the Nominating Committee consists of three (3) members of the Board, all of whom are Independent Non-Executive Directors:-

Chairman of Nominating Committee	Tan Cheik Eaik <i>Independent Non-Executive Chairman</i>
Member of Nominating Committee	Chan Bee Cheng <i>Independent Non-Executive Director</i>
	Teoh Lay Fung <i>Independent Non-Executive Director</i>

The Terms of Reference of the Nominating Committee can be viewed on the Company's website at [www.foundpac.com](http://www.foundpac.com).

Apart from assisting the Board in carrying out annual reviews on the mix of skills and experience, contributions and other qualities, including core competencies, which the Non-Executive Directors bring to the Board, the Nominating Committee also carries out the process of evaluating the effectiveness of the Board as a whole, the performance and contribution of the Chairman and other directors, including Independent Non-Executive Directors, as well as the Executive Directors of the Company and identifies areas for improvement and change. The Company Secretary has the responsibility of ensuring that relevant procedures relating to the appointment of new directors are properly executed. New directors are required to undergo familiarisation programmes and briefings to get a better understanding of the Group's operations and the overall industry.

The Nominating Committee held one (1) meeting since the Company's listing on the Main Market of Bursa Securities.

The details of the attendance are as follows:

Member	Attendance
Tan Cheik Eaik	1/1
Chan Bee Cheng	1/1
Teoh Lay Fung	1/1

# STATEMENT ON CORPORATE GOVERNANCE

(Cont'd)

## PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

### II BOARD COMPOSITION (CONT'D)

#### 5 Overall Effectiveness of the Board and Individual Directors

##### 5.1 Annual Evaluation

The Nominating Committee has established a set of quantitative and qualitative performance criteria to evaluate the performance of each member of the Board, each Board Committee and to review the performance of the Board as a whole. The effectiveness of the Board is assessed in the areas of the Board's role and responsibilities and composition, attendance record, intensity of participation at meetings, quality of interventions and special contributions. Besides, the effectiveness of the Board Committees is assessed in terms of structure and processes, accountability and responsibility as well as the effectiveness of the Chairman of the respective Board Committees.

In August 2017, the Nominating Committee has carried out evaluation on the performance of each member of the Board, each Board Committee and to review the performance of the Board as a whole. The Nominating Committee had assessed the overall effectiveness of the Board and the performance of individual directors for the financial year ended 30 June 2017 and is satisfied with the effectiveness demonstrated. All the directors have complied with the minimum 50% attendance requirement in respect of Board meeting as stipulated in the Main Market Listing Requirement of Bursa Securities. In the interval between Board meetings, for any matters requiring Board's decisions, the Board's approvals are obtained through circular resolutions. The resolutions passed by way of such circular resolutions are then noted at the next Board meeting.

During the financial year ended 30 June 2017, the Board held three (3) meetings. The details of the attendance are as follows:

Name of Director	Attendance
Tan Cheik Eaik (Appointed w.e.f. 22 November 2016)	2/2
Lee Chun Wah	3/3
Tan Sin Khoon	3/3
Ong Choon Heng	3/3
Chan Bee Cheng	3/3
Teoh Lay Fung	2/3

To ensure that the directors have the time to focus and fulfil their roles and responsibilities effectively and in line with the Main Market Listing Requirement of Bursa Securities, a director of FoundPac Group must not hold directorships of more than five (5) Public Listed Companies and must be able to commit sufficient time to FoundPac Group.

The Board is satisfied with the level of time commitment given by the directors of the Company towards fulfilling their duties and responsibilities.

The Nominating Committee also assessed the training needs of the Board and reminded the Board to continue to attending training programmes to enhance their skills and knowledge where relevant, as well as to keep abreast with the changes in market trends, technological advancements and legislation and regulations affecting the Company.

# STATEMENT ON CORPORATE GOVERNANCE

(Cont'd)

## PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

### II BOARD COMPOSITION (CONT'D)

#### 5 Overall Effectiveness of the Board and Individual Directors (Cont'd)

##### 5.1 Annual Evaluation (Cont'd)

The training programmes attended by the directors during the financial year ended 30 June 2017 are as follows:-

Name of Director	Date / Duration	Seminar/Training Programmes attended
Tan Cheik Eaik	Monthly/ 12 Days	1. The Vistage Chief Executive Program by Vistage Malaysia Sdn Bhd
Lee Chun Wah	20 February 2017 to 21 February 2017/ 2 Days	1. Mandatory Accreditation Programme by Bursa Securities
	26 April 2017/ Half Day	2. The Malaysian Code on Corporate Governance Workshop by Securities Commission, Malaysia
Tan Sin Khoon	20 February 2017 to 21 February 2017/ 2 Days	1. Mandatory Accreditation Programme by Bursa Securities
Ong Choon Heng	29 March 2017/ 1 Day	1. GST Audit Framework, A Complete Analysis by Choong Research & Training PLT
	3 May 2017/ Half Day	2. Foreign Exchange Market Outlook Talk by CIMB Bank
Chan Bee Cheng	20 February 2017 to 21 February 2017/ 2 Days	1. Mandatory Accreditation Programme by Bursa Securities
Teoh Lay Fung	20 February 2017 to 21 February 2017/ 2 Days	1. Mandatory Accreditation Programme by Bursa Securities

The Board, through the Nominating Committee, shall assess the independence of Independent Directors annually. The criteria for assessing the independence of an Independent Director include the relationship between the Independent Director and the Group and his involvement in any significant transaction with the Group.

Among the criteria considered for independency includes: ability to exercise independent comments, judgment, and contribution constructively at all times for an effective Board. The relationship between the Independent Directors with substantial shareholders, Executive Directors, persons related to the Executive Director/ substantial shareholder, business transactions with the Group and their tenure of office will also be reviewed.

The Nominating Committee had reviewed the independence of the Independent Directors for the financial year ended 30 June 2017 and is satisfied with the independency demonstrated.

### III REMUNERATION

The Board acknowledges the level and composition of remuneration of directors and senior management take into account the Company's desire to attract and retain the right talent in the Board and senior management to drive the Company's long-term objectives.

In order to achieve the aim, the Board has established Remuneration Committee and developed the remuneration policy to assist the Board in discharging its duties and responsibilities in the matters relating to the remuneration of the Board and senior management.

#### 6.1 Remuneration Policy

The Board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. Our remuneration policies and decisions are made through a transparent and independent process. The policies and procedures are periodically reviewed.

# STATEMENT ON CORPORATE GOVERNANCE

(Cont'd)

## PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

### III REMUNERATION (CONT'D)

#### 6.1 Remuneration Policy (Cont'd)

Our remuneration policy of the Group is summarised as follows:-

- The salary for executive directors are set at a competitive level for similar roles within comparable markets, reflect the performance of the director, skills and experience as well as responsibility undertaken;
- Directors' fees are based on a standard fixed fee and are subject to approval by its shareholders at the annual general meeting;
- Meeting allowance - All directors are entitled to a fixed amount of allowance paid in accordance with the number of meeting attended during the year and are subject to approval by its shareholders at the annual general meeting;
- Benefits-in-kind - only Executive Directors of the Group are entitled to benefits-in-kind provided by the Group; and
- The Remuneration Committee may obtain independent professional advice in formulating the remuneration package of the directors.

#### 6.2 Remuneration Committee

The Board has established Remuneration Committee on 15 March 2016 to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of the Board and senior management.

The Remuneration Committee is responsible for developing the Company's remuneration framework and determining the remuneration package of the Company's directors and ensure that compensation is competitive and consistent with the Company's business strategy and long-term objectives.

The present composition of the Remuneration Committee consists of three (3) members of the Board, majority of whom are Independent Non-Executive Directors:-

Chairman of Remuneration Committee	Teoh Lay Fung <i>Independent Non-Executive Director</i>
Member of Remuneration Committee	Chan Bee Cheng <i>Independent Non-Executive Director</i>
	Ong Choon Heng <i>Executive Director / CFO</i>

The Nominating Committee took note that following the introduction of MCCG 2017, the Remuneration Committee should only consist of Non-Executive Directors and a majority of them must be Independent Directors.

The Terms of Reference of the Remuneration Committee can be viewed on the Company's website at [www.foundpac.com](http://www.foundpac.com).

The duties and responsibility of the Remuneration Committee include the followings:-

- a) to review and recommend to the Board in consultation with management, a framework of remuneration and to determine the specific remuneration packages and terms of employment for each of the Executive Directors of the Company;
- b) to review and recommend to the Board in consultation with management, a framework of remuneration and to determine the remuneration packages for Non-Executive Directors of the Company;
- c) to carry out its duties in the manner that it deemed expedient, subject always to any regulations or restrictions that may be imposed upon the Remuneration Committee by the Board from time to time;
- d) to produce an annual reporting of the remuneration policy which will form part of the Company's Annual Report and/or financial statements;
- e) all aspects of remuneration including director's fees, salaries, allowances, bonuses, options and benefits-in-kind should be covered;
- f) the remuneration packages should be comparable within the industry and comparable companies and shall include a performance-related element coupled with appropriate and meaningful measures of assessing the performance of individual Executive Directors of the Company;

# STATEMENT ON CORPORATE GOVERNANCE

(Cont'd)

## PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

### III REMUNERATION (CONT'D)

#### 6.2 Remuneration Committee (Cont'd)

- g) to determine the policy for and scope of service agreements for the directors, termination payments and compensation commitments, including fixing appointment period for the directors; and
- h) to ensure the level of remuneration for Non-Executive Directors and Independent Directors are linked to their level of responsibilities undertaken and contribution to the effective functioning of the Board.

The Remuneration Committee meets at least once a year or at any other times as the Chairman or any member of the Remuneration Committee decides. The quorum for each meeting shall be two (2) of whom must be majority of Non-Executive Directors and at least one (1) must be an Independent Director.

The Remuneration Committee held one (1) meeting since the Company's listing on the Main Market of Bursa Securities, in the presence of the Company Secretary to recommend to the Board the proposed directors' fees for the financial year ended 30 June 2018.

The details of the attendance are as follows:

Member	Attendance
Teoh Lay Fung	1/1
Chan Bee Cheng	1/1
Ong Choon Heng	1/1

#### 7.1 Directors' Remuneration

Details of directors' remuneration for the financial year ended 30 June 2017 are set out below and in notes to the financial statements.

- (a) Aggregate remuneration of the directors categorised into appropriate components are as follows:

Category	Fee RM	Salary and *Other Emoluments RM	Total RM
Executive Directors	-	1,971,657	1,971,657
Non-Executive Directors	70,000	8,500	78,500

\* Other emoluments include allowances, bonuses and the Company's contribution to the Employer Provident Fund.

- (b) The number of directors in the office at the end of the financial year and the aggregate remuneration paid to directors during the year analysed into bands of RM50,000, are as follows:

Range of Remuneration	Number of Director		Total
	Executive	Non-Executive	
Up to RM50,000	-	3	3
RM350,001 to RM400,000	1	-	1
RM750,001 to RM800,000	2	-	2

Details of the remuneration of each director on a named basis are not disclosed in this report as the Board is of the view that the transparency and accountability aspects of the MCCG 2017 on disclosure of directors' remuneration are appropriately served by the above remuneration disclosures in bands of RM50,000 and analysis between Executive and Non-Executive Directors.

# STATEMENT ON CORPORATE GOVERNANCE

(Cont'd)

## PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

### III REMUNERATION (CONT'D)

#### 7.2 Remuneration of Senior Management

The aggregate remuneration paid to top four senior management of the Group during the financial year analysed into bands of RM50,000, are as follows:

Range of Remuneration	Number of Senior Management
RM100,001 to RM150,000	2
RM150,001 to RM200,000	1
RM200,001 to RM250,000	1

Details of the remuneration of each top four senior management on a named basis are not disclosed in this report as the Board is of the view that the transparency and accountability aspects of the MCCG 2017 on disclosure of the remuneration of top four senior management are appropriately served by the above remuneration disclosures in bands of RM50,000.

## PRINCIPLE B - EFFECTIVE AUDIT AND RISK MANAGEMENT

### I AUDIT COMMITTEE

#### 8.1 Composition of Audit Committee

The Board has established Audit Committee on 15 March 2016. Our Audit Committee comprises solely of Independent Non-Executive Directors. The Chairman of the Audit Committee is not the Chairman of the Board.

At least twice a year, meetings are held without the presence of the management of the Company to ensure that the External Auditors can freely discuss and express their opinions on any matter to the Audit Committee, and the Audit Committee can be sufficiently assured that the management has fully provided all relevant information and responded to all queries from the External Auditors. The Audit Committee is fully informed about significant matters related to the Company's audit and its financial statements. The Audit Committee also reviewed the internal audit programme and invited the Internal Auditors to the meeting for discussion on the internal audit findings. Besides, such discussion also served as an avenue for the Audit Committee to appropriately communicates its insights, views and concerns about relevant transactions and events to the Internal and External Auditors.

#### 8.2 Cooling-off Period for Appointment Former Key Audit Partner

The Board took note on Practice 7.2 of the MCCG 2017 to have a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee and would consider adopting such recommendation in due course.

#### 8.3 Assessment of Suitability and Independence of External Auditors

The Audit Committee has concluded that, amongst others as set out below, the External Auditors performance for the financial year ended 30 June 2017 was found adequate and thereby recommended the re-appointment of Messrs. Crowe Horwath as the External Auditors of the Group to the Board for approval by its shareholders:-

- after having satisfied with its audit independence and the performance of Messrs. Crowe Horwath throughout its course of the audit for the financial year ended 30 June 2017;
- satisfied that the quality processes/ performance of External Auditors;
- able to give adequate technical support when audit issue arise; and
- adequate experience and resources of Messrs. Crowe Horwath and audit engagements.

Moving forward, the Audit Committee would consider adopting the Policy for the Assessment of the Suitability and Independence of External Auditor.

# STATEMENT ON CORPORATE GOVERNANCE

(Cont'd)

## PRINCIPLE B - EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

### I AUDIT COMMITTEE (CONT'D)

#### 8.4 Solely Independent Directors in Audit Committee

Our Audit Committee comprises solely of Independent Directors in Audit Committee and hence in line with the Practice 8.4 as recommended by the MCCG 2017.

#### 8.5 Qualification and Skills of Audit Committee

The composition of our Audit Committee meets the requirements of paragraph 15.09(1)(a) and (b) of the Main Market Listing Requirement of Bursa Securities.

Ms. Chan Bee Cheng, the Chairman of the Audit Committee, is an accountant by profession and a member of the Malaysian Institute of Certified Public Accountants (MICPA) as well as the Malaysian Institute of Accountants (MIA). Accordingly, this meets the requirements of paragraph 15.09(1)(c) of the Main Market Listing Requirement of Bursa Securities. The other two members of our Audit Committee, Mr. Tan Cheik Eaik is the CEO of a Public Listed Company whilst Ms. Teoh Lay Fung is a lawyer by profession. All members of the Audit Committee are believed to be able to analyse and interpret financial statements to effectively discharge their duties and responsibilities as members of the Audit Committee.

The Nominating Committee had on 15 August 2017 assessed the performance of the Audit Committee and its members through an annual Board Committee effectiveness evaluation. The Nominating Committee is satisfied that the Audit Committee and its members have discharged their functions, duties and responsibilities in accordance with the Audit Committee's Terms of Reference and supported the Board in ensuring the Group upholds appropriate corporate governance standards.

All members of the Audit Committee are mindful that they should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

The composition of the Audit Committee, its terms of reference, attendance of meetings by the individual members and the summary of activities are set out in the Audit Committee Report on pages 38 to 40 of the Annual Report.

### II RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

#### 9.1 Establishment of Risk Management and Internal Control Framework

During the financial year under review, the Group has formalised the risk management process of the Group through a Group Risk Management Framework.

Under this Framework, a Risk Management Committee ("RMC") and a Risk Management Working Group ("RMWG") have been formed.

The RMWG, consisting of managers and key staff whilst the RMC consists of majority of Independent Directors, oversees the Group's risk management process.

The RMWG reports to the RMC on a periodic basis. The RMC will then meet to discuss and evaluate the RMWG's reports for adoption. Thereafter, the RMC will report to the Audit Committee about key risks and risk management activities carried out during that period. The Audit Committee will review the report and confirm that necessary actions have been or are being taken to remedy any significant failings or weaknesses identified.

# STATEMENT ON CORPORATE GOVERNANCE

(Cont'd)

## PRINCIPLE B - EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

### II RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONT'D)

#### 9.2 Adequacy and Effectiveness of the Risk Management and Internal Control Framework

The RMWG, consisting of managers and key staff, has the main function of identifying and assessing business and compliance risks by employing the following methodologies:

- Identification of significant risks by the process owners
- Assessment of the likelihood and impact of the risks identified
- Evaluating the control strategies in relation to the risks
- Formulating action plan to address control deficiencies
- Setting Key Risk Indicators to monitor the risks

As the Company has only formalised its Risk Management and Internal Control Framework in February 2017, the Board is of the opinion that it would be more appropriate for the annual review on the effectiveness of the framework be conducted at a later stage. Nevertheless, the Board is mindful that the relevant test on the framework should be carried out periodically to ensure its effectiveness.

The Statement on Risk Management and Internal Control set out on pages 41 to 42 of the Annual Report provides an overview on the state of risk management and internal controls within the Group.

#### 10.1 Internal Audit Function

The Group outsourced its internal audit function to an independent professional firm, Finfield Corporate Services Sdn. Bhd.

#### 10.2 Credential of Internal Auditors

The Audit Committee assessed and satisfied on the credential of Finfield Corporate Services Sdn. Bhd. prior to the engagement of the firm as its Internal Auditors. The Audit Committee satisfied that Finfield Corporate Services Sdn. Bhd. is a reputable firm with vast exposure and having adequate resources and expertise in internal audit, for its appointment as the new Internal Auditors of the Group. It also believed that the internal audit personnel are free from any relationships or conflicts of interest with the Group, which could impair their objectivity and independence;

For purposes of identifying and prioritising risks and formulating the Internal Audit Plan, the Internal Auditors will discuss with the RMC and the RMWG, review management reports and financial statements. The Internal Auditors reports directly to the Audit Committee on its activities based on the approved annual Internal Audit Plans. Its principal role is to provide independent assurance on the adequacy and effectiveness of governance, risk management and internal control processes.

During the financial year under review, the Internal Auditors carried out reviews on the following areas:

- Customer relationship management
- Accounts receivable and credit control
- Sales transactions

The findings of their audits were tabled at the Audit Committee meetings for deliberation.

## PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

### I. COMMUNICATION WITH STAKEHOLDERS

There is continuous communication between the Company and stakeholders to facilitate mutual understanding of each other's objectives and expectations. Stakeholders are able to make informed decisions with respect to the business of the Company, its policies on governance, the environment and social responsibility.

# STATEMENT ON CORPORATE GOVERNANCE

(Cont'd)

## PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

### I. COMMUNICATION WITH STAKEHOLDERS (CONT'D)

#### 11.1 Effective, Transparent and Regular Communication

The Board ensures there is effective, transparent and regular communication with its stakeholders.

The Board recognises the importance of maintaining transparency and accountability to its shareholders and investors and to disseminate information on the Company's performance and any significant developments to ensure that they are informed of all material business matters on a timely manner.

Presently, the Board and management of the Company communicate regularly with its shareholders and other stakeholders through the following channels of communication:

a) Bursa Malaysia Securities Berhad

The Company releases all material information publicly through Bursa Malaysia Securities Berhad and the shareholders and the public in general may obtain such announcements and financial information from the website of Bursa Malaysia Securities Berhad.

b) Company Website

Our Company's website, [www.foundpac.com](http://www.foundpac.com), incorporates an Investor Relations section which provides all relevant information on the Company and is accessible by for both shareholders and the public. This Investor Relations section enhances the Investor Relations function by including all announcements made by the Company.

c) Analyst Briefings and One-to-One Meetings

Analyst briefings and one-to-one meetings with analysts and fund managers are held from time to time upon request and availability to provide updates on the Company's strategy, financial and operational performance.

#### 11.2 Integrated Report

The Board is mindful on the benefit of integrated reporting. Nevertheless, due to the limited resources, the Board has not prepared the Integrated Report.

### II. CONDUCT OF GENERAL MEETINGS

General meetings are the important and effective platforms for directors and senior management to communicate with the shareholders. Shareholders are able to participate, engage the Board and senior management effectively and make informed voting decisions at general meetings.

#### 12.1 Notice of Annual General Meeting

The Board is endeavour to dispatch its notice of annual general meeting ("AGM") at least 28 days before the meeting and mindful that the sufficient notice and time given would allow the shareholders to make necessary arrangements to attend and participate either in person, by corporate representative, by proxy or by attorney. This would also enable the shareholders to properly consider the resolutions that will be discussed and decided at the meeting.

Nevertheless, as this is the first year for the Board to prepare the Annual Report since its listing, the Board only managed to circulate its notice of AGM to shareholders at-least 21-days before the AGM.

#### 12.2 Attendance of the Chair of the Board Committees at the AGM

The Board took note that the presence of all directors will provide opportunity for shareholders to effectively engage each director. Besides, having the chair of the Board subcommittees present facilitates these conversations and allows shareholders to raise questions and concerns directly to those responsible. Accordingly, barring unforeseen circumstances, all directors as well as the Chairman of respective Board Committees (i.e. Audit Committee, Nominating Committee, Remuneration Committee and Risk Management Committee) will present at the forthcoming AGM of the Company to enable the shareholders to raise questions and concerns directly to those responsible.

# STATEMENT ON CORPORATE GOVERNANCE

(Cont'd)

## PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

### II. CONDUCT OF GENERAL MEETINGS (CONT'D)

#### 12.3 Encourage Shareholder Participation at General Meeting

The Company allows a member to appoint a proxy who may not be a member of the Company. If the proxy is not a member of the Company, he/she need not be an advocate, an approved company auditor or a person approved by the Companies Commission of Malaysia. FoundPac has not set the limit on the number of proxies to be appointed by an exempt authorised nominee with shares in the Company for Omnibus account to allow greater participation of beneficial owners of shares at general meetings of the Company. The Articles of Association of the Company further accord proxies the same rights as members to speak at the general meeting. Essentially, a corporate representative, proxy or attorney is entitled to attend, speak and vote both on a show of hands and on a poll as if they were a member of the Company.

Despite the recommendation of Practice 12.3 that the Company with large number of shareholders should have meetings in remote locations and in leverage technology to facilitate voting including voting in absentia and remote shareholders' participation at the general meeting, the Board assessed and of the opinion that meetings in remote locations is not necessary and costly to the Company in view of the current numbers of shareholders of the Company.

In line with the Practice 12.3 of the MCGG 2017 in promoting electronic voting, the Board will consider adopting electronic voting taking into consideration the following advantages of electronic voting:-

- more accurate and transparent voting results;
- shorter turnaround time for declaration of results;
- making voting more accessible even for the disabled;
- reduce administrative cost and paper work; and
- remove the need for physical ballot papers.

### COMPLIANCE STATEMENT

The Board has deliberated, reviewed and approved this Statement on Corporate Governance. The Board considered that the Statement on Corporate Governance provides the information necessary to enable shareholders of the Company to evaluate how the principles and best practices as set out in the MCGG 2017 have been complied with since the Company's listing on the Main Market on 29 December 2016. The Board shall remain committed in attaining the highest possible standards through the continuous adoption of the principles and best practices of the MCGG 2017 and all other applicable laws and regulations.

This statement is made in accordance with the resolution of the Board of Directors dated 19 September 2017.

# STATEMENT OF CORPORATE SOCIAL RESPONSIBILITY

FoundPac Group acknowledges the importance of conducting business in an ethical, socially responsible and environmental friendly manner for continued success and sustainable growth.

Our Group's commitment towards corporate social responsibility ("CSR") is focused and continuously improved by emphasising in these key areas:

- Marketplace
- Human resources
- Environment
- Community

Our initiatives in CSR activities and practices are as follows:

1. We develop and operate our business in accordance with the best environmental practices;
2. We comply all legislation in the territories in which our Group operates;
3. We provide safe and healthy working environment in accordance with rules and regulations;
4. We upgrade employees' skills and knowledge by providing relevant training and courses;
5. We provide education assistance programme for employees' education advancement;
6. We avoid usage of hazardous and toxic materials;
7. We adopt, whenever possible, components that are 'green' compliant and environmentally friendly; and
8. We create job opportunities to local instead of foreigner as we prioritised the hiring to local instead of foreign workers.

# AUDIT COMMITTEE REPORT

## Composition

The Audit Committee was established by the Board of Directors (“Board”) of FoundPac Group Berhad on 15 March 2016.

The present composition of the Audit Committee consists of three (3) members of the Board, all of whom are Independent Non-Executive Directors:-

Chairman of Audit Committee	Chan Bee Cheng <i>Independent Non-Executive Director</i>
Member of Audit Committee	Tan Cheik Eaik <i>Independent Non-Executive Chairman</i>
	Teoh Lay Fung <i>Independent Non-Executive Director</i>

This composition meets the requirements of paragraph 15.09(1)(a) and (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Ms. Chan Bee Cheng, the Chairman of the Audit Committee, is an accountant by profession and a member of the Malaysian Institute of Certified Public Accountants (MICPA) as well as the Malaysian Institute of Accountants (MIA). Accordingly, this meets the requirements of paragraph 15.09(1)(c) of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad. The other two members of our Audit Committee, Mr. Tan Cheik Eaik is the CEO of a Public Listed Company whilst Ms. Teoh Lay Fung is a lawyer by profession. All members of the Audit Committee are believed to be able to analyse and interpret financial statements to effectively discharge their duties and responsibilities as members of the Audit Committee.

## Terms of Reference

The Terms of Reference of the Audit Committee can be viewed on the FoundPac Group Berhad’s website at [www.foundpac.com](http://www.foundpac.com).

## Attendance at Meetings

The information on the attendance of each member at the Audit Committee meetings held during the Financial Year Ended 30 June 2017 (“FYE 2017”) is as follows:

Member	Attendance
Chan Bee Cheng	2/2
Tan Cheik Eaik	2/2
Teoh Lay Fung	1/2

## Summary of Activities

The activities carried out by the Audit Committee during the FYE 2017 in the discharge of its duties and responsibilities are as follows:-

### 1. Financial Reporting

The Audit Committee reviewed the unaudited quarterly reports for the second quarter and third quarter of FYE 2017, which were prepared in compliance with MFRS 134, “*Interim Financial Reporting*”, issued by the Malaysian Accounting Standards Board (“MASB”) and the disclosure requirements as set out in Appendix 9B of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad, at the Audit Committee meetings held on 22 February 2017 and 16 May 2017 respectively and recommended the same to the Board for approval and announcement to Bursa Malaysia Securities Berhad.

# AUDIT COMMITTEE REPORT

(Cont'd)

## Summary of Activities (Cont'd)

### 2. External Audit

The Audit Committee has on 16 May 2017 met with the External Auditors without the presence of the management of the Company.

During the Meeting, the External Auditors tabled the Audit Planning Memorandum prior to the commencement of audit of financial statements for FYE 2017. The External Auditors briefed the Audit Committee about changes in the Financial Reporting Standards and updates which are applicable to the FoundPac Group Berhad and its subsidiaries ("FoundPac Group" or "Group"), and more particularly outlined the nature and scope of audit, audit timetable, list of management communication term and audit engagement team to the Audit Committee.

The Audit Committee also enquired whether the External Auditors encountered any matter/concern/issue during the course of their previous audit that warrant the Committee's attention. There were no critical areas of concern raised by the External Auditors.

### 3. Risk Management and Internal Audit

At present, the Group does not have an in-house internal audit department. On 22 February 2017, the Audit Committee has discussed, reviewed and considered the option to outsource the internal audit function and thereafter approved the appointment of an independent professional accounting and consulting firm, Finfield Corporate Services Sdn. Bhd. ("FCS") to carry out internal audit services, including enterprise risk management services, for the Group.

FCS's principal role is to provide independent assurance on the adequacy and effectiveness of risk management, internal control, and governance processes. It reports directly to the Audit Committee on its activities based on the approved annual Internal Audit Plans.

On 22 February 2017, the annual Internal Audit Plan for the FYE 2017 was tabled for Audit Committee's discussion and the Audit Committee approved the said Plan.

During the FYE 2017, Internal Auditors have conducted review on risk management and internal control system of FoundPac Group Berhad and its subsidiaries focusing on the following areas:-

Company	Audit Area	Reporting Quarter
FoundPac Group	<ul style="list-style-type: none"><li>Risk management review</li></ul>	March 2017
FoundPac Technologies Sdn. Bhd.	<ul style="list-style-type: none"><li>Customer relationship management</li><li>Accounts receivable and credit control</li><li>Sales transaction</li></ul>	June 2017

During the meeting on 16 May 2017, the Risk Management Assessment Report of the Group was discussed and reviewed by the Audit Committee.

The fees incurred for the internal audit services rendered during the FYE 2017 amounted to RM8,500.

### 4. Related Party Transactions

The Audit Committee reviewed and discussed the reports of related party transactions and possible conflict of interest transaction to ensure that all related party transactions were undertaken on an arm's length basis and on normal commercial terms.

The Audit Committee also reviewed and discussed the recurrent related party transactions to ensure that they were undertaken on an arm's length basis and on normal commercial terms not more favourable to the related party than those generally available to the public.

# AUDIT COMMITTEE REPORT

(Cont'd)

## Summary of Activities (Cont'd)

Subsequent to the FYE 2017, the activities of the Audit Committee comprised the following:

### 1. Financial Reporting

In the meeting on 15 August 2017, the Audit Committee reviewed the audited interim financial reports for the fourth quarter of the FYE 2017 and recommended the same to the Board for approval and announcement to Bursa Malaysia Securities Berhad.

In the meeting on 19 September 2017, the Audit Committee reviewed Statement on Corporate Governance, Statement on Risk Management and Internal Control and Audit Committee Report and recommended the same to the Board for inclusion in the Annual Report.

### 2. External Audit

The Audit Committee had on 15 August 2017 met with the External Auditors without the presence of the management of the Company.

The External Auditors updated the Audit Committee on the status of audit for the FYE 2017 and the outstanding audit areas as summarised in the Audit Review Memorandum. In compliance with ISA 701 Communicating Key Audit Matters ("KAM") in the Independent Auditors' Report, the External Auditors highlighted the identified KAM and the audit procedures in addressing such KAM to be presented in the Independent Auditors' Report for the Audit Committee's notation.

During the meeting, the Audit Committee enquired the External Auditors whether they have encountered any matter/concern/issue during the course of audit including the co-operation rendered by the staff thus far which will in any way cause difficulties to discharge their duties that want the Audit Committee's attention. The External Auditors informed that the Management had granted full co-operation to the External Auditors during their course of audit.

The Audit Committee has also obtained confirmation from the External Auditors that Messrs. Crowe Horwath are not aware of any cause that in their professional judgement, may be thought to impair their independence.

On 15 August 2017, the Audit Committee concluded that based on the assessment, amongst others as set out below, the External Auditors performance for the FYE 2017 was found adequate and thereby recommended the re-appointment of Messrs. Crowe Horwath as the External Auditors of the Group to the Board for approval by its shareholders:-

- after having satisfied with its audit independence and the performance of Messrs. Crowe Horwath throughout its course of audit for the FYE 2017;
- satisfied that the quality processes/performance of External Auditors;
- able to give adequate technical support when audit issue arisen; and
- adequate experience and resources of Messrs. Crowe Horwath and audit engagements.

### 3. Risk Management and Internal Audit

During the FYE 2017, FCS has carried out the review on risk management system of the Group. The exercise was completed in April 2017 and the Risk Management Assessment Report of the Group were tabled to the Audit Committee for review and discussion on 16 May 2017.

During the financial year, the Internal Auditors also conducted the review of the internal control system for Sales and Receivables of FoundPac Technologies Sdn. Bhd. The Internal Auditors have identified areas that required improvement. These areas were duly highlighted in the internal audit reports together with internal audit recommendations, and management action plan in relation thereto were tabled to the Audit Committee on 15 August 2017.

The Internal Auditors have also carried out follow-up reviews to ensure that recommendations for improving the internal control systems were being implemented satisfactorily.

On 19 September 2017, the Audit Committee reviewed the Statement on Risk Management and Internal Control for inclusion in this Annual Report.

This statement is made in accordance with the resolution of the Board of Directors dated 19 September 2017.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Pursuant to Paragraph 15.26(b) of the Bursa Malaysia Securities Berhad  
Main Market Listing Requirements

The Board of Directors (“Board”) of FoundPac Group Berhad is pleased to present this Statement on Risk Management and Internal Control (“Statement”), which has been prepared in accordance with the *Statement on Risk Management and Internal Control: Guidelines for Directors of the Listed Issuers* issued by Bursa Malaysia Securities Berhad.

## BOARD RESPONSIBILITY

The Board affirms its overall responsibility for the FoundPac Group’s risk management practices and internal control system. The Board recognises that in order for the Group to meet its mission and objectives, as well as safeguarding shareholders’ interest, it is important to have a sound system of risk management and internal control which are embedded in all aspects of activities of the Group.

In making this Statement on Risk Management and Internal Control, the Board wishes to highlight that like any other system of controls, our risk management and internal control system have been designed to manage the Group’s risk to an acceptable level, within the risk appetite. The system can only provide reasonable, but not absolute assurance against material misstatement, loss or fraud. The risk management and internal control systems cover strategic, operational, financial and compliance objectives of the Group.

## SENIOR MANAGEMENT AND KEY PERSONNEL OF THE GROUP

The senior management and key personnel of the Group are accountable to the Board for the implementation of the processes in identifying, evaluating, monitoring and reporting of risks and internal control. The Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) have provided the Board the assurance that the Group’s risk management and internal control system are operating adequately and effectively, in all material aspects, to ensure achievement of corporate objectives.

## RISK MANAGEMENT

During the financial year under review, the Group has formalised the risk management process of the Group through a Group Risk Management Framework.

Under this Framework, a Risk Management Committee (“RMC”) and a Risk Management Working Group (“RMWG”) have been formed.

The RMC, which consists of majority of independent directors, oversees the Group’s risk management process.

The RMWG, consisting of managers and key staff, has the main function of identifying and assessing business and compliance risks by employing the following methodologies:

- Identification of significant risks by the process owners
- Assessment of the likelihood and impact of the risks identified
- Evaluating the control strategies in relation to the risks
- Formulating action plan to address control deficiencies
- Setting Key Risk Indicators to monitor the risks

The RMWG reports to the RMC on a periodic basis. The RMC will then meet to discuss and evaluate the RMWG’s reports for adoption. Thereafter, the RMC will report to the Audit Committee about key risks and risk management activities carried out during that period. The Audit Committee will review the report and confirm that necessary actions have been or are being taken to remedy any significant failings or weaknesses identified.

## INTERNAL CONTROL SYSTEM

Internal controls are embedded in the various work processes and procedures at appropriate levels in the Group. The Board maintains an organisational structure with clearly defined levels of responsibility and authority and appropriate reporting procedures.

The CEO, Chief Operating Officer (“COO”), CFO and senior management team are assigned with the responsibility of managing the Group. Key functions such as finance, tax, treasury, corporate, legal matters and contract awarding are controlled centrally by them. They are also accountable for the conduct and performance of the various business units. The CEO, COO, CFO and senior management team monitor the affairs of the business units through review of performance and operation reports and having regular management meetings with the heads of the business units to identify, discuss and resolve business, financial, operational, environmental, compliance and management issues. The meetings also serve as an excellent platform whereby the Group’s goals and objectives are communicated.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Pursuant to Paragraph 15.26(b) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements (Cont'd)

## INTERNAL AUDIT

The Audit Committee is responsible for reviewing and monitoring the adequacy and effectiveness of the Group's system of internal control. The review and monitoring of the adequacy and effectiveness of the system of internal control are carried out through the internal audit function. In this respect, the Group has outsourced the internal audit function to an external independent professional consulting firm. The internal audit function assists the Audit Committee to achieve the following objectives:

- Review and assess the adequacy and effectiveness of the current internal control system and provide recommendations to improve on the existing control environment in relation to key business processes and risk management practices;
- Recommend opportunities for improving efficiency, effectiveness and economic aspects of the Group's operations; and
- Promote a system of internal control that is responsive to the dynamic and ever changing business environment, cost effective and sustainable.

The annual Internal audit plan is reviewed and approved by the Audit Committee prior to the commencement of internal audit review. The plan is developed based on the risk profile and analysis of the businesses of the Group, as well as on past experience. The internal audit will focus its resources on areas of high risks which will be audited more frequently than low risk areas.

For purposes of identifying and prioritising risks, the Internal Auditors will discuss with the RMC and the RMWG, review management reports and financial statements.

During the financial year under review, the Internal Auditors carried out reviews on the following areas:

- Customer relationship management
- Accounts receivable and credit control
- Sales transactions

The findings of their audits were tabled at the Audit Committee meetings for deliberation.

## CONCLUSION

The Board, having received reasonable assurance from the CEO and CFO, is satisfied with the adequacy and effectiveness of the Group's risk management and internal control system which have been in place for the financial year under review and up to the date of 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 made in accordance with the resolution of the Board of Directors dated 19 September 2017.

## REVIEW OF STATEMENT BY THE EXTERNAL AUDITORS

The External Auditors have reviewed this Statement in accordance with paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. As set out in their terms of engagement, the limited assurance review was performed in accordance with Malaysian Approved Standard on Assurance Engagements, ISAE 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and Recommended Practice Guide 5 (Revised 2015), *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control Included in the Annual Report*.

The External Auditors limited assurance procedures primarily comprise obtaining an understanding of the processes described in this Statement, reviewing documentation to support the existence of the processes, and assessing whether the disclosure appropriately reflects the processes in place. The External Auditors are not required to consider whether this Statement 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.

Based on their review as to the factual accuracy of the processes and not their effectiveness or efficiency, the External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement intended to be included in the annual report is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the *Statement on Risk Management and Internal Control: Guidelines for Directors of the Listed Issuers* issued by Bursa Malaysia Securities Berhad to be set out, nor is this Statement factually inaccurate.

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

Pursuant to Paragraph 15.26(a) of the Bursa Malaysia Securities Berhad  
Main Market Listing Requirements

The Directors are required to prepare annual audited financial statements that give a true and fair view of the state of affairs, including the cash flows and results, of the Group and of the Company as at the end of each financial year.

In preparing these financial statements, the Directors have considered the following:-

- that the Group and the Company have used appropriate accounting policies, and these are consistently applied;
- that reasonable and prudent judgments and estimates were made;
- that the approved accounting standards in Malaysia have been adopted; and
- that the financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that the Company and subsidiary companies maintain proper accounting records which disclose with reasonable accuracy the financial positions of the Group and of the Company, and which enable them to ensure that the financial statements comply with the Companies Act 2016.

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

This statement is made in accordance with the resolution of the Board of Directors dated 19 September 2017.

# ADDITIONAL COMPLIANCE INFORMATION

## UTILISATION OF PROCEEDS

Subsequent to the Company's listing on the Main Market of Bursa Securities on 29 December 2016, the status of utilisation of the proceeds raised from the Public Issue amounting to RM21.600 million up to 30 June 2017 is as follows:-

Purpose	Proposed utilisation RM'000	Actual utilisation RM'000	Balance RM'000	Deviation RM'000	Estimated timeframe for utilisation from date of listing
Purchase of property, plant and equipment	8,000	(231)	7,769	-	Within 24 months
Overseas expansion	4,000	-	4,000	-	Within 24 months
Working capital	3,710 <sup>^</sup>	(1,200)	2,510	-	Within 24 months
Design & development expenditure	3,000	-	3,000	-	Within 24 months
Listing expenses	2,890	(2,890)	-	-	Immediate
<b>Total</b>	<b>21,600</b>	<b>(4,321)</b>	<b>17,279</b>	<b>-</b>	

Note:-

<sup>^</sup> Include the excess funds allocated for the listing expenses of RM0.11 million which will be utilised for general working capital purposes.

The utilisation of the proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 13 December 2016.

## AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees incurred for services rendered to the Company and its subsidiaries for the financial year ended 30 June 2017 by the Company's Auditors, or a firm or company affiliated to the Auditors' firm are as follows: -

Category	Audit Fees RM'000	Non-Audit Fees RM'000
Company	20	9
Subsidiaries	28	7
<b>Total</b>	<b>48</b>	<b>16</b>

## MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interests either still subsisting as at 30 June 2017 or entered into since the end of the previous financial year.

# ADDITIONAL COMPLIANCE INFORMATION

(Cont'd)

## MATERIAL EVENTS AFTER THE FINANCIAL YEAR END

### a) Corporate Proposals

On 21 September 2017, TA Securities Holdings Berhad had, on behalf of FoundPac Group Berhad ("FoundPac") announced that the Company proposed to undertake the following:-

- (i) Proposed bonus issue of up to 148,000,000 new ordinary shares in FoundPac ("Bonus Shares") on the basis of two (2) Bonus Shares for every five (5) existing ordinary shares in FoundPac ("FoundPac Share(s)" or "Share(s)") held at an entitlement date to be determined later ("Entitlement Date") ("Proposed Bonus Issue");
- (ii) Proposed employees' share option scheme of up to ten percent (10%) of the Company's total number of issued Shares (excluding treasury shares, if any) at any one time during the duration of the scheme for the eligible Directors and employees of FoundPac group of companies ("FoundPac Group" or "Group") (excluding dormant subsidiaries) ("Proposed ESOS"); and
- (iii) Proposed share buy-back by FoundPac of up to ten percent (10%) of its total number of issued Shares ("Proposed Share Buy-Back").

[COLLECTIVELY REFERRED TO AS, THE "PROPOSALS"]

Bursa Malaysia Securities Berhad ("Bursa Securities") had, vide its letter dated 4 October 2017, resolved to approve the listing of and quotation for the followings Shares on the Main Market of Bursa Securities, subject to the conditions as detailed in our announcement dated 4 October 2017:-

- Bonus Shares; and
- new FoundPac Shares to be issued arising from the exercise of the Options under the Proposed ESOS.

The Proposals are subject to the approval of the shareholders of FoundPac at the forthcoming Extraordinary General Meeting to be held on 22 November 2017.

### b) Proposed Acquisition of 187,500 Ordinary Shares, representing 75% Equity Interest in Dynamic Stencil Sdn. Bhd. for a Total Cash Consideration of RM16,500,000.

The Board of Directors of FoundPac had on 25 September 2017 announced that the Company had on 25 September 2017 entered in to a Share Sale Agreement ("Agreement") with Lim Seng Chiew and Lim Seng Choon (collectively, the "Vendors") in relation to the acquisition of 187,500 ordinary shares representing 75% equity interests in Dynamic Stencil Sdn. Bhd. ("DSSB") for a total cash consideration of RM16,500,000, subject to the terms and conditions in the Agreement ("Proposed Acquisition").

Upon completion of the Proposed Acquisition, DSSB will be a 75% owned subsidiary of FoundPac.

Barring unforeseen circumstances and subject to the Conditions being fulfilled, the Proposed Acquisition is expected to be completed by fourth (4<sup>th</sup>) quarter of 2017.



# FINANCIAL STATEMENTS

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# DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended 30 June 2017.

## Principal Activities

The principal activity of the Company is that of investment holding. The principal activities and other details of the subsidiaries are disclosed in Note 5 to the financial statements.

## Results

	The Group RM	The Company RM
Profit for the financial year	<u>10,220,442</u>	<u>3,855,650</u>

## Dividends

During the financial year, the Company declared and paid an interim single tier dividend of RM0.01 per share amounting to RM3,700,000 in respect of the financial year ended 30 June 2017.

The directors do not propose any final dividend in respect of the financial year ended 30 June 2017.

## Reserves and Provisions

All material transfers to or from reserves or provisions during the financial year have been disclosed in the financial statements.

## Issue of Shares or Debentures

During the financial year, the Company issued 40,000,000 ordinary shares at RM0.54 per share pursuant to the listing scheme on the Main Market of Bursa Malaysia Securities Berhad.

The Company did not issue any debentures during the financial year.

## Share Options

The Company did not grant any share options during the financial year.

## Bad and Doubtful Debts

Before the financial statements were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent.

# DIRECTORS' REPORT

(Cont'd)

## Current Assets

Before the financial statements were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records have been written down to an amount which the current assets might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to current assets in the financial statements misleading.

## Valuation Methods

At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group or the Company misleading or inappropriate.

## Contingent and Other Liabilities

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

- (i) any charge on the assets of the Group or the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (ii) any contingent liability which has arisen since the end of the financial year.

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

## Change of Circumstances

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

## Items of an Unusual Nature

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

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group or the Company for the financial year in which this report is made.

## Directors

The directors in office since the beginning of the financial year are:-

Lee Chun Wah  
Tan Sin Khoon  
Ong Choon Heng  
YTM Dato' Seri Diraja Tan Sri Tunku Puteri Intan Safinaz Binti Tuanku Abdul Halim Mu'adzam Shah (retired on 16.11.2016)  
Chan Bee Cheng  
Teoh Lay Fung  
Tan Cheik Eaik (appointed on 22.11.2016)

# DIRECTORS' REPORT

(Cont'd)

## Directors' Interests

According to the Register of Directors' Shareholdings, the interests in shares in the Company and its holding company, FoundPac Holdings Sdn. Bhd., of the directors in office at the end of the financial year are as follows:-

Name of Director	Number of Ordinary Shares in the Company					
	Balance at 1.7.2016/*	Allotted/Bought	(Sold)	Balance at 30.6.2017	Balance at 1.7.2016	Balance at 30.6.2017
Lee Chun Wah	0	510,000	0	510,000	330,000,000	238,000,000
Tan Sin Khoon	0	0	0	0	330,000,000	238,000,000
Ong Choon Heng	0	800,400	0	800,400	330,000,000	238,000,000
Chan Bee Cheng	0	1,300,000	0	1,300,000	0	0
Teoh Lay Fung	0	200,000	0	200,000	0	0
Tan Cheik Eaik	*0	2,000,000	0	2,000,000	0	0

\* Date of appointment

Name of Director	Number of Ordinary Shares in the Holding Company					
	Balance at 1.7.2016	Allotted	(Sold)	Balance at 30.6.2017	Balance at 1.7.2016	Balance at 30.6.2017
Lee Chun Wah	2,907	93	0	3,000	0	0
Tan Sin Khoon	2,907	93	0	3,000	0	0
Ong Choon Heng	186	2,814	0	3,000	0	0

By virtue of their interests in shares in the Company, Lee Chun Wah, Tan Sin Khoon and Ong Choon Heng are deemed to have interests in shares in the subsidiaries to the extent of the Company's interests, pursuant to Section 8 of the Companies Act 2016.

## Directors' Benefits

Since the end of the previous financial period, no director has received or become entitled to receive any benefit (other than the directors' remuneration as disclosed in Note 14 to the financial statements) 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.

Neither during nor at the end of the financial year, was the Company a party to any arrangement whose object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## Indemnity And Insurance For Directors And Officers

There was no indemnity given to or liability insurance effected for any director or officer of the Group or the Company during the financial year.

# DIRECTORS' REPORT

(Cont'd)

## **Auditors**

The auditors, Messrs. Crowe Horwath, have expressed their willingness to continue in office. The auditors' remuneration is disclosed in Note 13 to the financial statements. There was no indemnity given to or liability insurance effected for the auditors during the financial year.

**Signed In Accordance With A Resolution Of The Directors  
Dated 15 August 2017**

**Lee Chun Wah**

**Ong Choon Heng**

## STATEMENT BY DIRECTORS

We, Lee Chun Wah and Ong Choon Heng, being two of the directors of FoundPac Group Berhad, do hereby state that in the opinion of the directors, the financial statements set out on pages 55 to 83 give a true and fair view of the financial position of the Group and the Company as at 30 June 2017 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

In the opinion of the directors, the supplementary information set out on page 84 is prepared, in all material respects, in accordance with Guidance on Special Matter No. 1 *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

### **Signed In Accordance With A Resolution Of The Directors Dated 15 August 2017**

**Lee Chun Wah**

**Ong Choon Heng**

## STATUTORY DECLARATION

I, Ong Choon Heng, being the director primarily responsible for the financial management of FoundPac Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 55 to 83 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by Ong Choon Heng  
at Georgetown in the State of Penang on this  
15 August 2017

**Ong Choon Heng**

Before me

Mok Cheng Yoon, PJK  
No. P140  
Commissioner for Oaths

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

FoundPac Group Berhad (Incorporated In Malaysia) (Company No: 1165946-H)

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of FoundPac Group Berhad, which comprise the statements of financial position as at 30 June 2017 of the Group and the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 55 to 83.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Company as at 30 June 2017, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### Basis for Opinion

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

### Independence and Other Ethical Responsibilities

We are independent of the Group and 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 the Company of the current period. These matters were addressed in the context of our audit of the financial statements of the Group and the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><u>Impairment of loans and receivables</u> (Refer to Notes 3 and 7 to the financial statements)</p> <p>The Group carries significant receivables and is subject to major credit risk exposures. The assessment of recoverability of receivables involves judgements and estimation uncertainty in analysing historical bad debts, customer concentration, customer creditworthiness, current economic trends, customer payment terms, etc.</p>	<p>Our audit procedures included, among others:-</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of:-                             <ul style="list-style-type: none"> <li>• the Group's control over the receivable collection process;</li> <li>• how the Group identifies and assesses the impairment of receivables; and</li> <li>• how the Group makes the accounting estimates for impairment.</li> </ul> </li> <li>• Reviewing the ageing analysis of receivables and testing the reliability thereof.</li> <li>• Reviewing subsequent cash collections for major receivables and overdue amounts.</li> <li>• Making inquiries of management regarding the action plans to recover overdue amounts.</li> <li>• Comparing and challenging management's view on the recoverability of overdue amounts to historical patterns of collections.</li> <li>• Examining other evidence including customer correspondences, proposed or existing settlement plans, repayment schedules, etc.</li> <li>• Evaluating the reasonableness and adequacy of the allowance for impairment recognised for identified exposures.</li> </ul>

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

FoundPac Group Berhad (Incorporated In Malaysia) (Company No: 1165946-H)  
(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 directors' report (but does not include the financial statements of the Group and the Company and our auditors' report thereon), which we obtained prior to the date of this auditors' report, and the annual report, which is expected to be made available to us after that date.

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

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

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

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and request that a correction be made. If the directors refuse to make the correction, we shall take appropriate action considering our legal rights and obligations, to seek to have the uncorrected material misstatement appropriately brought to the attention of users for whom our auditors' report is prepared.

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

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

## *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and 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 the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

FoundPac Group Berhad (Incorporated In Malaysia) (Company No: 1165946-H)  
(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 Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and 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 the Company, including the disclosures, and whether the financial statements of the Group and the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

## Other Reporting Responsibilities

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

## Other Matters

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

**Crowe Horwath**  
Firm No: AF 1018  
Chartered Accountants

**Eddy Chan Wai Hun**  
Approval No: 2182/10/17(J)  
Chartered Accountant

Date: 15 August 2017

Penang

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2017

	Note	2017 RM	2016 RM
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	<b>14,438,219</b>	15,788,854
<b>CURRENT ASSETS</b>			
Inventories	6	<b>27,776,068</b>	2,627,246
Trade and other receivables	7	<b>8,097,990</b>	7,633,530
Prepayments		<b>194,015</b>	1,256,218
Cash and cash equipment	8	<b>46,385,802</b>	20,181,269
		<b>57,453,875</b>	31,698,263
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	<b>2,373,162</b>	3,082,138
Current tax liabilities		<b>55,517</b>	114,043
		<b>2,428,679</b>	3,196,181
<b>NET CURRENT ASSETS</b>		<b>55,025,196</b>	28,502,082
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	10	<b>1,944,000</b>	2,002,000
<b>NET ASSETS</b>		<b>67,519,415</b>	42,288,936
<b>EQUITY</b>			
Share capital	11	<b>51,710,037</b>	33,000,000
Retained profits		<b>15,809,378</b>	9,288,936
<b>TOTAL EQUITY</b>		<b>67,519,415</b>	42,288,936

*Remark:-*

*As explained in Note 2.2, consolidated financial statements are prepared as if the combined entity had been in existence throughout the reported periods.*

The annexed notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 30 June 2017

	Note	2017 RM	2016 RM
Revenue	12	35,959,619	44,108,497
Cost of goods sold		(20,200,462)	(23,351,519)
Gross profit		15,759,157	20,756,978
Other income		2,033,836	1,058,554
Administrative and general expenses		(3,343,057)	(3,183,281)
Selling and distribution expenses		(1,463,043)	(1,040,377)
Profit before tax	13	12,986,893	17,591,874
Tax expenses	15	(2,766,451)	(1,159,882)
Profit for the financial year		10,220,442	16,431,992
Other comprehensive income for the financial year		0	0
Total comprehensive income for the financial year		10,220,442	16,431,992
Earnings per share:-	16		
- Basic (sen)		2.92	5.03
- Diluted (sen)		2.92	5.03

*Remark:-*

*As explained in Note 2.2, consolidated financial statements are prepared as if the combined entity had been in existence throughout the reported periods.*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2017

	Share capital RM	Share premium RM	Revaluation surplus RM	Distributable Retained profits RM	Total equity RM
Balance at 1 July 2015	2,000,000	0	5,962,634	14,894,310	22,856,944
Issue of shares by subsidiary	50,000	2,950,000	0	0	3,000,000
Bonus issue by subsidiaries	30,950,000	(2,950,000)	(5,962,634)	(22,037,366)	0
Issue of shares by the Company at date of incorporation	2	0	0	0	2
Effect of share swap	(2)	0	0	0	(2)
Total transactions with owners	31,000,000	0	(5,962,634)	(22,037,366)	3,000,000
Profit (representing total comprehensive income) for the financial year	0	0	0	16,431,992	16,431,992
Balance at 30 June 2016	33,000,000	0	0	9,288,936	42,288,936
Issue of shares	4,000,000	17,600,000	0	0	21,600,000
Share issue transaction costs	0	(2,889,963)	0	0	(2,889,963)
Dividend (Note 17)	0	0	0	(3,700,000)	(3,700,000)
Total transactions with owners	4,000,000	14,710,037	0	(3,700,000)	15,010,037
Transfer of share premium upon abolition of par value	14,710,037	(14,710,037)	0	0	0
Profit (representing total comprehensive income) for the financial year	0	0	0	10,220,442	10,220,442
Balance at 30 June 2017	<b>51,710,037</b>	<b>0</b>	<b>0</b>	<b>15,809,378</b>	<b>67,519,415</b>

Remark:-

As explained in Note 2.2, consolidated financial statements are prepared as if the combined entity had been in existence throughout the reported periods.

The annexed notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 30 June 2017

	2017 RM	2016 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	12,986,893	17,591,874
Adjustments for:-		
Depreciation of property, plant and equipment	1,404,690	1,596,279
Gain on disposal of property, plant and equipment	(56,000)	(7,388)
Gain on disposal of unquoted investment	(42,000)	0
Interest income	(1,101,498)	(326,386)
Property, plant and equipment written off	0	1,437
Unrealised (gain)/loss on foreign exchange	(20,934)	294,851
Operating profit before working capital changes	12,793,151	19,150,667
Changes in:-		
Inventories	(148,822)	684,349
Receivables and prepayments	597,743	(2,358,711)
Payables	(703,312)	193,860
Cash generated from operations	12,538,760	17,643,165
Tax paid	(2,892,871)	(1,416,008)
Tax refunded	9,894	0
Net cash from operating activities	9,655,783	16,227,157
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of subsidiary	0	(2)
Interest received	1,101,498	326,386
Proceeds from disposal of property, plant and equipment	80,000	12,735
Proceeds from disposals of unquoted investment	2,420,000	0
Purchase of property, plant and equipment	(78,055)	(1,175,284)
Purchase of unquoted investment	(2,000,000)	0
Net cash from/(used in) investing activities	1,523,443	(836,165)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(3,700,000)	(4,400,000)
Issue of shares	21,600,000	3,000,002
Share issue transaction costs paid	(2,889,963)	0
Net cash from/(used in) financing activities	15,010,037	(1,399,998)
Effect of exchange rate changes on cash and equivalents	15,270	(294,851)
Net increase in cash equivalents	26,204,533	13,696,143
Cash and cash equivalents brought forward	20,181,269	6,485,126
Cash and cash equivalents carried forward	46,385,802	20,181,269

*Remark:-*

*As explained in Note 2.2, consolidated financial statements are prepared as if the combined entity had been in existence throughout the reported periods.*

The annexed notes form an integral part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

as at 30 June 2017

	Note	2017 RM	2016 RM
<b>NON-CURRENT ASSETS</b>			
Investments in subsidiaries	5	<b>33,000,000</b>	33,000,000
<b>CURRENT ASSETS</b>			
Receivables	7	<b>1,000</b>	0
Prepayments		<b>10,000</b>	1,246,023
Cash and cash equivalents	8	<b>18,865,910</b>	0
		<b>18,876,910</b>	1,246,023
<b>CURRENT LIABILITIES</b>			
Payables	9	<b>24,000</b>	1,264,800
Current tax liabilities		<b>6,000</b>	0
		<b>30,000</b>	1,264,800
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<b>18,846,910</b>	(18,777)
<b>NET ASSETS</b>		<b>51,846,910</b>	32,981,223
<b>EQUITY</b>			
Share capital	11	<b>51,710,037</b>	33,000,000
Retained profits/(Accumulated losses)		<b>136,873</b>	(18,777)
<b>TOTAL EQUITY</b>		<b>51,846,910</b>	32,981,223

The annexed notes form an integral part of these financial statements.

# STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 30 June 2017

	Note	1.7.2016 to 30.6.2017 RM	16.11.2015 to 30.6.2016 RM
Revenue	12	3,730,000	0
Other income		315,382	0
Administrative and general expenses		(165,732)	(18,777)
Profit/(Loss) before tax	13	3,879,650	(18,777)
Tax expense	15	(24,000)	0
Profit/(Loss) for the financial year/period		3,855,650	(18,777)
Other comprehensive income for the financial year/period		0	0
Total comprehensive income for the financial year/period		3,855,650	(18,777)

# STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2017

	Share capital RM	Share premium RM	Distributable (Accumulated losses)/ Retained profits RM	Total equity RM
Balance at date of incorporation	2	0	0	2
Issue of shares (representing total transactions with owners)	32,999,998	0	0	32,999,998
Loss (representing total comprehensive income) for the financial period	0	0	(18,777)	(18,777)
Balance at 30 June 2016	33,000,000	0	(18,777)	32,981,223
Issue of shares	4,000,000	17,600,000	0	21,600,000
Share issue transaction costs	0	(2,889,963)	0	(2,889,963)
Dividend (Note 17)	0	0	(3,700,000)	(3,700,000)
Total transactions with owners	4,000,000	14,710,037	(3,700,000)	15,010,037
Transfer of share premium upon abolition of par value	14,710,037	(14,710,037)	0	0
Profit (representing total comprehensive income) for the financial year	0	0	3,855,650	3,855,650
Balance at 30 June 2017	<b>51,710,037</b>	<b>0</b>	<b>136,873</b>	<b>51,846,910</b>

The annexed notes form an integral part of these financial statements.

# STATEMENT OF CASH FLOWS

for the financial year ended 30 June 2017

	1.7.2016 to 30.6.2017 RM	16.11.2015 to 30.6.2016 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/(Loss) before tax	3,879,650	(18,777)
Adjustments for:-		
Dividend income	(3,730,000)	0
Interest income	(315,382)	0
Operating loss before working capital changes	(165,732)	(18,777)
Changes in:-		
Receivables and prepayments	1,235,023	(1,246,023)
Payables	(1,240,800)	1,264,800
Net cash absorbed by operations	(171,509)	0
Tax paid	(18,000)	0
Net cash used in operating activities	(189,509)	0
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of subsidiary	0	(2)
Dividends received	3,730,000	0
Interest received	315,382	0
Net cash from/(used in) investing activities	4,045,382	(2)
<b>NET FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(3,700,000)	0
Issue of shares	21,600,000	0
Share issue transaction costs paid	(2,889,963)	0
Net cash from financing activities	15,010,037	0
Net increase/(decrease) in cash and cash equivalents	18,865,910	(2)
Cash and cash equivalents brought forward/at date of incorporation	0	2
Cash and cash equivalents carried forward	18,865,910	0

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2017

## 1. GENERAL INFORMATION

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

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 5.

The registered office of the Company is located at 57-G, Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang and its principal place of business is located at Plot 35, Hilir Sungai Keluang 2, Bayan Lepas Industrial Estate, Non-Free Industrial Zone Phase IV, 11900 Bayan Lepas, Penang.

The consolidated financial statements set out on pages 55 to 58 together with the notes thereto cover the Company and its subsidiaries ("the Group"). Comparative figures are presented as if the Group had been in existence since 1 July 2015.

The separate financial statements of the Company set out on pages 59 to 62 together with the notes thereto cover the Company solely.

The presentation currency of the financial statements is Ringgit Malaysia ("RM").

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 15 August 2017.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of Preparation of Financial Statements

The financial statements of the Group and the Company are prepared under the historical cost convention, modified to include other bases of measurement as disclosed in other sections of the significant accounting policies, and in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following MFRSs became effective for the financial year under review:-

MFRS	Effective for annual periods beginning on or after
MFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 <i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
Amendments to MFRS 11 <i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Amendments to MFRS 101 <i>Disclosure Initiative</i>	1 January 2016
Amendments to MFRS 116 and MFRS 138 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to MFRS 116 and MFRS 141 <i>Agriculture: Bearer Plants</i>	1 January 2016
Amendments to MFRS 127 <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Annual Improvements to MFRS Standards 2012 - 2014 Cycle	1 January 2016

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2017  
(Cont'd)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.1 Basis of Preparation of Financial Statements (Cont'd)

The adoption of the above MFRSs did not result in any significant changes in the accounting policies of the Group and the Company.

The Group and the Company have not applied the following MFRSs which have been issued as at the end of the reporting period but are not yet effective:-

MFRS (Issued as at the end of the reporting period)	Effective for annual periods beginning on or after
MFRS 9 <i>Financial Instruments</i> (IFRS 9 <i>Financial Instruments</i> as issued by IASB in July 2014)	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
MFRS 16 <i>Leases</i>	1 January 2019
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to MFRS 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	1 January 2018
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred
Amendments to MFRS 15 <i>Clarifications to MFRS 15 Revenue from Contracts with Customers</i>	1 January 2018
Amendments to MFRS 107 <i>Disclosure Initiative</i>	1 January 2017
Amendments to MFRS 112 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
Amendments to MFRS 140 <i>Transfers of Investment Property</i>	1 January 2018
Annual Improvements to MFRS Standards 2014 - 2016 Cycle:-	
(i) Amendments to MFRS 1 <i>First-time Adoption of Malaysian Financial Reporting Standards</i>	1 January 2018
(ii) Amendments to MFRS 12 <i>Disclosure of Interests in Other Entities</i>	1 January 2017
(iii) Amendments to MFRS 128 <i>Investments in Associates and Joint Ventures</i>	1 January 2018

Management foresees that the initial application of the above MFRSs will not have any significant impacts on the financial statements except as follows:-

#### MFRS 9 *Financial Instruments*

MFRS 9 *Financial Instruments*, which replaces MFRS 139 *Financial Instruments: Recognition and Measurement*, sets out the requirements for recognising and measuring financial instruments. The major changes introduced by MFRS 9 (that are relevant to the Group and the Company) relate to the classification and measurement of financial assets. Under MFRS 9, financial assets are classified as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both the business model within which they are held and their contractual cash flow characteristics. Management foresees that the adoption of these new classifications will not result in any significant changes in the existing measurement bases of financial assets of the Group and the Company.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2017

(Cont'd)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 Basis of Consolidation

A subsidiary is an entity that is controlled by another entity. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In February 2016, the Company issued new shares to acquire the entire issued and fully paid share capital of the subsidiaries. Such acquisition by share swap is a business combination of entities or businesses under common control whereby all the combining entities or businesses are ultimately controlled by the same parties both before and after the business combination, and that control is not transitory. Merger accounting has been applied to account for such business combination of entities or businesses under common control in the consolidated financial statements. In applying merger accounting:-

- (i) the financial statement items of the combining entities or businesses for the reporting period in which the combination occurs, and for any comparative periods disclosed, are included in the consolidated financial statements as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling parties;
- (ii) the assets and liabilities of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective;
- (iii) no amount is recognised as consideration for goodwill or bargain purchase gain at the time of combination, to the extent of the continuation of the controlling parties' interests; and
- (iv) the effects of all transactions between the combining entities or businesses, whether occurring before or after the combination, are eliminated in preparing the consolidated financial statements.

### 2.3 Property, Plant and Equipment

Property, plant and equipment are stated at cost or at valuation less accumulated depreciation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.5.

Revaluations of land and buildings are made with sufficient regularity at an interval of not more than five years such that the carrying amounts of the assets do not differ materially from their fair values at the end of the reporting period.

A revaluation increase is recognised in other comprehensive income and accumulated in equity as revaluation surplus or recognised in profit or loss to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in profit or loss. A revaluation decrease is recognised in profit or loss or recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of the same asset.

Leasehold land and buildings are depreciated on a straight-line basis over the lease term of 44 years. Other property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets using the following annual rates:-

Plant and machinery	20%
Office equipment, furniture and fittings	20% - 50%
Renovation	20%

The residual value, useful life and depreciation method of an asset are reviewed at least at the end of each reporting period and any changes in expectations from previous estimates are accounted for prospectively as changes in accounting estimates.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2017  
(Cont'd)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.4 Investments in Subsidiaries

As required by the Companies Act 2016, the Company prepares separate financial statements in addition to the consolidated financial statements. In the separate financial statements of the Company, investments in subsidiaries are stated at cost less impairment losses, if any. The impairment policy is disclosed in Note 2.5.

### 2.5 Impairment of Non-financial Assets

At the end of each reporting period, the Group and the Company assess whether there is any indication that a non-financial asset, other than inventories, may be impaired. If any such indication exists, the recoverable amount of the asset, being the higher of its fair value less costs of disposal and its value in use, is estimated. Any excess of the carrying amount of the asset over its recoverable amount represents an impairment loss and is recognised in profit or loss or, in respect of a revalued asset, treated as a revaluation decrease.

An impairment loss on an asset is reversed if there has been a change in the estimates used to determine the recoverable amount and it is reversed only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised. The reversal is recognised in profit or loss or, in respect of a revalued asset, treated as a revaluation increase.

### 2.6 Inventories

Inventories of materials and goods are valued at the lower of cost (determined principally on the weighted average basis) and net realisable value. Cost consists of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

### 2.7 Financial Assets

Financial assets of the Group and the Company consist of receivables and cash and cash equivalents.

#### Recognition and Measurement

A financial asset 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 financial instrument. A financial asset is initially recognised at fair value plus directly attributable transaction costs. After initial recognition, the financial asset is measured at amortised cost using the effective interest method. Any gain or loss is recognised in profit or loss when the financial asset is derecognised or impaired as well as through the amortisation process.

A financial asset is derecognised when, and only when, the contractual rights to the cash flows from the financial asset have expired or all the risks and rewards of ownership have been substantially transferred.

#### Impairment

At the end of each reporting period, the Group and the Company assess whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted using the asset's original effective interest rate. The asset's carrying amount is reduced through the use of an allowance account and the impairment loss is recognised in profit or loss. The gross carrying amount and the associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the increased carrying amount does not exceed what the amortised cost would have been had no impairment loss been recognised at the reversal date. The reversal is recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2017

(Cont'd)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.8 Financial Liabilities

Financial liabilities of the Group and the Company consist of payables.

#### Recognition and Measurement

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 financial instrument. A financial liability is initially recognised at fair value less directly attributable transaction costs. After initial recognition, the financial liability is measured at amortised cost using the effective interest method. Any gain or loss is recognised in profit or loss when the financial liability is derecognised as well as through the amortisation process.

A financial liability is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires.

### 2.9 Foreign Currency Transactions and Translation

The consolidated financial statements and separate financial statements of the Company are presented in Ringgit Malaysia, which is also the Company's functional currency, being the currency of the primary economic environment in which the entity operates. Items included in the financial statements of each individual entity within the Group are measured using the individual entity's own functional currency.

A foreign currency transaction is recorded in the functional currency using the exchange rate at transaction date. At the end of the reporting period, foreign currency monetary items are translated into the functional currency using the closing rate. Foreign currency non-monetary items measured at cost are translated using the exchange rate at transaction date whereas those measured at fair value are translated using the exchange rate at valuation date. Exchange differences arising from the settlement or translation of monetary items are recognised in profit or loss. Any exchange component of the gain or loss on a non-monetary item is recognised on the same basis as that of the gain or loss, i.e. in profit or loss or in other comprehensive income.

### 2.10 Share Capital

Ordinary shares are classified as equity. Transaction costs that relate to the issue of new shares are accounted for as a deduction from equity.

Dividends on shares declared and unpaid at the end of the reporting period are recognised as a liability whereas dividends proposed or declared after the reporting period are disclosed in the notes to the financial statements.

### 2.11 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The valuation techniques used include the following:-

- (i) Market approach - which uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities.
- (ii) Cost approach - which reflects the amount that would be required currently to replace the service capacity of an asset.
- (iii) Income approach - which converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2017

(Cont'd)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.11 Fair Value Measurement (Cont'd)

The inputs to valuation techniques used to measure fair value are categorised into the following levels of fair value hierarchy:-

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

Any transfers between the levels of fair value hierarchy are deemed to have occurred at the end of the reporting period.

#### Non-financial Assets

The fair values of land and buildings are measured using the market comparison approach. Under this approach, the fair values are derived from observable market data such as prices per square foot for comparable properties in similar locations (i.e. Level 2).

#### Financial Assets and Financial Liabilities

The carrying amounts of receivables, cash and cash equivalents and payables which are short-term in nature or repayable on demand are reasonable approximations of fair values.

### 2.12 Income Recognition

Income from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

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

Interest income is recognised using the effective interest method.

### 2.13 Employee Benefits

#### Short-term Employee Benefits

Short-term employee benefits such as wages, salaries, bonuses and social security contributions are recognised in profit or loss in the period in which the associated services are rendered by the employee.

#### Defined Contribution Plans

As required by law, employers in Malaysia make contributions to the statutory pension scheme, Employees Provident Fund ("EPF"). Contributions to defined contribution plans are recognised in profit or loss in the period in which the associated services are rendered by the employee.

### 2.14 Income Taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax represents the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2017

(Cont'd)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.14 Income Taxes (Cont'd)

Deferred tax is provided for under the liability method in respect of all temporary differences between the carrying amount of an asset or liability and its tax base except for those temporary differences associated with goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting nor taxable results at the time of the transaction.

A deferred tax liability is recognised for all taxable temporary differences whereas a deferred tax asset is recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

### 2.15 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, term deposits that are withdrawable on demand and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

## 3. Judgements And Estimation Uncertainty

### Judgements Made in Applying Accounting Policies

In the process of applying the accounting policies of the Group and the Company, management is not aware of any judgements, apart from those involving estimations, that can significantly affect the amounts recognised in the financial statements.

### Sources of Estimation Uncertainty

The key assumptions about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:-

#### Allowance for inventories

Reviews are made periodically by management on inventories for excess inventories, obsolescence and decline in net realisable value below cost. These reviews require the use of judgements and estimates. Possible changes in these estimates may result in revisions to the valuation of inventories. The carrying amounts of inventories are disclosed in Note 6.

#### Impairment of loans and receivables

The Group and the Company make allowance for impairment based on an assessment of the recoverability of loans and receivables. Allowance is applied to loans and receivables when there is objective evidence that the balances may not be recoverable. Management specifically analyses historical bad debts, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment. Where expectations are different from previous estimates, the difference will impact on the carrying amounts of loans and receivables as disclosed in Note 7.

**4. PROPERTY, PLANT AND EQUIPMENT**

The Group

**NOTES TO THE FINANCIAL STATEMENTS**

for the financial year ended 30 June 2017

(Cont'd)

	Leasehold land RM	Buildings RM	Plant and machinery RM	Office equipment, furniture and fittings RM	Renovation RM	Total RM
<u>At Cost/Valuation</u>						
Balance at 1 July 2015	8,200,000	4,500,000	6,429,534	1,437,980	322,068	20,889,582
Additions	0	0	1,126,064	28,386	20,834	1,175,284
Disposals/Write-offs	0	0	(88,134)	(1,428)	0	(89,562)
Balance at 30 June 2016	8,200,000	4,500,000	7,467,464	1,464,938	342,902	21,975,304
Representing:-						
- Cost	0	0	7,467,464	1,464,938	342,902	9,275,304
- Valuation	8,200,000	4,500,000	0	0	0	12,700,000
	8,200,000	4,500,000	7,467,464	1,464,938	342,902	21,975,304
Balance at 1 July 2016						
Additions	0	0	7,562	70,493	0	78,055
Disposals	0	0	(160,000)	0	0	(160,000)
Balance at 30 June 2017	8,200,000	4,500,000	7,315,026	1,535,431	342,902	21,893,359
Representing:-						
- Cost	0	0	7,315,026	1,535,431	342,902	9,193,359
- Valuation	8,200,000	4,500,000	0	0	0	12,700,000
	8,200,000	4,500,000	7,315,026	1,535,431	342,902	21,893,359

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2017

(Cont'd)

## 4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Leasehold land RM	Buildings RM	Plant and machinery RM	Office equipment, furniture and fittings RM	Renovation RM	Total RM
<u>Accumulated Depreciation</u>						
Balance at 1 July 2015	0	0	3,405,724	1,197,405	69,820	4,672,949
Depreciation	213,913	117,391	1,017,404	181,768	65,803	1,596,279
Disposals/Write-offs	0	0	(81,563)	(1,215)	0	(82,778)
Balance at 30 June 2016	213,913	117,391	4,341,565	1,377,958	135,623	6,186,450
Depreciation	213,913	117,391	942,645	64,714	66,027	1,404,690
Disposals	0	0	(136,000)	0	0	(136,000)
Balance at 30 June 2017	427,826	234,782	5,148,210	1,442,672	201,650	7,455,140
<u>Carrying Amount</u>						
Balance at 1 July 2015	8,200,000	4,500,000	3,023,810	240,575	252,248	16,216,633
Balance at 30 June 2016	7,986,087	4,382,609	3,125,899	86,980	207,279	15,788,854
Balance at 30 June 2017	<b>7,772,174</b>	<b>4,265,218</b>	<b>2,166,816</b>	<b>92,759</b>	<b>141,252</b>	<b>14,438,219</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2017

(Cont'd)

## 4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The leasehold land and buildings were revalued to fair values on 30 June 2015 based on appraisals performed by independent professional valuers using the market comparison approach. The appraised values were derived from observable prices per square foot for comparable properties in similar locations (i.e. Level 2). Had the land and buildings been carried under the cost model, the total carrying amounts of their entire classes that would have been recognised in the financial statements are as follows:-

	2017 RM	2016 RM
Leasehold land	865,569	889,338
Buildings	<u>2,899,320</u>	<u>3,222,849</u>
	<u>3,764,889</u>	<u>4,112,187</u>

## 5. INVESTMENTS IN SUBSIDIARIES

The Company

	2017 RM	2016 RM
Unquoted shares, at cost	<u>33,000,000</u>	<u>33,000,000</u>

The details of the subsidiaries are as follows:-

Name of Subsidiary	Principal Place of Business/ Country of Incorporation	Effective Ownership Interest		Principal Activity
		2017	2016	
FoundPac Sdn. Bhd.	Malaysia	100%	100%	Investment holding
FoundPac Technologies Sdn. Bhd.	Malaysia	100%	100%	Design, development, manufacture, marketing and sale of stiffeners, test sockets, hand lids and related accessories

## 6. Inventories

The Group

	2017 RM	2016 RM
Raw materials	1,273,668	1,004,263
Work-in-progress	414,244	522,411
Finished goods	<u>1,088,156</u>	<u>1,100,572</u>
	<u>2,776,068</u>	<u>2,627,246</u>

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2017

(Cont'd)

## 7. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Trade receivables	7,616,203	7,382,995	0	0
Other receivables	481,787	250,535	1,000	0
	<u>8,097,990</u>	<u>7,633,530</u>	<u>1,000</u>	<u>0</u>

The currency profile of trade and other receivables is as follows:-

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Ringgit Malaysia	1,812,741	462,258	1,000	0
US Dollar	5,650,064	7,040,642	0	0
Others	635,185	130,630	0	0
	<u>8,097,990</u>	<u>7,633,530</u>	<u>1,000</u>	<u>0</u>

### Trade Receivables

Trade receivables are unsecured, non-interest bearing and generally on 30 to 90 day terms.

The ageing analysis of trade receivables not impaired is as follows:-

	The Group	
	2017 RM	2016 RM
Not past due	4,082,047	4,846,091
Past due 1 to 30 days	2,089,119	990,867
Past due 31 to 120 days	1,215,944	1,258,031
Past due more than 120 days	229,093	288,006
	<u>7,616,203</u>	<u>7,382,995</u>

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2017

(Cont'd)

## 7. TRADE AND OTHER RECEIVABLES (CONT'D)

### Trade Receivables (Cont'd)

Trade receivables that are neither past due nor impaired mainly relate to creditworthy customers who have regular transactions and good payment records with the Group.

Management determines credit risk concentrations in terms of counterparties and geographical areas. As at 30 June 2017, there was 1 (2016 : 3) major customer that accounted for 10% or more of the Group's trade receivables and the total outstanding balance due from this major customer amounted to RM1,218,176 (2016 : RM3,862,382). The credit risk concentration profile by geographical areas of trade receivables is as follows:-

	The Group	
	2017 RM	2016 RM
Malaysia	1,662,198	211,723
Other Asian countries	564,462	641,834
North America	3,415,915	5,152,827
Europe	1,973,628	1,376,611
	<u>7,616,203</u>	<u>7,382,995</u>

### Other Receivables

Other receivables are unsecured and non-interest bearing. The amounts mainly consist of advances and refundable deposits which have no fixed repayment terms.

## 8. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Short-term highly liquid investments	14,451,881	800,000	0	0
Term deposits (fixed rate)	0	15,980,945	0	0
Cash and bank balances	31,933,921	3,400,324	18,865,910	0
	<u>46,385,802</u>	<u>20,181,269</u>	<u>18,865,910</u>	<u>0</u>

The effective interest rates of term deposits as at 30 June 2016 ranged from 1.20% to 4.15% per annum.

The currency profile of cash and cash equivalents is as follows:-

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Ringgit Malaysia	42,780,515	16,569,014	18,865,910	0
US Dollar	3,343,312	3,608,016	0	0
Others	261,975	4,239	0	0
	<u>46,385,802</u>	<u>20,181,269</u>	<u>18,865,910</u>	<u>0</u>

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2017

(Cont'd)

## 9. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Trade payables	1,883,854	2,622,147	0	0
Other payables:-				
- Subsidiaries	0	0	0	1,249,800
- Unrelated parties	489,308	459,991	24,000	15,000
	<u>489,308</u>	<u>459,991</u>	<u>24,000</u>	<u>1,264,800</u>
	<u>2,373,162</u>	<u>3,082,138</u>	<u>24,000</u>	<u>1,264,800</u>

The currency profile of trade and other payables is as follows:-

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Ringgit Malaysia	1,607,180	1,956,756	24,000	1,264,800
US Dollar	765,802	1,125,382	0	0
Others	180	0	0	0
	<u>2,373,162</u>	<u>3,082,138</u>	<u>24,000</u>	<u>1,264,800</u>

Trade and other payables are generally short-term in nature or repayable on demand and their carrying amounts will approximate to the remaining contractual undiscounted cash flows.

### Trade Payables

Trade payables are unsecured, non-interest bearing and generally on 30 to 90 day terms.

### Other Payables

Other payables are unsecured and non-interest bearing. The amounts owing to subsidiaries were repayable on demand. The amounts owing to unrelated parties mainly consist of sundry payables and accruals for operating expenses which are generally due within 30 to 90 days.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2017  
(Cont'd)

## 10. DEFERRED TAX LIABILITIES

The Group

	2017 RM	2016 RM
Balance at 1 July	2,002,000	2,270,000
Deferred tax income relating to origination and reversal of temporary differences	(63,000)	(247,000)
Deferred tax liabilities under/(over) provided in prior year	5,000	(21,000)
Balance at 30 June	<u>1,944,000</u>	<u>2,002,000</u>
In respect of taxable/(deductible) temporary differences of:-		
- Property, plant and equipment	1,943,000	2,073,000
- Financial instruments	1,000	(71,000)
	<u>1,944,000</u>	<u>2,002,000</u>

## 11. SHARE CAPITAL

The Group

	No. of ordinary shares	RM
<u>Issued and fully paid</u>		
Balance at 1 July 2015:-		
- FoundPac Sdn. Bhd. ("FP")	1,000,000	1,000,000
- FoundPac Technologies Sdn. Bhd. ("FPT")	1,000,000	1,000,000
	<u>2,000,000</u>	<u>2,000,000</u>
Issue of shares by FPT	50,000	50,000
Bonus issue by FP and FPT	30,950,000	30,950,000
	<u>33,000,000</u>	<u>33,000,000</u>
Issue of shares by the Company at date of incorporation	20	2
Effect of Share Swap	296,999,980	(2)
Balance at 30 June 2016	<u>330,000,000</u>	<u>33,000,000</u>
Issue of shares by the Company	40,000,000	4,000,000
Transfer from share premium upon abolition of par value	0	14,710,037
Balance at 30 June 2017	<u>370,000,000</u>	<u>51,710,037</u>

In February 2016, the Company issued 329,999,980 new ordinary shares of RM0.10 each to acquire the entire issued and fully paid share capital of FP and FPT totalling RM33,000,000 comprising 33,000,000 ordinary shares of RM1.00 each ("Share Swap"). The movements in the issued and fully paid share capital of the Group prior to the Share Swap include those in respect of FP and FPT.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2017

(Cont'd)

## 11. SHARE CAPITAL (CONT'D)

The Company

	No. of ordinary shares	RM
<u>Authorised</u>		
Balance at date of incorporation*	4,000,000	400,000
Increase in authorised share capital*	496,000,000	49,600,000
Balance at 30 June 2016*	500,000,000	50,000,000
Cancellation upon abolition of par value	(500,000,000)	(50,000,000)
Balance at 30 June 2017	<u>0</u>	<u>0</u>
<u>Issued and fully paid</u>		
Balance at date of incorporation*	20	2
Issue of shares*	329,999,980	32,999,998
Balance at 30 June 2016*	330,000,000	33,000,000
Issue of shares*	40,000,000	4,000,000
Transfer from share premium upon abolition of par value	0	14,710,037
Balance at 30 June 2017**	<u>370,000,000</u>	<u>51,710,037</u>

\* Ordinary shares of RM0.10 each

\*\* Ordinary shares with no par value

In December 2016, the Company issued 40,000,000 new ordinary shares of RM0.10 each at RM0.54 per share pursuant to the listing scheme on the Main Market of Bursa Malaysia Securities Berhad.

Pursuant to Section 74 of the Companies Act 2016, all shares issued before or upon the commencement of the Act on 31 January 2017 shall have no par value. Accordingly, the amount standing to the credit of share premium has been transferred to share capital.

## 12. REVENUE

	The Group		The Company	
	2017 RM	2016 RM	1.7.2016 to 30.6.2017 RM	16.11.2015 to 30.6.2016 RM
Sales of goods	35,959,619	44,108,497	0	0
Dividend income	0	0	3,730,000	0
	<u>35,959,619</u>	<u>44,108,497</u>	<u>3,730,000</u>	<u>0</u>

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2017  
(Cont'd)

## 13. PROFIT/(LOSS) BEFORE TAX

	The Group		The Company	
	2017 RM	2016 RM	1.7.2016 to 30.6.2017 RM	16.11.2015 to 30.6.2016 RM

Profit/(Loss) before tax is arrived at after charging:-

Auditors' remuneration	<b>48,000</b>	35,000	<b>20,000</b>	15,000
Depreciation of property, plant and equipment	<b>1,404,690</b>	1,596,279	<b>0</b>	0
Employee benefits expense (Note 14)	<b>6,033,504</b>	4,907,678	<b>78,500</b>	0
Fee expense for financial instruments not at fair value through profit or loss	<b>43,635</b>	43,595	<b>168</b>	0
Incorporation fee	<b>0</b>	3,000	<b>0</b>	3,000
Property, plant and equipment written off	<b>0</b>	1,437	<b>0</b>	0
Unrealised loss on foreign exchange	<b>0</b>	294,851	<b>0</b>	0

and crediting:-

Bad debts recovered	<b>0</b>	3,668	<b>0</b>	0
Gain on disposal of property, plant and equipment	<b>56,000</b>	7,388	<b>0</b>	0
Gain on disposal of unquoted investment	<b>420,000</b>	0	<b>0</b>	0
Gain on foreign exchange:-				
- Realised	<b>435,404</b>	721,112	<b>0</b>	0
- Unrealised	<b>20,934</b>	0	<b>0</b>	0
Interest income for financial assets not at fair value through profit or loss	<b>1,101,498</b>	326,386	<b>315,382</b>	0

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2017

(Cont'd)

## 14. EMPLOYEE BENEFITS EXPENSE (INCLUDING DIRECTORS' REMUNERATION)

	The Group		The Company	
	2017 RM	2016 RM	1.7.2016 to 30.6.2017 RM	16.11.2015 to 30.6.2016 RM
Directors:-				
- Fees	70,000	0	70,000	0
- Other short-term employee benefits	1,770,157	1,285,952	8,500	0
- Defined contribution plans	210,000	154,188	0	0
	<b>2,050,157</b>	<b>1,440,140</b>	<b>78,500</b>	<b>0</b>
Other employees:-				
- Short-term employee benefits	3,659,860	3,176,466	0	0
- Defined contribution plans	323,487	291,072	0	0
	<b>3,983,347</b>	<b>3,467,538</b>	<b>0</b>	<b>0</b>
	<b>6,033,504</b>	<b>4,907,678</b>	<b>78,500</b>	<b>0</b>

## 15. TAX EXPENSE

	The Group		The Company	
	2017 RM	2016 RM	1.7.2016 to 30.6.2017 RM	16.11.2015 to 30.6.2016 RM
Tax based on results for the year:-				
Current tax	2,831,000	1,424,000	24,000	0
Deferred tax	(63,000)	(247,000)	0	0
	<b>2,768,000</b>	<b>1,177,000</b>	<b>24,000</b>	<b>0</b>
Tax (over)/under provided in prior year:-				
Current tax	(6,549)	3,882	0	0
Deferred tax	5,000	(21,000)	0	0
	<b>2,766,451</b>	<b>1,159,882</b>	<b>24,000</b>	<b>0</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2017

(Cont'd)

## 15. TAX EXPENSE (CONT'D)

The numerical reconciliation between the applicable tax rate, which is the statutory income tax rate, and the average effective tax rate is as follows:-

	The Group		The Company	
	2017 %	2016 %	1.7.2016 to 30.6.2017 %	16.11.2015 to 30.6.2016 %
Applicable tax rate	24.00	24.00	24.00	(24.00)
Non-deductible expenses	0.66	0.52	0.93	24.00
Non-taxable income	(1.81)	0.00	(24.31)	0.00
Pioneer income exempted	(1.54)	(17.63)	0.00	0.00
Effect of differential tax rates	0.00	(0.20)	0.00	0.00
Average effective tax rate	21.31	6.69	0.62	0.00

## 16. EARNINGS PER SHARE

The Group

The basic earnings per share is calculated by dividing the Group's profit for the financial year by the weighted average number of ordinary shares in issue during the year as follows:-

	2017	2016
Profit for the financial year (RM)	10,220,442	16,431,992
Number of shares in issue at 1 July	330,000,000	2,000,000
Effect of shares issued	20,164,384	33,345
Effect of bonus issue	0	30,625,390
Effect of share swap	0	293,928,507
Weighted average number of shares in issue	350,164,384	326,587,242
Basic earnings per share (sen)	2.92	5.03

The diluted earnings per share equals the basic earnings per share as there were no dilutive potential ordinary shares during the financial year.

## 17. DIVIDEND

The Group and the Company

During the financial year, the Company declared and paid an interim single tier dividend of RM0.01 per share amounting to RM3,700,000 in respect of the financial year ended 30 June 2017.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2017

(Cont'd)

## 18. RELATED PARTY DISCLOSURES

The immediate and ultimate holding company of the Company is FoundPac Holdings Sdn. Bhd., a company incorporated in Malaysia.

Significant transactions with related parties during the financial year/period are as follows:-

	The Group		The Company	
	2017 RM	2016 RM	1.7.2016 to 30.6.2017 RM	16.11.2015 to 30.6.2016 RM
Key management personnel compensation:-				
- Short-term employee benefits	1,840,157	1,285,952	78,500	0
- Defined contribution plan	210,000	154,188	0	0
	<b>2,050,157</b>	1,440,140	<b>78,500</b>	0
Dividend paid to holding company	2,380,000	0	2,380,000	0
Dividends received from subsidiaries	0	0	3,730,000	0

## 19. SEGMENT REPORTING

The Group

### Operating Segments

Information about operating segments has not been reported separately as the Group's revenue, profit or loss, assets and liabilities are mainly confined to a single operating segment, namely the design, development, manufacture, marketing and sale of stiffeners, test sockets, hand lids and related accessories.

### Geographical Information

The Group operates principally in Malaysia and generates revenue from the following geographical locations of customers:-

	External Revenue	
	2017 RM	2016 RM
Malaysia	3,132,192	1,284,792
Other Asian countries	3,413,171	3,468,868
North America	20,348,080	32,058,371
Europe	9,066,176	7,296,466
	<b>35,959,619</b>	<b>44,108,497</b>

### Major Customer

For the financial year ended 30 June 2017, there was 1 major customer that contributed 10% or more of the Group's total revenue and the total revenue generated from this major customer amounted to RM5,195,396 (2016 : RM21,040,198).

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2017

(Cont'd)

## 20. FINANCIAL RISK MANAGEMENT

The activities of the Group expose it to certain financial risks, including credit risk, liquidity risk and currency risk. The overall financial risk management objective of the Group is to ensure that adequate financial resources are available for business development whilst minimising the potential adverse impacts of financial risks on its financial position, performance and cash flows.

The aforementioned financial risk management objective and its related policies and processes explained below have remained unchanged from the previous financial year.

### Credit Risk

The Group's exposure to credit risk arises mainly from receivables and deposits placed with financial institutions. The maximum credit risk exposure of these financial assets is best represented by their respective carrying amounts in the statement of financial position.

As the Group only deals with reputable financial institutions, the credit risk associated with deposits placed with them is minimal. The Group manages its credit risk exposure of receivables by assessing counterparties' financial standings on an ongoing basis, setting and monitoring counterparties' limits and credit terms.

### Liquidity Risk

The Group's exposure to liquidity risk relates to its ability to meet obligations associated with financial liabilities as and when they fall due. The remaining contractual maturities of financial liabilities are disclosed in their respective notes.

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities whilst maintaining sufficient cash and the availability of funding through standby credit facilities.

### Currency Risk

The Group's exposure to currency risk arises mainly from transactions entered into in currencies other than its functional currency, i.e. Ringgit Malaysia ("RM"). The major foreign currency transacted is US Dollar ("USD").

The Group observes the movements in exchange rates and acts accordingly to minimise its exposure to currency risk. Where necessary, the Group enters into derivative contracts to hedge the exposure. Such exposure is also partly mitigated in the following ways:-

- (i) The Group's foreign currency sales and purchases provide a natural hedge against fluctuations in foreign currencies.
- (ii) The Group maintains part of its cash and cash equivalents in foreign currency accounts to meet future obligations in foreign currencies.

Based on a symmetric basis which uses the foreign currency as a stable denominator, the following table demonstrates the sensitivity of profit or loss to changes in exchange rates that were reasonably possible at the end of the reporting period, with all other variables held constant:-

	The Group	
	Increase/ (Decrease) in Profit 2017 RM	Increase/ (Decrease) in Profit 2016 RM
Appreciation of USD against RM by 10%	625,296	723,769
Depreciation of USD against RM by 10%	<u>(625,296)</u>	<u>(723,769)</u>

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2017

(Cont'd)

## 21. CAPITAL MANAGEMENT

The overall capital management objective of the Group is to safeguard its ability to continue as a going concern so as to provide fair returns to owners and benefits to other stakeholders. In order to meet this objective, the Group always strives to maintain an optimal capital structure to reduce the cost of capital and sustain its business development.

The Group considers its total equity and total loans and borrowings to be the key components of its capital structure and may, from time to time, adjust the dividend payouts, issue new shares, sell assets, raise or redeem debts, where necessary, to maintain an optimal capital structure. The Group monitors capital using a debt-to-equity ratio, which is calculated as total loans and borrowings divided by total equity.

The aforementioned capital management objective, policies and processes have remained unchanged from the previous financial year.

## SUPPLEMENTARY INFORMATION

### - REALISED AND UNDERLISED PROFITS OR LOSSES

	The Group		The Company	
	2017 RM	2016 RM	1.7.2016 to 30.6.2017 RM	16.11.2015 to 30.6.2016 RM
Total retained profits/ (accumulated losses) of the Company and its subsidiaries:-				
- Realised	<b>19,195,052</b>	12,717,091	<b>136,873</b>	(18,777)
- Unrealised	<b>(2,188,066)</b>	(2,496,851)	<b>0</b>	0
	<b>17,006,986</b>	10,220,240	<b>136,873</b>	(18,777)
Consolidation adjustments and eliminations	<b>(1,197,608)</b>	(931,304)	<b>0</b>	0
Total retained profits/ (accumulated losses) as per statement of financial position	<b>15,809,378</b>	9,288,936	<b>136,873</b>	(18,777)

The above supplementary information is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

## LIST OF PROPERTIES

Registered Owner/ Title/ Address	Description/Existing Use	Approximate Age of Building/ Tenure/ Date of Expiry of Lease	Approximate Land/ Built-up Area (Sq. Feet)	Net Book Value as at 30.6.2017 (RM'000)	Date of Last Revaluation
<p><b>FoundPac Sdn. Bhd.</b> <b>("FPSB")</b></p> <p><b>Title</b> Pajakan Negeri 5869, Lot 12349, Mukim 12, District of South West, Penang</p> <p><b>Address</b> Plot 35, Hilir Sungai Keluang 2, Bayan Lepas Industrial Estate, Non- Free Industrial Zone, Phase IV, 11900 Bayan Lepas Penang</p>	<p>Industrial land with three (3) buildings erected thereon.</p> <p>Factory complex comprises single storey office building, single storey storage building, single storey with mezzanine floor production building, guard house and car park shed.</p>	<p>19 years/60 years leasehold expiring 31.10.2053</p>	<p>66,133/ 46,037</p>	<p>12,037</p>	<p>2015</p>

# ANALYSIS OF SHAREHOLDINGS

## SHARE CAPITAL AS AT 20 SEPTEMBER 2017

Total Number of Issued Shares	:	370,000,000
Class of Share	:	Ordinary Shares with equal voting rights
Number of Shareholders	:	3,186

## DISTRIBUTION OF SHAREHOLDERS AS AT 20 SEPTEMBER 2017

<u>Holdings</u>	<u>No. of Holders</u>	<u>Total Holdings</u>	<u>%</u>
1 – 99	3	100	0.00
100 – 1,000	173	119,100	0.03
1,001 – 10,000	1,497	9,782,000	2.64
10,001 – 100,000	1,272	42,744,400	11.56
100,001 – 18,499,999	237	99,091,400	26.78
18,500,000 and above	4	218,263,000	59.99
Total	3,186	370,000,000	100.00

## THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 20 SEPTEMBER 2017

	<u>Name</u>	<u>Shareholdings</u>	<u>%</u>
1.	FoundPac Holdings Sdn. Bhd.	137,000,000	37.03
2.	Acme Sky Sdn. Bhd.	33,000,000	8.92
3.	Lee Chun Wah	28,263,000	7.64
4.	Tan Sin Khoon	20,000,000	5.41
5.	RHB Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Foong Wai Fong	2,905,000	0.79
6.	Alliancegroup Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Chok Chew Lan	2,747,000	0.74
7.	Cimsec Nominees (Asing) Sdn Bhd Qualifier: Pledged Securities Account for Noble Plan Sdn Bhd	2,715,200	0.73
8.	Ong Keng Seng	2,380,000	0.64
9.	Amanahraya Trustees Berhad Qualifier: MIDF Amanah Strategic Fund	2,268,000	0.61
10.	Maybank Nominees (Tempatan) Sdn Bhd Qualifier: Ng Hau Ching	2,100,000	0.57
11.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ng Seng Chuan (NGS0110C)	2,000,000	0.54
12.	Tan Cheik Eaik	2,000,000	0.54
13.	RHB Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Gan Seong Liam	1,950,000	0.53
14.	Maybank Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Tan Hong Lim	1,765,000	0.48
15.	RHB Nominees (Tempatan) Sdn Bhd Qualifier: Loh Foong Ping	1,500,000	0.41
16.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. Qualifier: Pledged Securities Account for Lee Cheng Chuan (LEE4666C)	1,410,000	0.38
17.	Alliancegroup Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Cha Shuh Yi (6000680)	1,335,000	0.36
18.	Chan Bee Cheng	1,300,000	0.35
19.	RHB Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Chok Chew Lan	1,210,000	0.33
20.	Rosmariah Binti Abd Manan	1,200,000	0.32

# ANALYSIS OF SHAREHOLDINGS

(Cont'd)

## THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 20 SEPTEMBER 2017 (CONT'D)

Name	Shareholdings	%
21. Maybank Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Chin Kean Ping	1,185,000	0.32
22. Ng Soh Hin	1,180,000	0.32
23. RHB Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Chok Chew Lan	1,000,000	0.27
24. Maybank Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Yee Kong Fatt	952,000	0.26
25. Gan Seong Liam	950,000	0.26
26. CIMB Group Nominees (Tempatan) Sdn Bhd Qualifier: MIDF Amanah Asset Management Berhad for Lembaga Tabung Angkatan Tentera (JG441)	931,000	0.25
27. RHB Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Rosmariah Binti Abd Manan	915,300	0.25
28. Alliancegroup Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Lee Cheng Chuan (8057815)	900,000	0.24
29. Vibrant Shine Sdn. Bhd.	888,000	0.24
30. RHB Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Ong Choon Heng	800,400	0.22

## SUBSTANTIAL SHAREHOLDERS AS AT 20 SEPTEMBER 2017

Name	Direct No. of shares held	%	Indirect No. of shares held	%
1. FoundPac Holdings Sdn. Bhd.	137,000,000	37.03	-	-
2. Acme Sky Sdn. Bhd.	33,000,000	8.92	-	-
3. Lee Chun Wah	28,773,000	7.78	137,000,000 <sup>(a)</sup>	37.03 <sup>(a)</sup>
4. Tan Sin Khoon	20,000,000	5.41	137,000,000 <sup>(a)</sup>	37.03 <sup>(a)</sup>
5. Ong Choon Heng	800,400	0.22	170,000,000 <sup>(b)</sup>	45.95 <sup>(b)</sup>

<sup>(a)</sup> Deemed interested pursuant to Section 8 of the Companies Act 2016 ("the Act") via FoundPac Holdings Sdn Bhd.

<sup>(b)</sup> Deemed interested pursuant to Section 8 of the Act via Acme Sky Sdn Bhd and FoundPac Holdings Sdn Bhd.

## DIRECTORS' SHAREHOLDINGS AS AT 20 SEPTEMBER 2017

Name	Direct No. of shares held	%	Indirect No. of shares held	%
1. Lee Chun Wah	28,773,000	7.78	137,000,000 <sup>(a)</sup>	37.03 <sup>(a)</sup>
2. Tan Sin Khoon	20,000,000	5.41	137,000,000 <sup>(a)</sup>	37.03 <sup>(a)</sup>
3. Ong Choon Heng	800,400	0.22	170,000,000 <sup>(b)</sup>	45.95 <sup>(b)</sup>
4. Tan Cheik Eaik	2,000,000	0.54	-	-
5. Chan Bee Cheng	1,300,000	0.35	-	-
6. Teoh Lay Fung	200,000	0.05	-	-

<sup>(a)</sup> Deemed interested pursuant to Section 8 of the Act via FoundPac Holdings Sdn Bhd.

<sup>(b)</sup> Deemed interested pursuant to Section 8 of the Act via Acme Sky Sdn Bhd and FoundPac Holdings Sdn Bhd.

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Second Annual General Meeting of the Company will be held at Etoile Room, Hotel Equatorial Penang, 1 Jalan Bukit Jambul, Bayan Lepas, 11900 Penang on Wednesday, 22 November 2017 at 9.00 a.m. for the following purposes:-

## A G E N D A

1. To receive the Audited Financial Statements of the Company for the year ended 30 June 2017 together with the Reports of the Directors and of the Auditors thereon. *(Please refer to Note A)*
2. To approve the payment of Directors' Fee of up to RM180,000/- for the period from July 1, 2017 until the next Annual General Meeting of the Company. (Resolution 1)
3. To approve the payment of other benefits (excluding Directors' Fee) to Non-Executive Director of up to RM50,000/- for the period from July 1, 2017 until the next Annual General Meeting of the Company. (Resolution 2)
4. To re-elect the following Directors retiring under the respective provision of the Articles of Association of the Company and who, being eligible offer themselves for re-election:-
  - a. Mr. Ong Choon Heng Article 97(1) (Resolution 3)
  - b. Ms. Chan Bee Cheng Article 97(1) (Resolution 4)
  - c. Mr. Tan Cheik Eaik Article 104 (Resolution 5)
5. To re-appoint Messrs. Crowe Horwath as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. (Resolution 6)

## SPECIAL BUSINESS

6. To consider and if thought fit, to pass the following resolution: -  
**Ordinary Resolution**
  - a) Authority to Issue Shares (Resolution 7)  
"That pursuant to Companies Act 2016 and approvals from the Bursa Malaysia Securities Berhad ("Bursa Securities") and other relevant governmental/regulatory authorities where such authority shall be necessary, the Board of Directors be authorised to issue and allot shares in the Company from time to time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Board of Directors may, in its absolute discretion, deem fit provided that the aggregate number of shares to be issued shall not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company for the time being, and that the Board of Directors be empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Securities."
7. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016.

By Order of the Board  
HOW WEE LING (MAICSA 7033850)  
OOI EAN HOON (MAICSA 7057078)  
Secretaries

Penang  
30 October 2017

## Notes:-

- A. *This Agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 and the Company's Articles of Association do not require a formal approval of the shareholders and hence, is not put forward for voting.*
- B. *For the purpose of determining a member who shall be entitled to attend and vote at this 2<sup>nd</sup> Annual General Meeting, the Company shall be requesting the Record of Depositors as at 16 November 2017. Only a depositor whose name appears on the Record of Depositors as at 16 November 2017 shall be entitled to attend, speak and vote at the said meeting or appoint proxy(ies) to attend, speak and vote on his/her behalf.*

# NOTICE OF ANNUAL GENERAL MEETING

(Cont'd)

## **Proxy:-**

1. *A member of the Company (Except an Exempt Authorised Nominee) shall be entitled to appoint up to two (2) proxies to attend and vote at the same meeting. Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
2. *Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.*
3. *The instrument appointing a proxy shall be in writing, executed by or on behalf of the appointor. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.*
4. *The instrument appointing a proxy must be deposited at the Registered Office of the Company at 57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang at least twenty-four (24) hours before the time set for holding the Meeting or any adjournments thereof.*

## Explanatory Note On Special Business:

1. Resolution pursuant to Authority to issue Shares

The proposed Resolution No. 7 [Item 6(a)], if passed, will grant a new general mandate (Mandate 2017) and empower the Directors of the Company to issue and allot shares up to an amount not exceeding in total ten per centum (10%) of total number of issued shares of the Company from time to time and for such purposes as the Directors consider would be in the interest of the Company. In order to avoid any delay and costs involved in convening a general meeting, it is thus appropriate to seek shareholders' approval. This authority will, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

The Mandate 2017 will provide flexibility to the Company for allotment of shares for any possible fund raising activities, including but not limited for further placing of shares, for the purpose of funding future investment(s), acquisition(s) and/or working capital.

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# PROXY FORM



No of ordinary shares held

I/We \_\_\_\_\_ (\*NRIC No./Company No \_\_\_\_\_)  
of \_\_\_\_\_  
being a \*Member/Members of FOUNDPAC GROUP BERHAD hereby appoint  
(Proxy 1) \_\_\_\_\_ (\*NRIC No./Passport No. \_\_\_\_\_)  
of \_\_\_\_\_ and\*/or failing him\*  
(Proxy 2) \_\_\_\_\_ (\*NRIC No./Passport No. \_\_\_\_\_)  
of \_\_\_\_\_ and\*/or failing him\*,  
the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the Second Annual General Meeting of the Company to be held at Etoile Room, Hotel Equatorial Penang, 1 Jalan Bukit Jambul, Bayan Lepas, 11900 Penang on Wednesday, 22 November 2017 at 9.00 a.m. and/or, at every adjournment thereof to vote as indicated below:-

The proportions of my/our holdings to be represented by our proxy(ies) are as follows:-

Proxy 1	-	_____	%
Proxy 2	-	_____	%
		_____	100%

\* Strike out whichever is inapplicable

(Please indicate with an "X" in the space provided below on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion)

RESOLUTIONS		FOR	AGAINST
1.	To approve the payment of Directors' Fee of up to RM180,000/- for the period from July 1, 2017 until the next Annual General Meeting of the Company.		
2.	To approve the payment of other benefits (excluding Directors' Fee) to Non-Executive Director of up to RM50,000/- for the period from July 1, 2017 until the next Annual General Meeting of the Company.		
3.	To re-elect the following Directors retiring under the respective provision of the Articles of Association of the Company and who, being eligible offer themselves for re-election:-		
4.	Mr. Ong Choon Heng (Article 97(1))		
5.	Ms. Chan Bee Cheng (Article 97(1))		
6.	Mr. Tan Cheik Eaik (Article 104)		
6.	To re-appoint Messrs. Crowe Horwath as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.		
7.	To pass the following resolution as Special Business :- <b>Ordinary Resolution</b> Authority to Issue Shares pursuant to the Companies Act 2016		

Signature of Shareholder(s) .....

Signed this ..... day of....., 2017

**Notes:-**

For the purpose of determining a member of the Company who shall be entitled to attend and vote at this 2<sup>nd</sup> Annual General Meeting, the Company shall be requesting the Record of Depositors as at 16 November 2017 Only a depositor whose name appears on the Record of Depositors as at 16 November 2017 shall be entitled to attend, speak and vote at the said meeting or appoint proxy(ies) to attend, speak and vote on his/her behalf.

**Proxy:-**

1. A member of the Company (Except an Exempt Authorised Nominee) shall be entitled to appoint up to two (2) proxies to attend and vote at the same meeting. Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
2. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
3. The instrument appointing a proxy shall be in writing, executed by or on behalf of the appointor. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.
4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang at least twenty-four (24) hours before the time set for holding the Meeting or any adjournments thereof.

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**AFFIX  
STAMP**

The Company Secretaries  
**FOUNDPAC GROUP BERHAD**  
57-G Persiaran Bayan Indah  
Bayan Bay, Sungai Nibong  
11900 Penang

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[www.foundpac.com](http://www.foundpac.com)

**FoundPac Group Berhad**

(1165946-H)

Plot 35, Hilir Sungai Keluang 2,  
Bayan Lepas Non-Free Industrial Zone Phase IV,  
11900 Bayan Lepas, Penang, Malaysia.

**T** : +604-630 9336 **F** : +604-630 9333 **E** : sales@foundpac.com