



**DENKO INDUSTRIAL CORPORATION BERHAD**  
(Company No. : 190155-M)



# ANNUAL REPORT 2015



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# **DENKO INDUSTRIAL CORPORATION BERHAD**

(Incorporated in Malaysia)

Company No: 190155-M

## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

Dato' Ong Soon Ho

Non-Independent Non-Executive Chairman

Tan Chen Wei

Executive Director

Dr. Loh Yee Feei (appointed 27<sup>th</sup> July 2015)

Executive Director

Dato' Ong Choo Meng

Non-Independent Non-Executive Director

Thoolasy Das Ponniah

Senior Independent Non-Executive Director

Tan Sri Dato' Seri Tan King Tai @ Tan Khoo Hai

Independent Non-Executive Director

Yoong Nim Chor

Independent Non-Executive Director

David Yaory

Independent Non-Executive Director

Ong Wei Liam @ Jeremy Ong (Appointed 18<sup>th</sup> May 2015)

Independent Non-Executive Director

### **COMPANY SECRETARIES**

Woo Min Fong (MAICSA 0532413)

Wong Chee Yin (MAICSA 7023530)

### **STOCK EXCHANGE LISTING**

Main Market of Bursa Malaysia Securities Berhad

### **REGISTERED OFFICE**

TRICOR CORPORATE SERVICES SDN BHD

Suite 1301, 13th Floor, City Plaza

Jalan Tebrau, 80300 Johor Bahru

Tel : 07-3322088 Fax : 07-3328096

### **SHARE REGISTRAR**

TRICOR INVESTOR SERVICES SDN BHD

Level 17, The Gardens North Tower

Mid Valley City, Lingkaran Syed Putra

59200 Kuala Lumpur, Malaysia.

Tel : 03-22643883 Fax : 03-22821886

### **COMPANY'S WEBSITE**

[www.denko.com.my](http://www.denko.com.my)

### **PRINCIPAL BANKERS**

CIMB Bank Berhad

Malayan Banking Berhad

### **SOLICITORS**

YH Teh & Quek

Kenny Lee & Associates

### **AUDITOR**

Crowe Horwath

E-2-3 Pusat Komersial Bayu Tasek,

Persiaran Southkey 1, Kota Southkey,

80150, Johor Bahru, Johor.

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

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## CHAIRMAN'S STATEMENT

Dear fellow shareholders,

On behalf of the Board of Directors, we are pleased to present the Annual Report and Financial Statements of Denko Industrial Corporation Berhad for the financial year ended 31<sup>st</sup> March 2015 ("FY15").

### *Review of Performance*

#### **OPERATING ENVIRONMENT**

Malaysia's economy performed well in the financial year ended 31<sup>st</sup> March 2015 ("FY2015"); with GDP growth of 6.0% in 2014 and 5.6% in the first quarter of 2015. Malaysia remains one of the key manufacturing countries in ASEAN, especially in Electrical and Electronic goods, where production is led by multinational corporations (MNCs). Foreign investors continue to find Malaysia an ideal location for high value-added activities due to its strong and diversified base across multiple industries.

Buoyancy in the demand for consumer electronics has fueled Denko Group's business. In addition, steady costs of energy and industrial raw material in FY2015 had correspondingly, fortified the Group's revenue and profitability.

#### **FINANCIAL REVIEW**

In FY2015, Denko Group had delivered commendable performance. The Group achieved revenue of RM80 Million against the previous financial year ended 31<sup>st</sup> March 2014 ("FY2014") of RM74 Million. Profit After Tax (PAT) in FY2015 increased by RM6.4 Million, from a Loss After Tax of RM3.6 Million in FY2014 to a PAT of RM2.8 Million in FY2015. This progression was attributed predominantly to the improved revenue and margins, fueled by optimised product mix in Manufacturing Division, which led to an increase in sales by RM11 million (+19%) and PBT by RM5.7 million (+222%).

# **DENKO INDUSTRIAL CORPORATION BERHAD**

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## **CHAIRMAN'S STATEMENT (CONT'D)**

The formidable advancement is a result of strategic alignment of the Group's core competencies on current and future opportunities and its resilient ability to changing market demands, enabling the Group to create an intense competitive edge.

## **CORPORATE GOVERNANCE**

The Board of Directors is committed to ensuring the key principles of integrity, transparency and accountability are in place in all of its dealings internally and with third parties. Denko has and will continue to improve and align its internal controls with the best practices recommended in the Malaysian Code on Corporate Governance.

## **DENKO OPERATING SYSTEM**

The Group's operating system leverages on strengths forged together by tactful optimisation of business processes, tools and policies that proficiently governs the entire core functions of the business supply chain. Denko also focuses on a continuous effort to systematically refine and adopt best business practices, intelligent investments and talent management to achieve manufacturing and operational efficiency, commercial excellence and customer satisfaction.

## **AWARDS AND CERTIFICATION**

With enduring commitments toward Quality Excellence and Continuous Improvement, our wholly owned subsidiary; Winsheng Plastic Industry Sdn Bhd ("**WSP**") has successfully maintained all its distinctive ISO certifications. In addition, periodical review and enhancements to the Business Policy and Procedures are constantly planned and executed to achieve unwavering performance.

WSP is awarded by a renowned international company with a very prestigious award as one of their few 2014 Global Preferred Supplier. The Board wishes to congratulate the Management and Staff of WSP on achieving this coveted status.

# **DENKO INDUSTRIAL CORPORATION BERHAD**

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## **CHAIRMAN'S STATEMENT (CONT'D)**

### **DIVIDENDS**

As the Group has not yet achieved sustainable profitability, our Board does not recommend a dividend for FY2015.

### **PROSPECTS AND BUSINESS OUTLOOK**

The global economic and business environment remains challenging for the financial year ahead. Growth remained uneven throughout 2015, with a sharp deceleration likely to occur in large economies like China and Euro area, where a number of euro members teetered on the brink of recession. "Grexit" creates fears of a euro zone break-up. Commodity slump and investment crunch in China entrench emerging markets' slowdown. Lower oil prices provide a global economic fillip, while global monetary policy divergence leads to extreme currency volatility. These are factors to watch going forward as these may impact the Malaysian operating environment. Nevertheless, the Malaysian economy is expected to grow at around 5% for 2015.

WSP's customer base continues to expand, leading to a vast diversification of product mix from different industries, henceforth, it moderates the business risk of reliance on limited industry segments. At present, the Moulding Division of WSP is dealing with a sizeable Stock Keeping Units (SKUs).

Business expansion and exploration of new business opportunities are part of the Denko Group's long term plan. In order to solidify the Group's competitive edge, continuous fundamental efforts are in place for the optimisation of internal processes to further enhance productivity, quality, cost, delivery, safety and staff development.

The Group has expanded its footprint into Indonesia with the startup of its wholly owned subsidiary, PT Winsheng Plastic and Tooling Industry ("PTWSP") in Jakarta in May 2014, with the mission to serve existing multinational customers whom also operate in Indonesia. Production has commenced in quarter four of FY2015.

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## **CHAIRMAN'S STATEMENT (CONT'D)**

The Group has begun to reinforce the Food Trading Division with an intensive restructuring and strengthening of its management team, marketing strategies and logistic functions.

The Group will also be seeking for opportunities to enter into new markets through necessary merger and acquisition exercises.

Barring any unforeseen circumstances, the Board expects the Group's performance to be satisfactory in the financial year ending 31<sup>st</sup> March 2016.

## **APPRECIATION**

Dr. Loh Yee Feei and Mr. Ong Wei Liam @ Jeremy Ong joined us as Group Chief Executive Officer and Independent Non-Executive Director on 18<sup>th</sup> May 2015 and Dr. Loh was subsequently appointed as Executive Director on 27<sup>th</sup> July 2015 and we welcome them to the Group.

I would like to extend my sincere appreciation to the Board of Directors, our management team and all employees for their continued effort and contribution, dedication and commitment to the Group. My sincere appreciation goes also to our valued customers, business associates, shareholders, financiers and the authorities for their continuous support and confidence in the Group.

The Board and Management would also like to thank our former Group Chief Executive Officer, Messrs Chin Kok Sang for his invaluable advice, guidance and support.

**Dato' Ong Soon Ho**

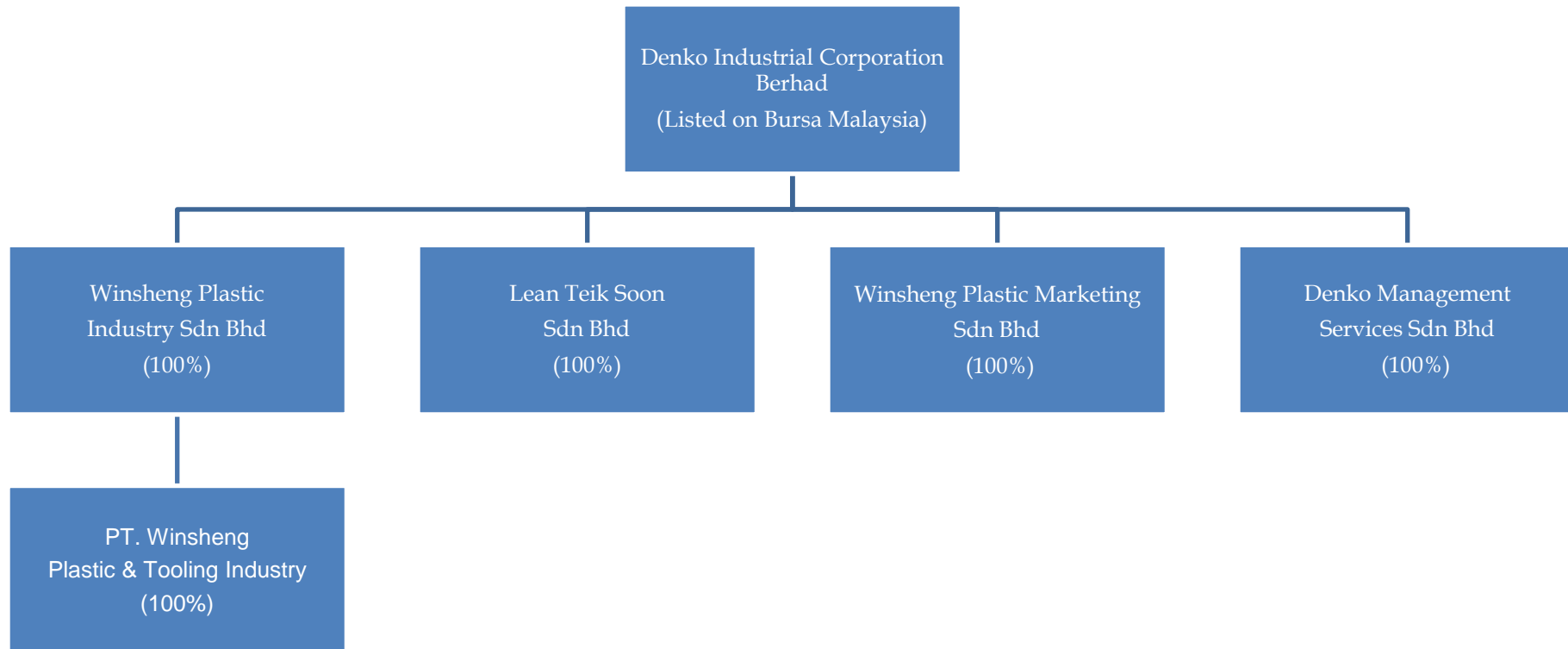
**Non-Independent Non-Executive Chairman**

# DENKO INDUSTRIAL CORPORATION BERHAD

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## GROUP STRUCTURE



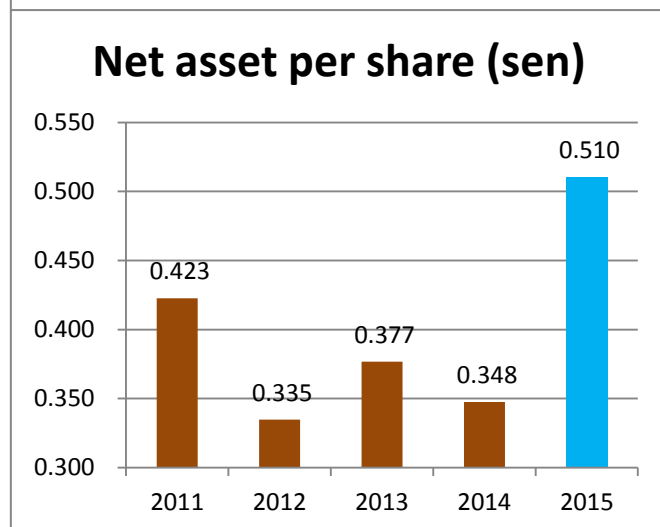
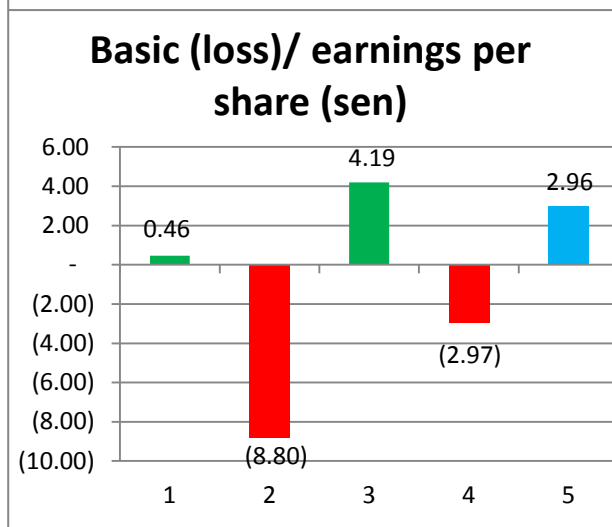
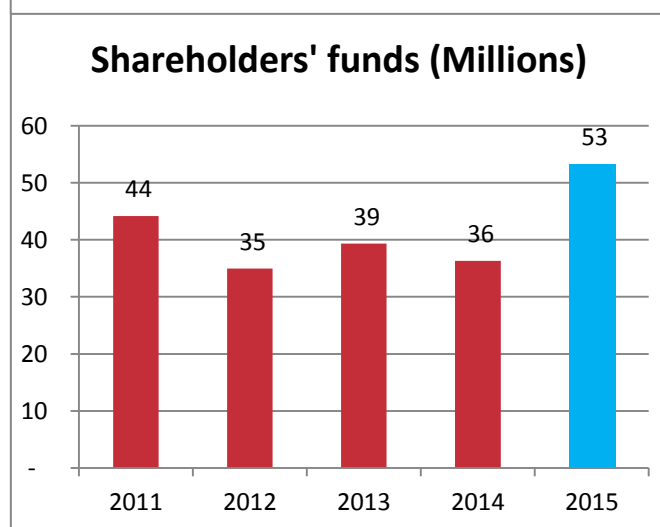
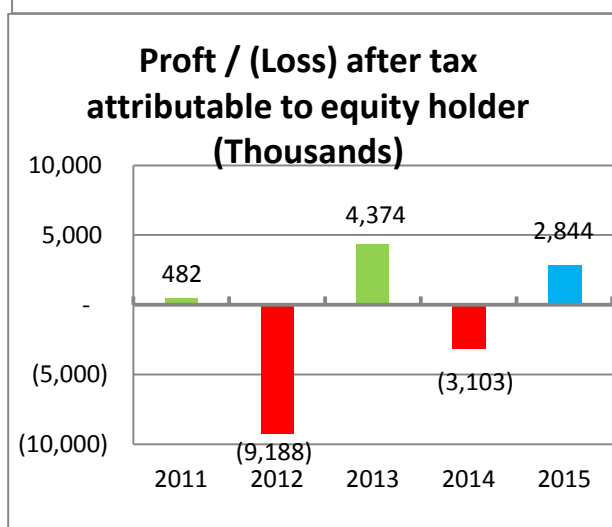
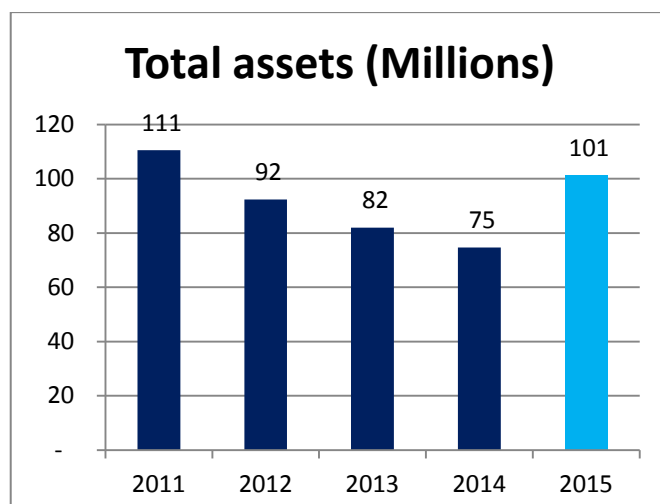
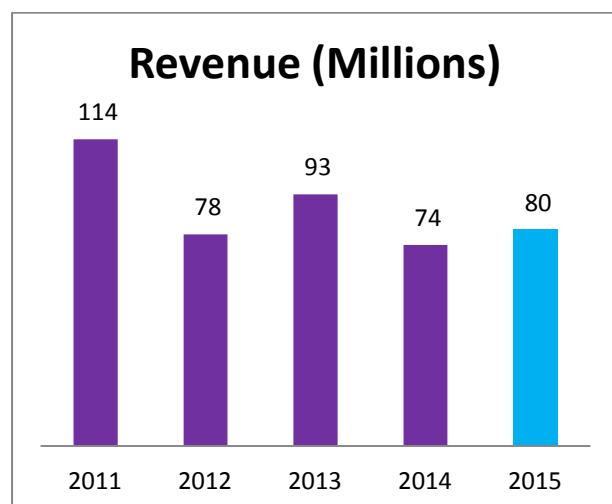


# DENKO INDUSTRIAL CORPORATION BERHAD

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## FINANCIAL HIGHLIGHTS (RM)



# DENKO INDUSTRIAL CORPORATION BERHAD

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## PROFILE OF THE BOARD OF DIRECTORS (CONT'D)

Dato' **ONG** Soon Ho

Aged 68, Malaysian - Non Independent & Non Executive Chairman

Dato' Ong was appointed to the Board on 20 October 2011. He holds a Bachelor Degree in Plant Pathology and Entomology from the National Taiwan University, and subsequently graduated with a Master Degree in Mycology from the University of Aberdeen, Scotland, United Kingdom.

After a 10 years career in the crop protection industry with multinational corporations, he founded Hextar Chemicals Sdn Bhd ("Hextar") in 1985 as a trader of pesticides. Today, Hextar Group is a manufacturer and a leading supplier of Pesticides and fertilizers in the local market and exports to more than 30 countries, holding over 500 product registrations from the relevant regulatory authorities from around the world. It has offices in SIX (6) other countries and factories operations in Malaysia, Indonesia and Pakistan.

Dato' Ong is the Non-Executive Chairman of Hextar Group of Companies and is a substantial shareholder of the Company. He also sits on the board of several private limited companies.

He is the father of Dato' Ong Choo Meng, a Non-Independent Non- Executive Director of the Company.

Mr. **TAN** Chen Wei

Aged 38, Malaysian - Executive Director

Mr. TAN was appointed to the Board on 30 September 2011. He graduated with a Bachelor of Business from Griffith University, Australia in 2000.

In 2002, he joined Deluxe Brickworks Sdn Bhd; a manufacturer of common clay bricks for the local construction industry. From the sole plant at Raub, Pahang, Mr. Tan spearheaded the Deluxe Group's expansion by acquiring two (2) additional brick manufacturing plants in Jenjarom, Selangor and one (1) in Muar, Johor.

Mr. Tan is currently the Managing Director of Deluxe Group of Companies and is a substantial shareholder of the Company. He also sits on the board of several private limited companies.

## **DENKO INDUSTRIAL CORPORATION BERHAD**

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### **PROFILE OF THE BOARD OF DIRECTORS (CONT'D)**

Dr. **LOH** Yee Feei

Aged, 52 Malaysian - Executive Director

Dr. Loh was appointed to the Board on 27 July 2015. He is holding a Bachelor of Applied Science (Electrical Engineering) from University of Ottawa, Canada and Doctorate in Business Administration from Paramount University of Technology, U.S.A.

He has more than 30 years of business and management experience in manufacturing - based industries. Prior to joining Denko Industrial Corporation Berhad as the Group CEO, he was the Executive Director of GPA Holdings Berhad (2011 - 2014), a Malaysian Public-Listed company engaged in manufacturing and distribution of automotive and valve-regulated-lead-acide (VRLA) batteries, the Chief Executive Officer of FACB Industries Incorporated Berhad (2009 - 2011), a Malaysian Public-Listed company with steel manufacturing as its flagship operations.

He has also held senior management position in both local conglomerates and American multinational companies which including serving as Senior General Manager of Ekowood International Berhad, General Manager of Hong Leong Group, senior materials manager, manufacturing manager & process engineering manager of Western Digital Malaysia.

He started his career as process engineer with Intel Technology Malaysia in 1984.

Dato' **ONG** Choo Meng

Aged 37, Malaysian - Non Independent & Non Executive Director

Dato' Ong was appointed to the Board on 30 September 2011. He graduated from the Royal Melbourne Institute of Technology, Australia in 2001 with a Bachelor Degree in Business, majoring in Economics and Finance.

He joined Hextar Chemicals Sdn Bhd in 2002 as its Executive Director and is currently the Group Managing Director of Hextar Group (since 2010). Dato' Ong was the driving force behind the Group's horizontal and vertical expansion via organic growth and also acquisition. Apart from producing pesticides, Hextar has also expanded its capabilities by diversifying into producing fertilizers, specialty and oilfield chemicals and also distribution of industrial chemicals for use in a range of industries. Hextar Group is currently a leading supplier of Branded Pesticides and Branded NPK Fertilizers in the local market and distributes over 550 different products to more than 30 countries.

Dato' Ong is a substantial shareholder of the Company. He also sits on the board of several private limited companies.

He is a member of the Remuneration Committee and is the son of Dato' Ong Soon Ho, the Non-Independent Non-Executive Chairman of the Company.

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### PROFILE OF THE BOARD OF DIRECTORS (CONT'D)

Mr. Thoolasy **DAS** Ponniah

Aged 69, Malaysian - Senior Independent Non-Executive Director

Mr. Das was appointed to the Board on 11 June 2004. He graduated with Bachelor of Arts, majoring in International Relations from University of Malaya in 1969 and a MBA from Henley Management College/Brunel University, United Kingdom in 1989. He is a Fellow of the Institute of Chartered Accountants (England & Wales), Associate Member of the Institute of Taxation (London) and a Member of the Malaysian Institute of Accountants.

Mr. Das has more than 30 years of corporate experience at senior management level in industry. He was formerly the Finance Director of Malaysia Shipyard and Engineering Sdn. Bhd. (since renamed Malaysia Marine And Heavy Engineering Sdn. Bhd.); a builder of ships and floating structures. He is a director for several private limited companies and also a financial consultant.

He is Chairman of the Audit Committee and a member of both the Nominating and Remuneration Committee.

Mr Das has expressed his intention not to seek for reelection at the 26<sup>th</sup> Annual General Meeting and hence, he will cease to act as a Director of the Company at the close of the said meeting.

Tan Sri Dato' Seri **TAN** King Tai @ **TAN** Khoon Hai

Aged 60, Malaysian - Independent Non-Executive Director

Tan Sri was appointed to the Board on 27 December 2010. He is member of the Institute of Certified Public Accountants, Ireland and is a former President of Malaysian Association of Company Secretaries. He has over 33 years of working experience in the fields of auditing, accounting and corporate finance. He is also the President of 1 Malaysia Entrepreneur Association of Penang.

Tan Sri is also a director of the following companies listed on Bursa Malaysia Securities Berhad:

- Muar Ban Lee Group Berhad  
Executive Director/Finance Director
- Pensonic Holdings Berhad  
Executive Director
- Unimech Group Berhad  
Senior Independent Non-Executive Director

Tan Sri also sits on the board of several private limited companies.

Tan Sri is Chairman of the Nominating Committee and a member of both the Audit and Remuneration Committee.

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## PROFILE OF THE BOARD OF DIRECTORS (CONT'D)

Mr. **YOONG** Nim Chor

Aged 57, Malaysian - Independent Non-Executive Director

Mr. Yoong was appointed to the Board on 20 October 2011. He graduated with a Bachelor of Laws, Honours (Second Class, Upper Division) from National University of Singapore in 1981. He was admitted as an Advocate and Solicitor of the Supreme Court of Singapore in 1982, as an Advocate & Solicitor of the High Court of Malaya in 1994, and as a Solicitor of England & Wales in 1995.

He is currently a Senior Partner of Messrs Yoong & Partners in Malaysia and a Consultant with Messrs UniLegal LLC in Singapore. He specialises in corporate and securities laws, mergers and acquisitions, corporate finance, corporate restructuring, financing laws, as well as litigation and dispute management.

Mr. Yoong is Chairman of the Remuneration Committee and a member of both the Audit and Nominating Committees.

Mr. David **YAORY**

Aged 45, Indonesian - Independent Non-Executive Director

Mr. Yaory was appointed to the Board on 1 February 2013. He attended University of New South Wales under an Australian Government Scholarship where he graduated from the School of Economics with Distinction and in 1994 graduated from the School of Manufacturing and Mechanical Engineering with Bachelor of Science Degree (First Class Honors). He also attended University of Michigan graduating in 2000 with a Master of Business Administration.

Mr. Yaory joined McKinsey & Company after obtaining his MBA where his focus was on corporate strategy and e-commerce. In 2001, he founded PT Dharma Guna Wibawa whose principal activities are Research & Development, Manufacturing, Marketing and Distribution of agrochemical products and fertilizers.

Mr. Yaory also sits on the board of several private limited companies.

# DENKO INDUSTRIAL CORPORATION BERHAD

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## PROFILE OF THE BOARD OF DIRECTORS (CONT'D)

**Mr. Ong Wei Liam @ Jeremy Ong**

Aged 37, Malaysian - Independent Non-Executive Director

Mr. Jeremy Ong was appointed to the Board on 18 May 2015. He attended The University of Queensland in Brisbane Australia where he graduated with a Bachelor of Commerce in 2002. He is six-sigma qualified and a graduate of General Electric Co.s (GE) Financial Management Program (FMP), widely considered to be the premier entry program of its kind with more than 100 years of history. He also graduated from GEs Corporate Audit Staff (CAS), a prestigious leadership development organisation that focusses on developing leaders of GE, supporting worldwide reviews of critical and strategic operations, controllership, financial integrity, compliance and key policies of the company.

His service within global corporations like General Electric Co. and IMI Plc, provided him with valuable global cross cultural management experience across various countries and industries namely GE Aviation, GE Oil & Gas, GE Energy and IMI Plcs Control Components Inc. among others and in multiple locations in the United States, United Kingdom, Canada, France, Hungary, China, Japan, India, Thailand, Philippines and most recently Singapore before returning to Malaysia.

He held positions of increasing responsibility, including Financial Planning and Analysis Leader for GE Aviation and Transportation Asia, Supply Chain Finance Leader for GE Oil & Gas Drilling and Productions Asia, CFO of GE Global Business Services Asia and CFO of Control Components Inc. Asia - an IMI Severe Service Company before joining the Hextar Group of Companies in Malaysia as its Group Chief Operating Officer in October 2014.

He is a member of the Nominating Committee.

### **Note:**

Saved as disclosed, none of the Directors have:

- (a) Any family relationship with any Director and/or major shareholder of the Company.
- (b) Any conviction for offence (other than traffic offences) within the past 10 years.
- (c) Any conflict of interest with the Company

## **DENKO INDUSTRIAL CORPORATION BERHAD**

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### **PROFILE OF THE GROUP CHIEF EXECUTIVE OFFICER (from 18<sup>th</sup> May 2015 to current)**

Dr. **LOH** Yee Feei

Aged, 52 Malaysian - Group Chief Executive Officer (“GCEO”)

Dr. Loh was appointed GCEO on 18 May 2015. He is holding a Bachelor of Applied Science (Electrical Engineering) from University of Ottawa, Canada and Doctorate in Business Administration from Paramount University of Technology, U.S.A.

He has more than 30 years of business and management experience in manufacturing - based industries. Prior to joining Denko Industrial Corporation Berhad as the Group CEO, he was the Executive Director of GPA Holdings Berhad (2011 - 2014), a Malaysian Public-Listed company engaged in manufacturing and distribution of automotive and valve-regulated-lead-acide (VRLA) batteries, the Chief Executive Officer of FACB Industries Incorporated Berhad (2009 - 2011), a Malaysian Public-Listed company with steel manufacturing as its flagship operations.

He has also held senior management position in both local conglomerates and American multinational companies which including serving as Senior General Manager of Ekowood International Berhad, General Manager of Hong Leong Group, senior materials manager, manufacturing manager & process engineering manager of Western Digital Malaysia.

He started his career as process engineer with Intel Technology Malaysia in 1984.

## DENKO INDUSTRIAL CORPORATION BERHAD

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### PROFILE OF THE GROUP CHIEF EXECUTIVE OFFICER (CONT'D)

Mr. **CHIN** Kok Sang

Aged, 57 Australian - Group Chief Executive Officer ("GCEO")

Appointed: 25 November 2011

Resigned: 18 May 2015

Mr. Chin is the founding Director of a consulting firm in Malaysia which provides corporate advisory services with particular focus in the areas of Corporate & Debt Restructuring. He has undertaken consulting assignments in various sectors and industries covering banking, toll concession, mobile telecommunication services, property development and construction and fast moving consumer goods. Prior to that, he was a Senior Corporate Banker at Societe Generale, (a major European based international bank) at their offices in Australia, Singapore and Malaysia.

Mr. Chin graduated with a Bachelor of Commerce from University of Melbourne. He is a member of The Institute of Chartered Accountants in Australia.

Mr. Chin holds 1,051,000 Ordinary Shares in the Company. He is not related to any director and/or substantial shareholder of the Company and has no convictions for offences within the past 10 years, other than traffic offences.

Mr. Chin has been re-designated to Group Corporate Advisor with effect from 18<sup>th</sup> May 2015.



## **STATEMENT ON CORPORATE GOVERNANCE**

The Board of Directors (the “**Board**”) recognises the importance of adopting and maintaining high standards of corporate governance as a fundamental part of discharging its duties and responsibilities in managing the business and affairs of the Group. Within the broad objectives of enhancing business prosperity and corporate accountability there are the subsidiary but nevertheless important objectives of realising long-term shareholder value and safeguarding shareholders’ investments and the Group’s assets, whilst taking into consideration the interests of other stakeholders.

In relation to the above, the Board is pleased to report that Denko Group is in compliance with paragraph 15.25 and Practice Note 9 of Bursa Malaysia’s Listing Requirements, and is substantially in compliance with the Recommendations under each Principle of the Malaysian Code on Corporate Governance 2012 (the “**Code**”).

This Statement gives an overview of the extent of compliance with the 8 principles set up in the Code. It shows the manner how the Group has applied the principles and recommendations of the Code and the alternative compliance for departure(s) from such Code.

### **1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD**

The Group acknowledges the pivotal role played by the Board in the stewardship of its direction and performance to enhance and to create long term shareholder value.

#### **1.1 Clear Functions of the Board and Management**

The Board is responsible for the overall governance of the Group, including overseeing the strategic direction, establishing goals for Management and monitoring the achievement of these goals.

The Board consists of members with diverse background and specialisation, blends youthful energetic members with guidance from members who are experienced businessmen and professionals. The Board Members collectively have a wide range of expertise and experience in the areas of business, economics, marketing, law, corporate affairs and finance all of which are relevant skills required to successfully direct and supervise the Group’s business activities. The Board has considered its size and composition vis-à-vis the scope and complexity of the Group’s businesses and is of the view that its current size and diversity is optimal and effective for the proper oversight of the Group’s activities.

There is also balance in the Board as follows:

- (i) **Executive vs Non-Executive Directors**  
There is clear division of responsibilities between the Executive and Non-Executive Directors to ensure a balance of power and authority. The sole Executive Director is responsible for the day-to-day management of the Group’s businesses as well as implementation of the Board’s policies and decisions whilst the Non-Executive Directors provide oversight and guidance that contributes to the formulation of policies and decision making.
- (ii) **Independent vs Non Independent Non-Executive Directors**  
The five (5) Independent Non-Executive Directors forms a majority providing them collectively, veto powers in the Board’s decision making process. These Independent Non-Executive Directors are independent of the Management and are free from any business or other relationships that could materially interfere with the exercise of their independent judgement. They contribute towards corporate accountability by providing unbiased and independent views, advice and judgment. They ensure the strategies proposed by the Management are fully deliberated and examined for the long-term interest of the Group, its shareholders, employees, customers, suppliers and the many communities in which the Group conducts its businesses.

**STATEMENT ON CORPORATE GOVERNANCE (CONT'D)**

**1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD (CONT'D)**

**1.2 Clear Responsibilities of the Board**

In discharging this responsibility, the Board is guided by Denko Board Charter.

- Reviewing and adopting the strategic plan for the Group;
- Overseeing the conduct of the Group's business to evaluate whether the business is being properly managed;
- Identifying principal risks and ensuring the implementation of appropriate systems to manage such risks based on Management's recommendations;
- Developing and implementing the shareholder communication policy for the Group;
- Reviewing the adequacy and integrity of the Group's internal control procedures and management information system, including but not limited to procedures for compliance with applicable laws, regulations, rules, directives and guidelines;
- Making all key decisions such as approval of the annual and quarterly financial results, announcements to Bursa Malaysia Securities Berhad, significant capital expenditure (including investments and divestments), execution of material contracts, and budgets;
- Reviewing the profile of all the candidates appointed to Senior Executive Management positions to ensure that all the appointed candidates are qualified and well experienced; and
- Ensuring there is succession planning for the long term and sustained growth of the Group.

**1.3 Code of Conduct**

- The Board recognises the need to formalise and commit to ethical values through a Code of Conduct and ensures the implementation of appropriate internal systems to support, promote and ensure its compliance.
- Therefore, the Group has formulated and established a Code of Conduct in its Employee Handbook.

**1.4 Access to Information and Advise**

- The Company's Board and Committee Meeting time table are discussed and fixed prior to the end of each financial year to enable the Directors to plan ahead. The Chairman, in consultation with the Company Secretary, sets the agenda for Board Meetings and ensures that all relevant issues are on the agenda. The Chairman ensures that all Directors have full and timely access to information. The Board papers and the agenda are distributed in advance of meetings. This ensures the Directors have sufficient time and information to review each issue to be deliberated at the Board or Committee Meetings.

**STATEMENT ON CORPORATE GOVERNANCE (CONT'D)**

**1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD (CONT'D)**

**1.4 Access to Information and Advise (continued)**

- Matters on the meeting agenda are tabled for discussion, with the deliberations thereof and the views of the various Directors recorded. The Directors observe the requirement that they do not participate in the deliberations on matters in which they have a material personal interest and will abstain from voting in such matter. The Board decisions are recorded accurately in the meeting minutes. Draft minutes of all Board and Committee Meetings are circulated for review prior to the confirmation of such minutes at the following meeting.
- The Directors have direct and unrestricted access to all information pertaining to the Group's businesses and receives regular information updates from Management to enable them to discharge their duties. Material corporate announcements proposed to be released to Bursa Malaysia are sent to all the Directors for their comments before release to the public. In furtherance of the Board's responsibilities, the Directors have access to the advice and services of the Company Secretaries, independent professional advisers and the external auditors where necessary, at the Company's expense.

**1.5 Strategies to Promote Sustainability**

The Board views the commitment towards a sustained Environmental, Social and Governance (ESG) performance as part of its broader responsibility to clients, shareholders and the communities in which it operates.

During the financial year, the Group had engaged in a series of environmental and social activities as stated in its Corporate Social Responsibility segmental report furnished on pages 27 to 29 page of this Annual Report.

**1.6 Company Secretary**

- The appointment and removal of the Company Secretary is a matter for the Board.
- All Directors have access to the advice and services of the Company Secretaries, who are qualified and experienced to ensure that board procedures are being adhered and complies with the applicable rules and regulations.
- The Company Secretary also acts as the Secretary for the Nominating, Remuneration and Audit Committees. Senior Management staff or external advisors are often invited to attend Board and Committee Meetings to brief, advise, furnish and clarify on matters to be deliberated.

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## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

### 1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD (CONT'D)

#### 1.7 Composition of the Board

The strength of the Board lies in the composition of its members. The Board consists of EIGHT (8) Directors FIVE (5) of which are Independent Non-Executive Directors as detailed below.

- Non-Independent Non-Executive Director  
Dato' **ONG** Soon Ho, Chairman
- Executive Directors  
**TAN** Chen Wei  
Dr. **LOH** Yee Feei (appointed 27 July 2015)
- Non-Independent Non-Executive Director  
Dato' **ONG** Choo Meng
- Independent Non-Executive Directors  
Thoolasy Das Ponniah  
Tan Sri Dato' Seri **TAN** King Tai @ **TAN** Khoon Hai  
**YOONG** Nim Chor  
David **YAORY**  
**ONG** Wei Liam @ Jeremy **ONG** (appointed 18 May 2015)

The Profile of each Board Member is furnished on pages 8 to 12 of this Annual Report.

#### 1.8 Board Meetings

The Board meets regularly, at least once every quarter, with additional meetings convened as necessary when urgent decisions are required from the Board. Details of the Directors' attendance at these Board Meetings during the financial year under review are as follows:

<u>Directors</u>	<u>Meetings Attended</u>
<b>TAN</b> Chen Wei	5/5
Dato' <b>ONG</b> Soon Ho	4/5
Dato' <b>ONG</b> Choo Meng	5/5
Thoolasy <b>DAS</b> Ponniah	5/5
Tan Sri Dato' Seri <b>TAN</b> King Tai @ <b>TAN</b> Khoon Hai	4/5
<b>YOONG</b> Nim Chor	5/5
David <b>YAORY</b>	3/5

**STATEMENT ON CORPORATE GOVERNANCE (CONT'D)****2. STRENGTHEN COMPOSITION****2.1 Board Committees**

To assist in the discharge of its stewardship role, the Board has delegated certain responsibilities, by way of formal terms of reference in writing to the following Board Committees:

(i) Audit Committee

The Audit Committee is charged with the responsibility to conduct a formal, transparent and independent review on the financial reporting, risk management, internal control and governance processes. The Committee meets periodically to carry out its functions and duties pursuant to its terms of reference and has unrestricted access to the internal and external auditors and members of the Management.

The composition of the Committee, the attendance of its members at Committee Meetings, its terms of reference and its activities for the financial year under review are disclosed in the Audit Committee Report furnished on pages 34 to 39 of this Annual Report.

(ii) Nominating Committee

The Nominating Committee meets at least once a year. The Committee's membership comprises Independent Non-Executive Directors only as follows:

<u>Directors</u>	<u>Meetings</u>
<u>Chairman</u>	<u>Attended</u>
Tan Sri Dato' Seri <b>TAN</b> King Tai @ <b>TAN</b> Khoon Hai	2/3
<u>Members</u>	
Thoolasy <b>DAS</b> Ponniah	3/3
<b>YOONG</b> Nim Chor	3/3
<b>ONG</b> Wei Liam @ Jeremy <b>ONG</b> (appointed 27 July 2015)	(N/A)

The Nominating Committee is charged with the responsibility to recommend the appointment of Directors and Senior Executive Management. This includes the identification and selection of potential new candidates and to propose suitably qualified candidates with relevant experience to the Board for its consideration and approval.

In addition, the Nominating Committee assists the Board in the review of its size and composition. In the review, the Committee takes into account the blend of skills sets and experience amongst the Directors to assess the effectiveness of the Board, the Board Committees and the contribution of each Director.

**STATEMENT ON CORPORATE GOVERNANCE (CONT'D)****2. STRENGTHEN COMPOSITION (CONT'D)****2.1 Board Committees (Cont'd)***(iii) Remuneration Committee*

The Remuneration Committee meets at least once a year and comprises the following:

<u>Directors</u>	<u>Designation</u>	<u>Meetings Attended</u>
<b><u>Chairman</u></b>		
<b><u>YOONG</u></b> Nim Chor	Independent Non-Executive Director	2/2
<b><u>Members</u></b>		
Tan Sri Dato' Seri <b><u>TAN</u></b> King Tai @ <b><u>TAN</u></b> Khoon Hai	Independent Non-Executive Director	2/2
Thoolasy <b><u>DAS</u></b> Ponniah	Senior Independent Non-Executive Director	2/2
Dato' <b><u>ONG</u></b> Choo Meng	Non Independent Non-Executive Director	2/2

This Committee is responsible for recommending the Directors' and Senior Executive Management's remuneration framework to the Board for its consideration and approval. In relation to the framework for Senior Executive Management, it takes into account the various components of a remuneration package so as to link rewards to corporate and individual performance.

The Board has also entrusted certain responsibilities to the Senior Management Team, comprising the Executive Director and the Group Chief Executive Officer. The Senior Management Team is assisted by each subsidiary's Chief Executive Officer and/or Chief Operating Officer.

This team is charged with the responsibility of implementing the policies and decisions of the Board, overseeing the operations as well as developing, co-ordinating and implementing approved business and corporate strategies for the Group within the established and approved Delegated Authority Limits approved by the Board.

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**STATEMENT ON CORPORATE GOVERNANCE (CONT'D)****2. STRENGTHEN COMPOSITION (CONT'D)****2.2 Directors' Remuneration**

The Board determines the remuneration of each Director. It is the Board's duty to ensure that the level of remuneration is sufficient to attract and retain the Directors needed to assist the Board in the discharge of its duties and responsibilities. The Non-Executive Directors are paid annual fees as a Director. In addition, attendance allowances are paid for attendance at Board and Committee Meetings. The remuneration package of the Executive Director comprises basic salary, bonus, and other allowances.

The remuneration payable to Directors of the Company and its Subsidiaries for the financial year ended 31 March 2015 are categorised as follows:

**Directors' Remuneration for the financial year ended 31 March 2015**

<b>Remuneration Package</b>	<b>Executive Director</b>	<b>Non-Executive Directors</b>	<b>Subsidiary Companies' Directors</b>	<b>Total</b>
		<b>RM'000</b>		
Fees	-	240	-	240
Salaries & Allowances	-	28	1,445	1,473
Others	-	-	-	-
<b>Total</b>	<b>-</b>	<b>268</b>	<b>1,445</b>	<b>1,713</b>

The number of Directors whose total remuneration falls within the following bands are:

<b>Range of remuneration</b>	<b>Executive Director</b>	<b>Non-Executive Directors</b>	<b>Subsidiary Companies' Directors</b>
Less than RM50,000	-	5	-
RM 50,001 to RM100,000	-	1	-
RM100,001 to RM600,000	-	-	-
RM600,001 to RM650,000	-	-	1
RM650,001 to RM800,000	-	-	-
RM800,001 to RM850,000	-	-	1

**STATEMENT ON CORPORATE GOVERNANCE (CONT'D)**

**2. STRENGTHEN COMPOSITION (CONT'D)**

**2.3 Appointment and Re-election**

The Board appoints its members through a formal and transparent selection process upon the recommendation of the Nominating Committee as mentioned previously. The Company Secretary ensures that all the necessary information is obtained and that all legal and regulatory obligations are met before the appointments are made.

Upon appointment, the new Director is advised on the legal and statutory responsibilities, including the terms of reference of all the Board Committees assisting the Board, together with the Board Charter. The Director is also briefed on the Company's nature of operations, current issues within the Group, the corporate strategy and the expectations of the Company concerning input from Directors.

All Directors are also regularly updated on new requirements affecting their responsibilities and are constantly reminded of their obligations.

In accordance with the Company's Articles of Association ("Articles"), all Directors who are appointed by the Board since the last Annual General Meeting ("AGM") are required to retire at the forthcoming AGM but shall be eligible for re-election. The Articles also provide that at least one third (1/3) of the remaining Directors be subjected to retirement by rotation at each AGM to ensure all Directors, shall retire from office at least once every three (3) years but shall be eligible for re-election.

The Directors who are standing for re-election at the forthcoming Annual General Meeting of the Company to be held on 21<sup>st</sup> September 2015 is disclosed in the Statement Accompanying the Notice of AGM.

**3. REINFORCE INDEPENDENCE**

**3.1 Board Performance Evaluation**

The Board regularly reviews its composition and the composition of the Board Committees.

**3.2 Tenure of Independent Directors**

One of the recommendations of the Code is that the tenure of an Independent Director should not exceed a cumulative nine (9) years. Upon completion of the nine (9) years' service, an Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director.

The Board's Senior Independent Non-Executive Director, Mr. Thoolasy Das Ponniah was first appointed in June 2004 and after having served more than nine (9) years, was re-appointed for a one (1) year term at the previous year AGM.

He has advised the Board that he will not be seeking re-election upon his retirement at the forthcoming AGM.

**3.3 Separation of Position of the Chairman, Executive Director and Chief Executive**

The Company has fully complied with the above recommendation of the Code. The Non-Executive Chairman is responsible for ensuring Board effectiveness and conduct. The Executive Director is responsible for providing leadership and advancing relationships with regulators and stakeholders, as well as having overall responsibility over the operating units, organisational effectiveness, formulation of strategies and implementation of Board policies and decisions.



**STATEMENT ON CORPORATE GOVERNANCE (CONT'D)****3. REINFORCE INDEPENDENCE (CONT'D)****3.3 Separation of Position of the Chairman, Executive Director and Chief Executive (cont'd)**

In relation to the daily operations of the Group, the Board, through the Executive Director, is fully assisted by the Group Chief Executive Officer and a well experienced, cross functional Management Team.

**4. FOSTER COMMITMENT****4.1 Directors' Development and Training**

As mentioned previously, a new Director joining the Board receives an orientation session, which consists of briefing on all areas of the Group's business. The Board continuously evaluate and determine the training needs of its Directors to ensure continuing education is provided to assist them in the discharge of their duties as Directors.

The following are training programmes, seminars and briefings attended by Directors of the Company during the financial year:-

<u>Directors</u>	<u>Courses Attended</u>
<b><u>TAN</u></b> Chen Wei	<ul style="list-style-type: none"> <li>• Tax Budget 2015</li> </ul>
Dato' <b><u>ONG</u></b> Soon Ho	<ul style="list-style-type: none"> <li>• SME International Forum 2014</li> <li>• Overview of ESG Index and Industry by Bursa/Iclif</li> <li>• The Role of the Chairman by Bursa</li> <li>• GST Training &amp; Implementation Planning</li> </ul>
Dato' <b><u>ONG</u></b> Choo Meng	<ul style="list-style-type: none"> <li>• GST Training &amp; Implementation Training</li> <li>• SME International Forum</li> </ul>
Thoolasy <b><u>DAS</u></b> Ponniah	<ul style="list-style-type: none"> <li>• Malaysia Tax Budget 2014</li> <li>• GST Overview &amp; Implementation For Housing Developers by REHDA</li> </ul>
Tan Sri Dato' Seri <b><u>TAN</u></b> King Tai @ <b><u>TAN</u></b> Khoon Hai	<ul style="list-style-type: none"> <li>• 2015 Budget Talk &amp; GST Roadshow</li> <li>• 2015 Investment Outlook</li> </ul>
<b><u>YOONG</u></b> Nim Chor	<ul style="list-style-type: none"> <li>• Annual Institute on Corporate &amp; Securities Law</li> <li>• Singapore-Myanmar Integrated Legal Exchange 2014</li> <li>• Commercial Law Workshop, Myanmar</li> <li>• Introduction to Islamic Finance</li> </ul>
David <b><u>YAORY</u></b>	<ul style="list-style-type: none"> <li>• SAP Software Training</li> </ul>
<b><u>ONG</u></b> Wei Liam @Jeremy <b><u>ONG</u></b> (appointed 18 May 2015)	<ul style="list-style-type: none"> <li>• N/A</li> </ul>
Dr. <b><u>LOH</u></b> Yee Feei (appointed 27 July 2015)	<ul style="list-style-type: none"> <li>• N/A</li> </ul>

**STATEMENT ON CORPORATE GOVERNANCE (CONT'D)**

**5. UPHOLD INTEGRITY IN FINANCIAL REPORTING**

**5.1 Financial Reporting**

The Board strives to present a clear, balanced, explanation and evaluation of the Group's financial performance and prospects in each quarterly announcement of the Group's results to Bursa Malaysia. The Audit Committee assists the Board by reviewing the information to be disclosed, to ensure accuracy, adequacy and compliance with Bursa Malaysia Listing Requirements.

In addition, the Chairman's Statement in the Annual Report provides a summary of the Group's activities for the financial year.

**5.2 Statement of Directors' Responsibility for preparing the Financial Statements**

The Board is responsible for ensuring that the Financial Statements of the Group give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of their results and cash flows for the year then ended. In preparing the Financial Statements, the Directors have:

- (i) ensured that the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 have been complied with;
- (ii) selected and applied consistently suitable accounting policies and made reasonable and prudent judgments and estimates; and
- (iii) have taken such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors affirm that they have the ultimate responsibility to ensure a sound internal control system is established and operating effectively and that the policies and procedures for internal control are being properly implemented by the Management. The Statement on Risk Management and Internal Control furnished on pages 30 to 33 of this Annual Report provides an overview of the state of internal controls within the Group during the financial year under review.

**5.3 Relationship with the Auditors**

The Board, through the Audit Committee, establishes formal and transparent relationship with both the Internal and External Auditors. The Auditors are invited to Audit Committee Meetings to discuss the audit plan and findings from their audit. Key features of the relationship with the Auditors are included in the Audit Committee Report set out on pages 34 to 39 of this Annual Report.

**STATEMENT ON CORPORATE GOVERNANCE (CONT'D)**

**6. RECOGNISE AND MANAGE RISKS**

The Risk Management Framework and Internal Control System are discussed in the Statement on Risk Management and Internal Control furnished on pages 30 to 34 of this Annual Report.

**7. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE**

**7.1 Corporate Disclosure Policy**

The Board is committed to ensuring that communication to the investing public regarding the business, operations and financial performance of the Company are timely, factual, informative, consistent, broadly disseminated and information filed with regulators is in accordance with applicable legal and regulatory requirements.

**7.2 Leverage on Information Technology for Effective Dissemination of Information**

The Company's website at [www.denko.com.my](http://www.denko.com.my) is regularly updated, provides all relevant information on the Company and the Group and is accessible to the public at all times. It includes all the public announcements made by the Company and its Annual Reports. For shareholders, there is a dedicated Investor Relations Section to facilitate their quick access to information relevant to their interests as investors.

**8. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS**

**8.1 Investor Relations Program**

As mentioned above, the Board main's communication channel with the investing public and all stakeholders is via the regular announcements to Bursa Malaysia which are subsequently linked to the Company's website.

Shareholders are also encouraged to attend the Company's AGM and EGM to increase their knowledge and understanding of the Group's operations and businesses.

**8.2 Poll Voting**

The Board noted Recommendation 8.2 of the MCGG 2012 states that the Board should encourage poll voting. In line with this recommendation, the Chairman will inform the shareholders of their right to demand a poll vote at the commencement of each general meeting.

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## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

### 8. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS (CONT'D)

#### 8.3 Annual General Meetings

The Annual General Meeting ("AGM"), which is held once in every calendar year, remains the principal avenue for dialogue and interaction between the Board and shareholders where shareholders are given the opportunity to raise questions on the Group's operational, financial performance and any other major developments or issues in the Group. The Board encourages other channels of communication with shareholders. For this purpose, the Board has identified Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai ("Tan Sri TAN") as the Independent Director to whom queries or concerns regarding the Group may be conveyed.

Tan Sri TAN may be contacted via the following channels:

Post: Denko Industrial Corporation Berhad  
No. 20, Jalan Hasil Dua,  
81200 Tampoi, Johor Bahru,  
Johor.

Fax: 07-238 9993

Email : [enquiry@denko.com.my](mailto:enquiry@denko.com.my)

Notice of the AGM and related documents are sent out to shareholders at least twenty one (21) days before the date of meeting. In addition, each time a special business is included in the Notice of Meeting; it would be accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for separate issues at the AGM.

This Statement on Corporate Governance is made in accordance with a resolution of the Board dated 27 July 2015.

**CORPORATE SOCIAL RESPONSIBILITY**

At Denko, CSR is about who we are and how we operate as a Company. Denko does consider the economic, social and environmental impact of our activities. We believe this brings sustained, collective value to our employees, customers and the community.

The CSR contributions of the Group since the last Annual Report were as follows:

**The Work Place**

Denko recognises that employees are important assets. We offer a competitive remuneration package to our staff and incentives to those who meet set performance targets. We apply fair labour practices and also plan and execute internal and/or external training programs for all levels of staff from time to time and as and when required.

We are committed to providing a healthy and safe working environment for all our staff. Personal Protective Equipment (safety boots, ear plugs, ear muffs and face masks) is available to all workers on a needs basis. A Health and Safety management system is in place and this is subject to audit by Jabatan Keselamatan dan Kesihatan Pekerja. We conduct briefings and set up signages and circular boards throughout our premises to create and reinforce the awareness on health and safety.

The Group provides medical and hospitalization insurance coverage for foreign workers and has arranged periodic hearing tests for all workers (and workers from the supporting departments) that operate machines with high noise level. At our Johor Bahru factory, we offer our foreign workers purpose built dormitory housing operated by specialists' third parties. At these gender separated hostels, the workers are provided with clean and hygienic facilities for their cooking requirements, modern machines for their laundry, an in-house convenience retail shop and most importantly, a secure and safe living environment. We recently upgraded the living quarters of a large proportion of our foreign workers. Those selected have been relocated to newly constructed purpose built dormitories (also operated by specialists third parties) within walking distance from our factory. Apart from enjoying upgraded and more modern facilities, there is now minimal commuting time which means these workers have more time for their own leisure rest and recreation.

Outdoor and In-house Group recreational activities, team-building sessions and dinner gatherings are held to promote staff unity, cultural integration, co-operation and team spirit.

A few of the noteworthy activities held were:

- (i) Birthday Celebrations for Managers;
- (ii) A "Hungry Ghost" Prayers and Food Festival for non-Muslim colleagues;
- (iii) An Annual Dinner for Managers;
- (iv) "Meet the Group CEO Teh Tarik Sessions" opened to all non-executive staffs;
- (v) Following the devastating earthquake in Nepal, we enlisted the assistance of the Johor Branch of Tzu Chi Buddhist Foundation to conduct a "Pray for Nepal" and counselling session for the participating Nepalese workers at the Johor Bahru factory; and
- (vi) The Group also pledged a RM116,000 cash donation to assist our Nepalese workers and their affected families.

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## **CORPORATE SOCIAL RESPONSIBILITY (CONT'D)**

### **The Work Place (CONT'D)**

The Motivation and Empowerment Committee ("MEC") chaired by a non-executive staff member continued to be active. The MEC's charter is to focus on staff welfare matters and to assist in bridging the proverbial Management – Employee gap. An in-house library has been set up at a dedicated area for staff to increase, improve and/or upgrade their skills and knowledge. The staff are also allowed to borrow the books to share with their family and friends.

Another notable feature is the on-going implementation and maintenance of the 5S activities (Sort, Set in Order, Shine, Standardise and Sustain) to create a good working environment, increase productivity, reduce costs, provide safety and eliminate wastes.

### **The Environment, Occupational Safety and Health**

The Group's continuous efforts towards good Environmental, Occupational Safety and Health management practices has resulted in the subsidiaries being accredited with ISO 14001 : 2004 (for Environmental Management), OHSAS 18001 : 2007 (for Occupational Health and Safety Management), ISO 13485 : 2003 (for Medical Devices) and ISO 22000 : 2005 (Manufacturing of Plastic Component for Food Packaging and Food Related Equipment (indirect contact with food)). All the certifications which were expiring in 2015 were successfully renewed.

The Group ensures full compliance with OHSAS by not only restricting the use of hazardous substances but also the proper disposal of industrial waste via Authorised Collection Agents. Waste reduction and environmental control programmes implemented are being maintained and monitored. A programme to protect the Environment has also been established. This involves breeding composting worms in controlled environment. The initial target is to produce sufficient compost for the factory's landscaped gardens in Johor Bahru. The future plans are to donate surplus composting worms to schools and to teach the school children how to produce organic fertiliser on a sustained basis.

The health and safety of employees at the workplace is paramount to the Group. Due to the increased Dengue Fever infections throughout the country, regular fogging activities are being carried out by specialist contractors as a preventive measure. The 5S team is on constant alert to seek out areas which might breed the aedes mosquitoes. New foreign worker recruits are briefed on the dangers of Dengue Fever both at the workplace and at their hostels. The Health and Safety policies of the Group are reviewed periodically and improved whenever necessary. Strong emphasis is placed on providing a safe, clean, hygienic and healthy working environment for our staff.

### **The Community**

We also provide internship and practical training opportunities for secondary school, college and university students to enable them to fulfill which are needed to complete their respective studies.

The Group has plans to do its best to support and help strengthen the local communities where it works through donations or charity work.

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## **CORPORATE SOCIAL RESPONSIBILITY (CONT'D)**

### **The Market Place**

The Group is committed to ensuring to the best of our abilities. Our manufacturing processes, especially procurement, are environmentally responsible. We aim to produce sustainable packaging for our customers, not only today but for the long term. We take into account the good environmental practices when placing orders and assist the suppliers understand our purchasing policy through suppliers purchasing charters and on-site visits and audit. There is a program to recycle and reuse our cardboard and plastic containers. Incentives are paid to our delivery staff to collect empty re-useable cartons from our customers.

The Group regards transparency, confidentiality and integrity as important business practices in building and maintaining long term relationships with our stakeholders. We engage with our stakeholders via various communication channels such as visits to customers and suppliers, dialogue with the shareholders at the annual general meeting, timely disclosure of information to Bursa Malaysia and posting up-to-date information on the Company's website.

We will continue to implement good corporate governance within the Group and strive to meet the expectations of our shareholders by generating profits and provide a fair return on their investment.

### **Conclusion**

The Board looks forward to increasing the Group's CSR activities and aspires to meet Denko's responsibilities to our stakeholders, employees, the community and the environment.

**STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL****Introduction**

The Malaysian Code on Corporate Governance 2012 ("the Code") requires the Board to maintain a sound risk management framework and internal control system to safeguard shareholder's investments and the Group's assets. The Board is pleased to present the Statement on Risk Management and Internal Control ("SRMIC") for financial year ended 31 March 2015 which is prepared in accordance with Paragraph 15.26(b) of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad ("Bursa") and guided by Guideline for Directors of Listed Issuer - Statement on Risk Management and Internal Control issued by the Taskforce on Internal Control supported and endorsed by Bursa.

**Board Responsibility**

The Board of Directors ("the Board") acknowledges its overall responsibility for the Group's risk management and internal control system to safeguard shareholders' investment and the Group's assets as well as reviewing its adequacy, integrity and effectiveness. The Board regards risk management as an integral part of the Group's business operations and affirms that the Group has in place an ongoing process for identifying, assessing, evaluating, managing and mitigating significant risks across the Group.

This involves the Board setting the policies on risk management and internal control after conducting an assessment of the Group's risks exposure. The overall control environment is established and the monitoring mechanisms are developed and implemented involving:

- (i) The Board of Directors;
- (ii) The Board's Audit Committee;
- (iii) Senior Executive Management;
- (iv) The Executive Committee ("EXCO"); and
- (v) The Heads of Department ("HODs") implementing and maintaining the risk management and control system except for insurable risks, which are separately covered by insurance.

From the above comprehensive approach, the Board through its Audit Committee, regularly reviews this process, including mitigating measures taken by Management via EXCO to address areas of key risk(s) identified. The Board also conducts periodical testing on the effectiveness and efficiency of its procedures and processes with the assistance of EXCO and the Internal Auditor.

For FY15, the Board has received assurance from the Group Chief Executive Officer that the Group's risk management and internal control system is in all material aspects, operating adequately and effectively.



**STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)****Board Responsibility (Cont'd)**

The system of internal control covers financial, operational and compliance controls. In view of the inherent limitation in any system of internal control, it should be noted that such a system is designed to manage, rather than to eliminate, the risk of not achieving the Group's business objectives. The system can therefore only provide reasonable, but not to absolute assurance, against material misstatement or loss.

**Audit Committee**

The responsibility for reviewing the adequacy and integrity of the risk management and internal control system has been delegated by the Board to the Audit Committee. The Audit Committee assesses the effectiveness and efficiency of the risk management and internal control system through independent reviews by the Internal Auditor, and any of the management letter points concerning internal control highlighted by the External Auditor.

**Risk Management Framework**

The risk management process is co-ordinated between the EXCO and all the HODs within the Group. The key features of this framework include but are not limited to:

- (i) A structured process for identifying, assessing, measuring, monitoring, managing and mitigating business risks across the Group;
- (ii) Determination of risk appetite and setting the Key Risks tolerance levels;
- (iii) Identified HODs as the risk owners are accountable for ensuring that the respective risks are continuously updated and monitored. The status of risk mitigation action plans are tracked to ensure their effective and timely implementation;
- (iv) Issues highlighted by HODs are reported and assessed at EXCO meetings; and
- (v) Risk management and internal control assessment is undertaken by the outsourced Internal Audit Function on a periodical basis. The Internal Auditor adopts a risk based approach in evaluating the financial, operational and compliance aspects of the Group. The internal audit procedures are focused on the identified key risk areas.

**Internal Audit Function**

The Audit Committee evaluates the internal audit function to assess its effectiveness in the discharge of its responsibilities. The independent internal audit function, which is outsourced to an independent external consultant, provides assurance to the Audit Committee through the execution of internal audit based on an approved risk-based internal audit plan. Observations from the internal audit executed are presented, together with Management's response and proposed action plans, to the Audit Committee for its review. The Group incurred RM10,500 for Internal Audit fees during the financial year.

**STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)****Control Environment**

The control environment is the organisational structure and culture created by the Senior Executive Management to sustain organisational support for effective internal control. The Senior Executive Management's commitment to establishing and maintaining effective internal control is articulated, cascaded and permeated throughout the Group's control environment.

Established controls for day-to-day operating activities are in place on a de-centralised basis. Key functions such as finance, treasury, human resource, management information system, insurance and legal matters are controlled centrally at the Group Head Office.

**Control Processes**

Apart from the risk management and internal audit functions, the Board has established the following key processes to augment the risk management and internal control system:

- (i) Clearly defined and documented lines and limit of authority, responsibility and accountability have been established through the approved Group Delegated Authority Manual;
- (ii) Annual business plans, strategies and budgets are presented by Senior Executive Management to the Board for review and approval;
- (iii) An organisational structure which formally defines lines of responsibilities and delegation of authority is in place;
- (iv) Quarterly financial reports with comprehensive information on financial performance and key business indicators are reviewed by the Audit Committee and approved by the Board;
- (v) Management of subsidiaries involved in the daily operations reports key issues to the EXCO for further deliberation and decision;
- (vi) The Finance function reviews and monitors each business unit's performance monthly. Significant issues are promptly reported to the EXCO;
- (vii) Cross functional and cross departmental teams are formed on the instruction of the EXCO to address key issues on a needs basis. The findings are presented and deliberated at EXCO meetings and if material, are reported to the Board; and
- (viii) Documented internal procedures and standard operating procedures are in place. Internal and external quality and surveillance audits are conducted on a regular basis to ensure compliance. The external audits are conducted by assessors certified by the accreditation bodies and also by the Manufacturing Division's existing and prospective customers.

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## STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

### Control Processes (Cont'd)

The below ISO Certifications at the Group's Manufacturing Division were renewed during the year:

- ISO 13485:2003                      Quality Management System in Medical Device;
- ISO 14001:2004                      Environmental Management System;
- ISO 22000:2005                      Manufacturing of Plastic Component for Food Packaging and Food Related Equipments (indirect contact with food);
- OHSAS 18001: 2007                      Occupational Health and Safety Management;
- ISO 9001:2008                      Quality Management System; and
- ISO / TS 16949:2009                      Quality Specification for Automotive Industry Supply Chain.

- (ix) Adequate insurance coverage and physical safeguards on major assets are in place to ensure that the assets of the Group are sufficiently covered against pertinent perils that may result in material losses to the Group.

### Review of this Statement by External Auditor

Pursuant to paragraph 15.23 of the Listing Requirement of Bursa Malaysia Securities Berhad, the External Auditor has reviewed this SRMIC for inclusion in the Annual Report of the Group for the financial year ended 31 March 2015. The External Auditor has reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the processes adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

### Conclusion

The Board is of the view that the risk management and internal control system is satisfactory for the financial year under review and up to the date of approval of this SRMIC, and has not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's Annual Report. However, such system does not eliminate the possibility of human error, collusion, or deliberate circumvention of control procedures by employees and others.

The Board endeavours to maintain an adequate system of risk management and internal control to support the Group's operations and will periodically evaluate and continue to take proactive measures to further strengthen the procedures and processes to ensure the framework remains relevant, effective and efficient.

This SRMIC is made in accordance with a resolution of the Board dated 27 July 2015.

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## AUDIT COMMITTEE REPORT

### MEMBERS

#### **Thoolasy Das Ponniah**

Chairman, Senior Independent Non-Executive Director

Fellow, The Institute of Chartered Accountants (England and Wales)

Member, Malaysian Institute of Accountants

#### **Tan Sri Dato' Seri TAN King Tai @ TAN Khoon Hai**

Member, Independent Non-Executive Director

Member, Certified Public Accountants, Ireland

#### **YOONG Nim Chor**

Member, Independent Non-Executive Director

### TERMS OF REFERENCE

#### Composition

The members of the Audit Committee shall be appointed by the Board from among its members and shall consist of at least three (3) members. All the Audit Committee members must be Non-Executive Directors with a majority of them being Independent Directors.

At least one of the members of the Audit Committee:

- (a) Must be a member of the Malaysian Institute of Accountants (MIA); or
- (b) If he is not a member of MIA, he must have at least 3 years' working experience and:
  - (i) He must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
  - (ii) He must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
- (c) He must fulfill such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Malaysia").

The members of the Audit Committee shall elect a Chairman from among its members who shall be an Independent Director.

No alternate director can be appointed as a member of the Audit Committee. The terms of office and performance of the Audit Committee and each of its members shall be reviewed by the Board at least once in every three (3) years to determine whether the Audit Committee and its members have carried out their duties in accordance with the terms of reference.

#### Quorum

To form a quorum, the majority of members present must be Independent Directors.

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## AUDIT COMMITTEE REPORT (CONT'D)

### Objectives

The primary objectives of the Committee are to:

- (a) Provide assistance to the Board in fulfilling its fiduciary responsibilities, particularly in the areas relating to the Company and its subsidiary companies' ("the Group") accounting and internal control systems, financial reporting and business ethics policies;
- (b) Provide greater emphasis on the audit function by serving as the focal point for communication between non-Committee Directors, the external auditors, internal auditors and management and providing a forum for discussion that is independent of the management. It is to be the Board's principal agent in assuring the independence of the Company's external auditors, the integrity of the management and the adequacy of disclosures to shareholders; and
- (c) Undertake such additional duties as may be appropriate and necessary to assist the Board.

### Secretary

The Secretary of the Committee shall be the Company Secretary.

### Frequency and Attendance of Committee Meetings

- (a) Meetings shall be held not less than 2 times a year and as and when required during each financial year.
- (b) Other Board members, employees, and/or representatives of the external and/or internal auditors may attend any meeting at the Audit Committee's invitation.
- (c) A Committee Member shall be deemed to be present at a meeting of the Committee if he participates by instantaneous telecommunication device and all members of the Committee participating in the meeting of the Committee are able to hear each other and recognise each other's voice, and for this purpose, recognition constitutes prima facie proof of participation. For the purposes of recording attendance, the Chairman or Secretary of the Committee shall mark on the attendance sheet that the Committee Member was present and participating by instantaneous telecommunication device.
- (d) A Committee Member may not leave the meeting by disconnecting his instantaneous telecommunication device unless he has previously obtained the express consent of the Chairman of the Meeting and a Committee Member will be conclusively presumed to have been present and to have formed part of the quorum at all times during the Committee Meeting by instantaneous telecommunication device unless he has previously obtained the express consent of the Chairman of the Meeting to leave the meeting.
- (e) Minutes of the proceedings at a Committee Meeting by instantaneous telecommunication device will be sufficient evidence of such proceedings and of the observance of all necessary formalities if certified as correct minutes by the Chairman of the Meeting.
- (f) Instantaneous telecommunication device means any telecommunication conferencing device with or without visual capacity.
- (g) A resolution in writing signed and approved by a majority of the Committee and who are sufficient to form a quorum shall be as valid and effective as if it had been passed at a Meeting of the Committee duly called and constituted.

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## AUDIT COMMITTEE REPORT (CONT'D)

### Minutes

The minutes of each meeting shall be kept and distributed to each member. All minutes of meetings shall be circulated to every member of the Board. The Chairman of the Committee shall report on each meeting to the Board.

### Authority

- (a) To investigate any matter of the Group, within its terms of reference, where it deems necessary, investigate any matter referred to it or that it has come across in respect of a transaction that raises questions of management integrity, possible conflict of interests, or abuse by a significant or controlling shareholder;
- (b) To have resources which are required to perform its duties;
- (c) To have full and unrestricted access to any information pertaining to the Group;
- (d)
  - (i) Have direct communication channels with the external auditors;
  - (ii) Have direct authority over the internal audit function of which is independent from management and operations;
- (e) Be able to obtain and seek outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary;
- (f) Be able to convene meetings with the external auditors, the internal auditors or both, to the exclusion of other directors and employees of the Company; and
- (g) To have full access to any employee or member of the management.

### Duties and Responsibilities

In fulfilling its primary objective, the Audit Committee will need to undertake the following duties and responsibilities and report the same to the Board of Directors:

- (a) To discuss with the external auditors before the audit commences, the audit plan, scope and nature of the audit of the Group;
- (b) To review the audit report with the external auditors;
- (c) To review the follow-up actions taken by the management on findings and recommendations by the internal and external auditors;
- (d) To review the external auditors management letters and the management response;

**AUDIT COMMITTEE REPORT (CONT'D)**

Duties and Responsibilities (Cont'd)

- (e) To review the Group's quarterly results and the Group's annual Financial Statements, prior to the approval by the Board of Directors. The review is focused particularly on:
  - (i) Any changes in or implementation of major accounting policy;
  - (ii) Significant and unusual events;
  - (iii) Significant adjustments and issues arising from the audit;
  - (iv) The going concern assumption; and
  - (v) Compliance with applicable accounting standards and other legal requirements.
- (f) To review any related party transaction and conflict of interests situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- (g)
  - (i) To recommend the appointment of external auditors, their remuneration and inquire into their resignation or dismissal; and
  - (ii) Where the external auditors are removed from office or give notice to the Company of their desire to resign as external auditors, the Committee shall ensure that the Company immediately notify Bursa Malaysia and forward to the latter a copy of any written representations or written explanations of the resignation made by the external auditors at the same time as copies of such representations or explanations are submitted to the Registrar of Companies pursuant to section 172A of the Companies Act 1965.
- (h) Whether there is reason (supported by grounds) to believe that the Company's external auditors is not suitable for re-appointment;
- (i) To review the assistance and co-operation given by the employees of the Company to the external auditors;
- (j)
  - (i) To review the adequacy of the scope, functions, resources and competency of the internal audit function and that it has the necessary authority to carry out its work;
  - (ii) If the internal audit function is outsourced, to consider and recommend the appointment or termination of the internal auditors, the fee and inquire into the staffing and competence of the internal auditors in performing their work; and
  - (iii) If the internal audit function is performed in-house, to approve any appointment or termination as well as the appraisal of performance of senior staff members of the internal audit function. Also, to be informed of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his/her reason for resignation.
- (k) To review the internal audit programme, processes, the results of the internal audit programme, processes or investigations undertaken and whether or not appropriate action is taken on the recommendations of the internal auditor;

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## AUDIT COMMITTEE REPORT (CONT'D)

### Duties and Responsibilities (Cont'd)

- (l) To carry out such functions as may be agreed between the Audit Committee and the Board of Directors; including but not limited to reviewing the acquisition or disposal of any major investment or fixed asset;
- (m) To report to Bursa Malaysia on matters reported by it to the Board that has not been satisfactorily resolved by the Board; resulting in a breach of the Listing Requirements of Bursa Malaysia.

### Activities of the Audit Committee

During the Financial Year, the Committee held five (5) meetings. The attendance of each member of the Committee were as follows:

Name	Designation	Meetings Attended
<b><u>Chairman</u></b>		
Thoolasy Das Ponniah	Senior Independent Non-Executive Director	5/5
<b><u>Members</u></b>		
Tan Sri Dato' Seri <b>TAN</b> King Tai @ <b>TAN</b> Khoon Hai	Independent Non-Executive Director	4/5
<b><u>YOONG</u></b> Nim Chor	Independent Non-Executive Director	5/5

During the Financial Year, the Committee held Three (3) meetings with the External Auditors and Two (2) meetings with the Internal Auditors. The Committee had two (2) private sessions with the External Auditors without the presence of Management. In addition, the Committee also carried out its duties in accordance with its terms of reference, which encompassed the following:

- (a) Reviewed the External Auditors' Audit Planning Memorandum comprising the scope of work and proposed fees for the statutory audit and approved the engagement of the External Auditors on recurring and non-recurring non audit services;
- (b) Reviewed the External Auditors' Audit Review Memorandum and Management Letter with recommendations regarding opportunities for improving internal controls based on their observations made during course of the external audit;
- (c) Reviewed the Group's quarterly Interim Financial Statements before a recommendation is made to the Board for approval;
- (d) Reviewed the Group's Audited Financial Statements before a recommendation is made to the Board for approval;



**AUDIT COMMITTEE REPORT (CONT'D)**

**Activities of the Audit Committee (Cont'd)**

- (e) Reviewed and approved the Internal Audit Plan and assessed the internal audit reports and recommendations. Management's response on the issues reported were reviewed, discussed and additional directives were given to Management as and when necessary. Ensured issues affecting internal controls are promptly addressed by Management;
- (f) Reviewed the New and Recurrent Related Party Transactions entered into by the Group;
- (g) Reviewed the new accounting policies adopted by the Group to ensure compliance with the applicable approved Financial Reporting Standards;
- (h) Reviewed the Group's annual Business Plans & Strategies, Financial Budgets and Capital Expenditure Budget; and
- (i) Reviewed the Statement on Corporate Governance, Statement on Risk Management and Internal Control and the Audit Committee Report for inclusion in this Annual Report.

**Internal Audit Function**

The Internal Audit Function is disclosed in the Statement on Risk Management and Internal Control set out on pages 30 to 33 of this Annual Report.

The significant activities carried out by the internal audit function include but are not limited to the following:

- (a) Conduct of internal audit, focusing on key risks faced by significant business units within the Group, based on an internal audit plan presented to, and approved by, the Committee;
- (b) The internal audit covered testing the existence and effectiveness of compliance, financial and operational controls deployed by Management to address the business risks faced by the Group;
- (c) Weaknesses in the internal control system were highlighted to the Committee and Management, including recommendations for improvement and Management's response to such observations; and
- (d) Follow-up on the status of implementation by Management on action plans to address the issues highlighted during the internal audit.

This Audit Committee Report is made in accordance with a resolution of the Board of the Directors dated 27 July 2015.

# **DENKO INDUSTRIAL CORPORATION BERHAD**

(Incorporated in Malaysia)

Company No: 190155-M

## **OTHER DISCLOSURE**

### **Utilisation of Proceeds**

The Company did not undertake any capital raising proposal during the financial year.

### **Share Buybacks**

There were no share buybacks by the Company during the financial year.

### **Option or Convertible Securities**

No option or convertible securities were issued or exercised during the financial year.

### **American Depositary Receipt (“ADR”) or Global Depositary Receipt (“GDR”)**

The Group did not sponsor any ADR or GDR programme during the financial year.

### **Sanctions and/or Penalties**

During the financial year, the regulatory bodies did not impose any public sanctions and/or penalties on the Company, its subsidiaries, Directors or Management.

### **Non Audit Fees**

The non-audit fees payable to the External Auditor of the Company for review of the Statement on Risk Management and Internal Control included in this Annual Report was RM4,000.00.

### **Variation in Results**

For the financial year ended 31 March 2015, there was no significant variance between the audited results and the unaudited results previously announced by the Company.

### **Profit Guarantee**

The Company did not provide any profit guarantee during the financial year.

### **Material Contracts**

Other than the Employment Contract entered into between a subsidiary of the Company and the Company's Executive Director cum major shareholder, there were no material contracts of the Company and its subsidiaries involving Directors' and major shareholders' interest.

### **Employee Share Option Scheme (“ESOS”)**

The Company does not have an ESOS programme.

### **Related Party Transactions**

During the financial year ended 31 March 2015, there were related party transactions entered into by a subsidiary company of the Company which involved a principal officer of the subsidiary and an Independent Non-Executive Director respectively. All the related party transactions entered were in the ordinary course of business and were within the applicable prescribe threshold as defined under Rule 10.09 and Guidance Note No.8/2006.

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## DIRECTORS' REPORT

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The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 March 2015.

## PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

## RESULTS

	THE GROUP RM	THE COMPANY RM
Profit/(Loss) after tax for the financial year	<u>2,844,877</u>	<u>(777,833)</u>

## DIVIDENDS

No dividend was paid since the end of the previous financial year and the directors do not recommend the payment of any dividend for the current financial year.

## RESERVES AND PROVISIONS

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

## ISSUES OF SHARES AND DEBENTURES

During the financial year:-

- (a) there were no changes in the authorised and issued and paid-up share capital of the Company; and
- (b) there were no issues of debentures by the Company.

## OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

## BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, 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 allowance for impairment losses on receivables, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment losses on receivables.

# **DENKO INDUSTRIAL CORPORATION BERHAD**

(Incorporated in Malaysia)

Company No: 190155-M

## **DIRECTORS' REPORT**

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### **BAD AND DOUBTFUL DEBTS (CONT'D)**

At the date of this report, the directors are not aware of any circumstances that would require the further writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

### **CURRENT ASSETS**

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that any current assets other than debts, which were unlikely to be realised in the ordinary course of business, including their values as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to realise.

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

### **CONTINGENT AND OTHER LIABILITIES**

The contingent liabilities are disclosed in Note 34 to the financial statements. At the date of this report, there does not exist:-

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

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

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## DIRECTORS' REPORT

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### ITEMS OF AN UNUSUAL NATURE (CONT'D)

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 and of the Company for the financial year.

### DIRECTORS

The directors who served since the date of the last report are as follows:-

Dato' Ong Soon Ho  
Dato' Ong Choo Meng  
David Yaory  
Ong Wei Liam @ Jeremy Ong (Appointed on 18 May 2015)  
Tan Chen Wei  
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai  
Thoolasy Das Ponniah  
Yoong Nim Chor

### DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares in the Company and its related corporations during the financial year are as follows:-

	NUMBER OF ORDINARY SHARES OF RM0.40 EACH			
	AT 1.4.2014	BOUGHT	SOLD	AT 31.3.2015
<i>Direct Interests In The Company</i>				
Dato' Ong Soon Ho	4,845,500	-	-	4,845,500
Dato' Ong Choo Meng	14,507,500	-	-	14,507,500
Tan Chen Wei	12,507,900	-	-	12,507,900
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	6,200	-	-	6,200
<i>Indirect Interests In The Company</i>				
Dato' Ong Soon Ho *	14,507,500	-	-	14,507,500
Dato' Ong Choo Meng ^	4,845,500	-	-	4,845,500

\* - By virtue of the shareholding of his child, Dato' Ong Choo Meng

^ - By virtue of the shareholding of his father, Dato' Ong Soon Ho

By virtue of the directors' shareholdings in the shares of the Company, Dato' Ong Soon Ho and Dato' Ong Choo Meng, are deemed to have an interest in shares in the Company and its related corporations to the extent of the Company's interest, in accordance with Section 6A of the Companies Act 1965.

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

# **DENKO INDUSTRIAL CORPORATION BERHAD**

(Incorporated in Malaysia)

Company No: 190155-M

## **DIRECTORS' REPORT**

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### **DIRECTORS' BENEFITS**

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements, or the fixed salary of a full-time employee of the Company) 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 except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 33 to the financial statements.

Neither during nor at the end of the financial year was the Company a party to any arrangements 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.

### **SIGNIFICANT EVENT DURING THE FINANCIAL YEAR**

The significant event during the financial year is disclosed in Note 38 to the financial statements.

### **SIGNIFICANT EVENT OCCURRING AFTER THE REPORTING PERIOD**

The significant event occurring after the reporting period is disclosed in Note 39 to the financial statements.

### **AUDITORS**

The auditors, Messrs. Crowe Horwath, have expressed their willingness to continue in office.

Signed in accordance with a resolution of the directors dated 27 July 2015.

**Dato' Ong Choo Meng**

**Tan Chen Wei**

# **DENKO INDUSTRIAL CORPORATION BERHAD**

(Incorporated in Malaysia)

Company No: 190155-M

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## **STATEMENT BY DIRECTORS**

We, Dato' Ong Choo Meng and Tan Chen Wei, being two of the directors of Denko Industrial Corporation Berhad, state that, in the opinion of the directors, the financial statements set out on pages 49 to 129 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company at 31 March 2015 and of their financial performance and cash flows for the financial year ended on that date.

The supplementary information set out in Note 40, which is not part of the financial statements, 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 Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed in accordance with a resolution of the directors dated 27 July 2015.

**Dato' Ong Choo Meng**

**Tan Chen Wei**

## **STATUTORY DECLARATION**

I, Dr. Loh Yee Feei, being the officer primarily responsible for the financial management of Denko Industrial Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 49 to 129 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 Declaration Act 1960.

Subscribed and solemnly declared by  
Dr. Loh Yee Feei,  
at Johor Bahru in the state of Johor  
on this 27 July 2015.

Before me: **Mohdzar Bin Khalid**  
**(No. J204)**  
**P.L.P., P.I.S.,**

**Dr. Loh Yee Feei**

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DENKO INDUSTRIAL CORPORATION BERHAD**

(Incorporated in Malaysia)

Company No: 190155-M

### **Report on the Financial Statements**

We have audited the financial statements of Denko Industrial Corporation Berhad, which comprise the statements of financial position as at 31 March 2015 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 49 to 129.

#### *Directors' Responsibility for the Financial Statements*

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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



## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DENKO INDUSTRIAL CORPORATION BERHAD (CONT'D)**

(Incorporated in Malaysia)

Company No: 190155-M

### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 March 2015 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 1965 in Malaysia.

### **Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:-

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of the subsidiary of which we have not acted as auditors, which are indicated in Note 5 to the financial statements.
- (b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

### **Other Reporting Responsibilities**

The supplementary information set out in Note 40 on page 130 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
DENKO INDUSTRIAL CORPORATION BERHAD (CONT'D)**

(Incorporated in Malaysia)

Company No: 190155-M

**Other Matters**

This report is made solely to the member of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 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

27 July 2015

Johor Bahru

**Tan Lin Chun**

Approval No: 2839/10/15(J)

Chartered Accountant

**DENKO INDUSTRIAL CORPORATION BERHAD**

(Incorporated in Malaysia)

Company No: 190155-M

**STATEMENTS OF FINANCIAL POSITION AT 31 MARCH 2015**

		THE GROUP		THE COMPANY	
	NOTE	2015 RM	2014 RM	2015 RM	2014 RM
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Investment in subsidiaries	5	-	-	47,088,633	47,088,633
Property, plant and equipment	6	54,281,221	44,382,674	-	-
		<u>54,281,221</u>	<u>44,382,674</u>	<u>47,088,633</u>	<u>47,088,633</u>
<b>CURRENT ASSETS</b>					
Inventories	7	15,103,155	12,447,351	-	-
Trade receivables	8	22,160,360	15,431,673	-	-
Other receivables, deposits and prepayments	9	1,622,528	710,632	7,254	25,430
Amount owing by subsidiaries	10	-	-	2,829,975	3,428,650
Tax recoverable		182,857	1,272,232	-	960,710
Cash and bank balances		2,334,908	378,167	411	17,616
		<u>41,403,808</u>	<u>30,240,055</u>	<u>2,837,640</u>	<u>4,432,406</u>
Assets classified as held for sales	11	5,500,000	-	-	-
		<u>101,185,029</u>	<u>74,622,729</u>	<u>49,926,273</u>	<u>51,521,039</u>

**DENKO INDUSTRIAL CORPORATION BERHAD**

(Incorporated in Malaysia)

Company No: 190155-M

**STATEMENTS OF FINANCIAL POSITION AT 31 MARCH 2015 (CONT'D)**

		THE GROUP		THE COMPANY	
	NOTE	2015 RM	2014 RM	2015 RM	2014 RM
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
Share capital	12	41,787,540	41,787,540	41,787,540	41,787,540
Reserves	13	11,459,512	(5,486,124)	4,140,768	4,918,601
<b>TOTAL EQUITY</b>		<b>53,247,052</b>	<b>36,301,416</b>	<b>45,928,308</b>	<b>46,706,141</b>
<b>NON-CURRENT LIABILITIES</b>					
Long-term borrowings	14	2,953,686	3,796,425	-	-
Deferred tax liabilities	15	6,140,534	4,107,000	-	-
Amount owing to directors	16	-	1,412,998	-	-
		<b>9,094,220</b>	<b>9,316,423</b>	<b>-</b>	<b>-</b>
<b>CURRENT LIABILITIES</b>					
Trade payables	17	9,468,127	6,144,650	-	-
Other payables and accruals	18	7,913,882	8,977,035	223,057	578,724
Amount owing to directors	16	8,307,007	543,800	751,800	543,800
Amount owing to subsidiaries	10	-	-	3,023,108	3,666,883
Short-term borrowings	19	12,641,206	12,746,317	-	25,491
Bank overdraft	22	513,535	593,088	-	-
		<b>38,843,757</b>	<b>29,004,890</b>	<b>3,997,965</b>	<b>4,814,898</b>
<b>TOTAL LIABILITIES</b>		<b>47,937,977</b>	<b>38,321,313</b>	<b>3,997,965</b>	<b>4,814,898</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>101,185,029</b>	<b>74,622,729</b>	<b>49,926,273</b>	<b>51,521,039</b>

**DENKO INDUSTRIAL CORPORATION BERHAD**

(Incorporated in Malaysia)

Company No: 190155-M

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015**

		THE GROUP		THE COMPANY	
	NOTE	2015 RM	2014 RM	2015 RM	2014 RM
REVENUE	23	80,076,714	74,445,086	-	920,000
COST OF GOODS SOLD		(68,579,747)	(67,117,720)	-	-
GROSS PROFIT		11,496,967	7,327,366	-	920,000
OTHER INCOME		2,152,637	664,875	254,954	-
MARKETING AND DISTRIBUTION INCOME		(4,021,750)	(3,365,684)	-	-
ADMINISTRATIVE EXPENSES		(5,429,602)	(5,618,327)	(1,073,984)	(1,235,085)
OTHER OPERATING EXPENSES		(901,741)	(2,670,341)	-	(1,100,000)
FINANCE COSTS		(950,941)	(871,254)	(11,010)	-
PROFIT/(LOSS) BEFORE TAX	25	2,345,570	(4,533,365)	(830,040)	(1,415,085)
TAX INCOME/(EXPENSE)	26	499,307	923,160	52,207	(230,000)
PROFIT/(LOSS) AFTER TAX FROM CONTINUING OPERATIONS		2,844,877	(3,610,205)	(777,833)	(1,645,085)
<b>DISCONTINUED OPERATIONS</b>					
PROFIT AFTER TAX FROM DISCONTINUED OPERATIONS	27	-	507,362	-	-
PROFIT/(LOSS) AFTER TAX/ BALANCE CARRIED FORWARD		2,844,877	(3,102,843)	(777,833)	(1,645,085)

**DENKO INDUSTRIAL CORPORATION BERHAD**

(Incorporated in Malaysia)

Company No: 190155-M

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015 (CONT'D)**

		THE GROUP		THE COMPANY	
	NOTE	2015 RM	2014 RM	2015 RM	2014 RM
BALANCE BROUGHT FORWARD		2,844,877	(3,102,843)	(777,833)	(1,645,085)
OTHER COMPREHENSIVE INCOME NET OF TAX					
<u>Items that will not be reclassified subsequently to profit or loss</u>	28				
- Remeasurement of deferred tax on revalued properties		-	65,045	-	-
- Revaluation of properties		14,103,808	-	-	-
- Foreign currency translation differences		(3,049)	-	-	-
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE FINANCIAL YEAR		<u>16,945,636</u>	<u>(3,037,798)</u>	<u>(777,833)</u>	<u>(1,645,085)</u>
<b>EARNINGS PER SHARE (SEN)</b>	29				
Basic:					
- continuing operations		2.72	(3.46)		
- discontinued operations		-	0.49		
Diluted:					
- continuing operations		Not applicable	Not applicable		
- discontinued operations		Not applicable	Not applicable		

**DENKO INDUSTRIAL CORPORATION BERHAD**

(Incorporated in Malaysia)

Company No: 190155-M

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015**

		NON-DISTRIBUTABLE					Total Equity RM
		Share Capital RM	Share Premium RM	Revaluation Reserve RM	Foreign Exchange Translation Reserve RM	Accumulated Losses RM	
THE GROUP	NOTE						
Balance at 1.4.2013		41,787,540	1,566,419	3,790,334	-	(7,805,079)	39,339,214
Loss after tax for the financial year		-	-	-	-	(3,102,843)	(3,102,843)
Other comprehensive income for the financial year	28						
- Remeasurement of deferred tax on revalued properties		-	-	65,045	-	-	65,045
Total comprehensive expenses for the financial year		-	-	65,045	-	(3,102,843)	(3,037,798)
Balance at 31.3.2014		41,787,540	1,566,419	3,855,379	-	(10,907,922)	36,301,416

**DENKO INDUSTRIAL CORPORATION BERHAD**

(Incorporated in Malaysia)

Company No: 190155-M

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015 (CONT'D)**

	NOTE	NON-DISTRIBUTABLE				Accumulated Losses RM	Total Equity RM
		Share Capital RM	Share Premium RM	Revaluation Reserve RM	Foreign Exchange Translation Reserve RM		
THE GROUP							
Balance at 1.4.2014		41,787,540	1,566,419	3,855,379	-	(10,907,922)	36,301,416
Profit after tax for the financial year		-	-	-	-	2,844,877	2,844,877
Other comprehensive income for the financial year	28						
- Revaluation of properties		-	-	14,103,808	-	-	14,103,808
- Foreign currency translation differences		-	-	-	(3,049)	-	(3,049)
Total comprehensive income for the financial year		-	-	14,103,808	(3,049)	2,844,877	16,945,636
Balance at 31.3.2015		41,787,540	1,566,419	17,959,187	(3,049)	(8,063,045)	53,247,052



**DENKO INDUSTRIAL CORPORATION BERHAD**

(Incorporated in Malaysia)

Company No: 190155-M

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015 (CONT'D)**

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THE COMPANY	Share Capital RM	Share Premium RM	Retained Profits RM	Total Equity RM
Balance at 1.4.2013	41,787,540	1,566,419	4,997,267	48,351,226
Loss after tax for the financial year/Total comprehensive expenses for the financial year	-	-	(1,645,085)	(1,645,085)
Balance at 31.3.2014/1.4.2014	41,787,540	1,566,419	3,352,182	46,706,141
Loss after tax for the financial year/Total comprehensive expenses for the financial year	-	-	(777,833)	(777,833)
Balance at 31.3.2015	41,787,540	1,566,419	2,574,349	45,928,308

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**DENKO INDUSTRIAL CORPORATION BERHAD**

(Incorporated in Malaysia)

Company No: 190155-M

**STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015**

	THE GROUP		THE COMPANY	
	2015	2014	2015	2014
	RM	RM	RM	RM
<b>CASH FLOWS (FOR)/FROM OPERATING ACTIVITIES</b>				
Profit/(Loss) before tax				
- continuing operations	2,345,570	(4,533,365)	(830,040)	(1,415,085)
- discontinued operations	-	589,699	-	-
	<u>2,345,570</u>	<u>(3,943,666)</u>	<u>(830,040)</u>	<u>(1,415,085)</u>
Adjustments for:-				
Bad debt written off	22,417	24,377	-	-
Depreciation of property, plant and equipment	5,168,436	5,993,274	-	-
Dividend income	-	-	-	(920,000)
Gain on disposal of property, plant and equipment	(28,026)	(799)	-	-
Impairment losses on:-				
- property, plant and equipment	343,465	183,750	-	-
- other receivables	38,700	-	-	-
- trade receivables	237,251	206,168	-	-
Interest expense	933,930	850,018	11,009	-
Interest income	(4,242)	(2,509)	(1,954)	-
Inventory written off	115,634	168,004	-	-
Loss on disposal of a subsidiary	-	1,802,838	-	1,100,000
Property, plant and equipment written off	-	5,975	-	-
Reversal of impairment losses on:				
- freehold land and buildings	(629,302)	-	-	-
- other receivables	(16,000)	(36,583)	-	-
- trade receivables	(42,920)	(342,279)	-	-
Reversal of inventory written off	(880,745)	-	-	-
Unrealised (gain)/loss on foreign exchange	(208,327)	69,241	-	-
	<u></u>	<u></u>	<u></u>	<u></u>
Operating profit/(loss) before working capital changes/ balance carried forward	7,395,841	4,977,809	(820,985)	(1,235,085)

**DENKO INDUSTRIAL CORPORATION BERHAD**

(Incorporated in Malaysia)

Company No: 190155-M

**STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015 (CONT'D)**

		THE GROUP		THE COMPANY	
	NOTE	2015 RM	2014 RM	2015 RM	2014 RM
CASH FLOWS (FOR)/ FROM OPERATING ACTIVITIES (CONT'D)					
BALANCE BROUGHT FORWARD		7,395,841	4,977,809	(820,985)	(1,235,085)
Increase in inventories		(1,890,693)	(2,481,408)	-	-
(Increase)/Decrease in trade and other receivables		(7,880,031)	(121,133)	18,176	(7,198)
Increase/(Decrease) in trade and other payables		2,468,651	1,740,989	(355,667)	(306,480)
CASH (FOR)/FROM OPERATIONS		93,768	4,116,257	(1,158,476)	(1,548,763)
Interest paid		(933,930)	(850,018)	(11,009)	-
Tax paid		(392,962)	(150,961)	-	-
Tax refunded		1,124,544	189,749	1,012,917	53,953
NET CASH (FOR)/FROM OPERATING ACTIVITIES		(108,580)	3,305,027	(156,568)	(1,494,810)
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Decrease in deposit pledged to licensed bank		-	90,308	-	-
Interest received		4,242	2,509	1,954	-
Dividend received		-	-	-	690,000
Acquisition of a subsidiary, net of cash and cash equivalents acquired		-	-	-	(2)
Disposal of discontinued operation, net of cash and cash equivalents disposed of	27	-	573,576	-	1,900,000
Proceeds from disposal of property, plant and equipment		31,800	800	-	-
Purchase of property, plant and equipment	30	(2,619,249)	(752,814)	-	-
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(2,583,207)	(85,621)	1,954	2,589,998
BALANCE CARRIED FORWARD		(2,691,787)	3,219,406	(154,614)	1,095,188

**DENKO INDUSTRIAL CORPORATION BERHAD**

(Incorporated in Malaysia)

Company No: 190155-M

**STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015 (CONT'D)**

		THE GROUP		THE COMPANY	
	NOTE	2015 RM	2014 RM	2015 RM	2014 RM
BALANCE BROUGHT FORWARD		(2,691,787)	3,219,406	(154,614)	1,095,188
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES					
Advances from directors		6,350,209	-	208,000	273,000
Repayment of bankers' acceptances		(121,000)	(2,750,735)	-	-
Repayment of hire purchase obligations		(458,063)	(1,215,310)	(25,491)	-
Repayment to subsidiaries		-	-	(45,100)	(1,411,845)
Repayment of term loans		(1,040,153)	(1,332,061)	-	-
NET CASH FROM/(FOR) FINANCING ACTIVITIES		4,730,993	(4,846,052)	137,409	(1,138,845)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		2,039,206	(1,626,646)	(17,205)	(43,657)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		(214,921)	1,411,725	17,616	61,273
EFFECT OF FOREIGN EXCHANGE TRANSLATION		(2,912)	-	-	-
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	31	1,821,373	(214,921)	411	17,616

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

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### 1. GENERAL INFORMATION

The Company is a private company limited by shares and is incorporated under the Companies Act 1965 in Malaysia. The domicile of the Company is Malaysia. The registered office and principal place of business are as follows:-

Registered office	:	Suite 1301, 13th Floor City Plaza, Jalan Tebrau 80300 Johor Bahru, Johor
Principal place of business	:	No. 20, Jalan Hasil Dua Kawasan Perindustrian Jalan Hasil 81200 Tampoi, Johor Bahru, Johor

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 27 July 2015.

### 2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

### 3. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

- 3.1 During the current financial year, the Group has adopted the following applicable new accounting standards and interpretations (including the consequential amendments, if any):-

**MFRSs and IC Interpretations (Including The Consequential Amendments)**

Amendments to MFRS 10, MFRS 12 and MFRS 127 (2011): Investment Entities

Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities

Amendments to MFRS 136: Recoverable Amount Disclosures for Non-financial Assets

IC Interpretation 21 Levies

The adoption of the above accounting standards and interpretations (including the consequential amendments, if any) did not have any material impact on the Group's financial statements.

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

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### 3. BASIS OF PREPARATION (CONT'D)

- 3.2 The Group has not applied in advance the following applicable accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:-

<b>MFRSs and IC Interpretations (Including The Consequential Amendments)</b>	<b>Effective Date</b>
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
Amendments to MFRS 10, MFRS 12 and MFRS 128 (2011): Investment Entities – Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 101: Presentation of Financial Statements – Disclosure Initiative	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 119: Defined Benefit Plans – Employee Contributions	1 July 2014
Amendments to MFRS 127 (2011): Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements to MFRSs 2010 – 2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011 – 2013 Cycle	1 July 2014
Annual Improvements to MFRSs 2012 – 2014 Cycle	1 January 2016

The adoption of the above accounting standards and interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015**

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**4. SIGNIFICANT ACCOUNTING POLICIES****4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:-

**(a) Depreciation of Property, Plant and Equipment**

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factor which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

**(b) Income Taxes**

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

**(c) Impairment of Non-Financial Assets**

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

**(d) Write down of Inventories**

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require management to consider the future demand for the products, technical assessment and subsequent events. The Group also adopts the write down policy for slow-moving inventories by marking down the carrying amount of those slow-moving inventories which are aged more than 6 months and have less than 5% movement as compared to previous month (manufacturing segment) and using certain percentages on inventories which are nearing expiry date and non-claimable from respective suppliers (trading segment). The percentages are derived based on the past historical movement trend of the realisable value of those inventories and judgement of the directors and management.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015**

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)**

**(d) Write down of Inventories (Cont'd)**

Where necessary, write off is made for all damaged and obsolete items. The Group writes off its damaged and obsolete inventories based on assessment of the condition and the future demand for the inventories. These inventories are written off when events or changes in circumstances indicate that the carrying amounts may not be recovered.

In general, such an evaluation process requires significant judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

**(e) Impairment of Trade and Other Receivables**

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness and changes in customer payment terms when making a judgment to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the outcome is different from the estimation, such difference will impact the carrying value of receivables.

**(f) Revaluation of Properties**

Certain properties of the Group are reported at valuation which is based on valuations performed by independent professional valuers.

The independent professional valuers have exercised judgement in determining discount rates, estimates of future cash flows, capitalisation rate, terminal year value, market freehold rental and other factors used in the valuation process. Also, judgement has been applied in estimating prices for less readily observable external parameters. Other factors such as model assumptions, market dislocations and unexpected correlations can also materially affect these estimates and the resulting valuation estimates.

**(g) Classification of Leasehold Land**

The classification of leasehold land as a finance lease or an operating lease requires the use of judgement in determining the extent to which risks and rewards incidental to its ownership lie. Despite the fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated to the fair value of the land at the inception of the lease. Accordingly, management judged that the Group has acquired substantially all the risks and rewards incidental to the ownership of the land through a finance lease.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015**

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)**

**(h) Fair Value Estimates for Certain Financial Assets and Liabilities**

The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

**4.2 BASIS OF CONSOLIDATION**

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

**(a) Business Combinations**

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

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

#### 4.2 BASIS OF CONSOLIDATION (CONT'D)

##### (b) Non-Controlling Interests

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

At the end of each reporting period, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

##### (c) Changes In Ownership Interests In Subsidiaries Without Change of Control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

##### (d) Loss of Control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

#### 4.3 FUNCTIONAL AND FOREIGN CURRENCIES

##### (a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015**

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**4.3 FUNCTIONAL AND FOREIGN CURRENCIES (CONT'D)**

**(b) Transactions and Balances**

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

**(c) Foreign Operations**

Assets and liabilities of foreign operations are translated to RM at the rates of exchange ruling at the end of the reporting period. Revenues and expenses of foreign operations are translated at exchange rates ruling at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity under the translation reserve. On the disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is reclassified from equity to profit or loss.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period except for those business combinations that occurred before the date of transition (1 January 2011) which are treated as assets and liabilities of the Company and are not retranslated.

**4.4 FINANCIAL INSTRUMENTS**

Financial instruments are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statement of financial position are disclosed in the individual policy statement associated with each item.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

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

#### 4.4 FINANCIAL INSTRUMENTS (CONT'D)

##### (a) Financial Assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivable financial assets, or available-for-sale financial assets, as appropriate.

##### (i) Financial Assets at Fair Value through Profit or Loss

As at the end of the reporting period, there were no financial assets classified under this category.

##### (ii) Held-to-maturity Investments

As at the end of the reporting period, there were no financial assets classified under this category.

##### (iii) Loans and Receivables Financial Assets

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

Loans and receivables financial assets are classified as current assets, except for those having settlement dates later than 12 months after the reporting date which are classified as non-current assets.

##### (iv) Available-for-sale Financial Assets

As at the end of the reporting period, there were no financial assets classified under this category.

##### (b) Financial Liabilities

All financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

**NOTES TO THE FINANCIAL STATEMENTS  
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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**4.4 FINANCIAL INSTRUMENTS (CONT'D)**

**(c) Equity Instruments**

Instruments classified as equity are measured at cost and are not remeasured subsequently. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from proceeds. Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

**(d) Derecognition**

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

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

**4.5 INVESTMENT IN SUBSIDIARIES**

Investment in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying value may not be recoverable. The cost of the investment includes transaction costs.

On the disposal of the investment in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

**4.6 PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Freehold land is stated at valuation less impairment losses recognised after the date of the revaluation. Freehold land is not depreciated. Buildings are stated at revalued amount less accumulated depreciation and impairment losses recognised after the date of the revaluation.

Land and buildings are revalued periodically, at least once in every 4 years. Surpluses arising from the revaluation are recognised in other comprehensive income and accumulated in equity under the revaluation reserve. Deficits arising from the revaluation, to the extent that they are not supported by any previous revaluation surpluses, are recognised in profit or loss.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

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

#### 4.6 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Depreciation is charge to profit or loss (unless it is included in the carrying amount of another asset) on the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset become idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Leasehold land and buildings	over the remaining lease period
Freehold buildings	2%
Cargo lift	2%
Plant and machinery	6.25% - 10%
Motor vehicles	15%
Other property, plant and equipment	10% - 25%

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

Building under construction represents asset which is not ready for commercial use at the end of the reporting period. Building under construction is stated at cost, and is depreciated accordingly when it is completed and ready for commercial use.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset is recognised in profit or loss.

#### 4.7 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets (or disposal group comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the non-current assets (or the disposal group) are remeasured in accordance with the Group's accounting policies. Upon classification as held for sale, the non-current assets (the disposal group) are not depreciated and are measured at the lower of their previous carrying amount and fair value less cost to sell. Any differences are recognised in profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS  
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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**4.7 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (CONT'D)**

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is restated as if the operation had been discontinued from the start of the comparative period.

**4.8 IMPAIRMENT**

**(a) Impairment of Financial Assets**

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

**(b) Impairment of Non-Financial Assets**

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value-in-use, which is measured by reference to discounted future cash flow.

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.



**NOTES TO THE FINANCIAL STATEMENTS  
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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**4.8 IMPAIRMENT (CONT'D)**

**(b) Impairment of Non-Financial Assets (Cont'd)**

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately, unless the asset is carried at its revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**4.9 ASSETS UNDER HIRE PURCHASE**

Assets acquired under hire purchase are capitalised in the financial statements at the lower of the fair value of the leased assets and the present value of the minimum lease payments and, are depreciated in accordance with the policy set out in Note 4.6 above. Each hire purchase payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. Finance charges are recognised in profit or loss over the period of the respective hire purchase agreements.

**4.10 INVENTORIES**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in-first out basis, and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition. Cost of finished goods and work-in-progress includes cost of materials, labour and an appropriate proportion of production overheads.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

**4.11 INCOME TAXES**

Income tax for the year comprises current and deferred tax.

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

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.



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

#### 4.11 INCOME TAXES (CONT'D)

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

#### 4.12 OPERATING SEGMENTS

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

#### 4.13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, bank overdrafts 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.

#### 4.14 EMPLOYEE BENEFITS

##### (a) Short-term Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

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

#### 4.14 EMPLOYEE BENEFITS (CONT'D)

##### (b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

#### 4.15 RELATED PARTIES

A party is related to an entity (referred to as the "reporting entity") if:-

- (a) A person or a close member of that person's family is related to a reporting entity if that person:-
  - (i) has control or joint control over the reporting entity;
  - (ii) has significant influence over the reporting entity; or
  - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) An entity is related to a reporting entity if any of the following conditions applies:-
  - (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a) above.
  - (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

#### 4.16 CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

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## **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015**

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### **4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **4.17 FAIR VALUE MEASUREMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market's participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

#### **4.18 BORROWING COSTS**

Borrowing costs, directly attributable to the acquisition, construction or production of a qualifying asset, and construction of property, plant and equipment are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

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

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

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

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

#### 4.19 REVENUE AND OTHER INCOME

**(a) Sale of Goods**

Revenue is measured at fair value of the consideration received or receivable and is recognised upon delivery of goods and customers' acceptance and where applicable, net of returns and trade discounts.

**(b) Management Fee**

Management fee is recognised on an accrual basis.

**(c) Interest Income**

Interest income is recognised on an accrual basis using the effective interest method.

**(d) Rental Income**

Rental income is recognised on an accrual basis.

### 5. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2015 RM	2014 RM
Unquoted shares, at cost - in Malaysia	62,557,293	62,557,293
Accumulated impairment losses	(15,468,660)	(15,468,660)
	<u>47,088,633</u>	<u>47,088,633</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
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**5. INVESTMENTS IN SUBSIDIARIES (CONT'D)**

The details of the subsidiaries are as follows:-

Name of Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2015	2014	
Winsheng Plastic Industry Sdn. Bhd.	Malaysia	100%	100%	Plastic injection moulding and high precision plastic parts
Lean Teik Soon Sdn. Bhd.	Malaysia	100%	100%	Wholesaler/retailer of foodstuff and consumer goods
Denko Management Service Sdn. Bhd.	Malaysia	100%	100%	Provision of management services
Winsheng Plastic Marketing Sdn. Bhd.	Malaysia	100%	100%	Dormant
<b>Subsidiary of WSP</b>				
PT. Winsheng Plastic and Tooling Industry*	Indonesia	100%	-	Tooling fabrication and plastic part manufacture

\* This subsidiary is audited by other firm of chartered accountants.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

### 6. PROPERTY, PLANT AND EQUIPMENT

THE GROUP	At 1.4.2014 RM	Reclassification RM	Revaluation RM	Classified as held for sale RM	Additions RM	Disposals RM	Impairment losses RM	Translation difference RM	Depreciation charge RM	At 31.3.2015 RM
Net book value										
Freehold land	8,120,000	-	5,790,000	-	-	-	-	-	-	13,910,000
Freehold buildings	18,036,150	1,267,232	8,582,418	-	-	-	-	-	(385,800)	27,500,000
Leasehold land	975,716	-	1,248,376	(2,200,000)	-	-	-	-	(24,092)	-
Leasehold buildings	1,347,418	-	1,985,850	(3,300,000)	-	-	-	-	(33,268)	-
Cargo lift	215,460	(228,000)	17,100	-	-	-	-	-	(4,560)	-
Plant and machinery	10,528,075	-	-	-	2,372,565	-	(343,465)	-	(3,229,358)	9,327,817
Motor vehicles	361,357	-	-	-	-	(2)	-	-	(98,673)	262,682
Other property, plant and equipment*	4,798,498	(1,039,232)	-	-	191,469	(3,772)	-	(137)	(1,392,685)	2,554,141
Building under construction	-	-	-	-	726,581	-	-	-	-	726,581
	44,382,674	-	17,623,744	(5,500,000)	3,290,615	(3,774)	(343,465)	(137)	(5,168,436)	54,281,221

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015****6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

THE GROUP	At 1.4.2013 RM	Additions RM	Disposals RM	Impairment losses RM	Written off RM	Disposal of a subsidiary RM	Depreciation charge RM	At 31.3.2014 RM
Net book value								
Freehold land	8,120,000	-	-	-	-	-	-	8,120,000
Freehold buildings	18,421,949	-	-	-	-	-	(385,799)	18,036,150
Leasehold land	999,808	-	-	-	-	-	(24,092)	975,716
Leasehold buildings	1,380,688	-	-	-	-	-	(33,270)	1,347,418
Cargo lift	220,020	-	-	-	-	-	(4,560)	215,460
Plant and machinery	14,538,291	583,585	(1)	(183,750)	-	(521,206)	(3,888,844)	10,528,075
Motor vehicles	481,657	-	-	-	-	(12,173)	(108,127)	361,357
Other property, plant and equipment*	5,193,156	1,202,172	-	-	(5,975)	(42,273)	(1,548,582)	4,798,498
	49,355,569	1,785,757	(1)	(183,750)	(5,975)	(575,652)	(5,993,274)	44,382,674

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015****6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

THE GROUP	At Cost RM	At Valuation RM	Accumulated Depreciation RM	Accumulated Impairment Losses RM	Net Book Value RM
<b>2015</b>					
Freehold land	-	13,910,000	-	-	13,910,000
Freehold buildings	-	27,500,000	-	-	27,500,000
Plant and machinery	60,679,642	-	(49,260,091)	(2,091,734)	9,327,817
Motor vehicles	2,087,574	-	(1,824,892)	-	262,682
Other property, plant and equipment*	19,655,585	-	(16,715,454)	(385,990)	2,554,141
Building under construction	726,581	-	-	-	726,581
	<b>83,149,382</b>	<b>41,410,000</b>	<b>(67,800,437)</b>	<b>(2,477,724)</b>	<b>54,281,221</b>
<b>2014</b>					
Freehold land	-	8,749,302	-	(629,302)	8,120,000
Freehold buildings	-	19,290,000	(1,253,850)	-	18,036,150
Leasehold land	-	1,050,000	(74,284)	-	975,716
Leasehold buildings	-	1,450,000	(102,582)	-	1,347,418
Cargo lift	228,000	-	(12,540)	-	215,460
Plant and machinery	58,307,077	-	(46,030,734)	(1,748,268)	10,528,075
Motor vehicles	2,221,785	-	(1,860,428)	-	361,357
Other property, plant and equipment*	24,947,498	-	(19,742,125)	(406,875)	4,798,498
	<b>85,704,360</b>	<b>30,539,302</b>	<b>(69,076,543)</b>	<b>(2,784,445)</b>	<b>44,382,674</b>

\* Other property, plant and equipment comprise electrical installation, furniture and fittings, renovation, office equipment, air conditioners, tooling equipment, forklift and crane, computers, signboard and fire-fighting equipment.



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- (a) Included in property, plant and equipment of the Group are the following assets acquired under hire purchase terms:-

	THE GROUP	
	2015	2014
	RM	RM
Motor vehicles	185,552	302,452
Plant and machinery	1,872,267	1,301,481
Other property, plant and equipment	487,500	637,500
	<u>2,545,319</u>	<u>2,241,433</u>

- (b) As at 31 March 2015, the entire property, plant and equipment of the Group have been pledged as security for banking facilities granted to the Group (Note 19).
- (c) During the financial year, the Group has recognised impairment losses of RM343,465 (2014: RM183,750) for plant and equipment, which are idle and no longer in use.
- (d) The Group's freehold land and buildings have been revalued by an independent professional valuer in March 2015. The surpluses arising from the revaluations, net of deferred taxation, have been credited to other comprehensive income and accumulated in equity under the revaluation reserve.

THE GROUP	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
<b>2015</b>				
Freehold land	-	13,910,000	-	13,910,000
Freehold buildings	-	27,500,000	-	27,500,000
	-	<u>41,410,000</u>	-	<u>41,410,000</u>

The fair values of the freehold land and buildings are analysed as follows:-

The level 2 fair values have been determined based on the market comparison approach that reflects recent transaction prices for similar properties. The most significant input into this valuation approach is price per square foot of comparable properties. There has been no change to the valuation technique during the financial year.

There were no transfers between level 1 and level 2 during the financial year.

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- (e) If the freehold land, leasehold land and buildings were measured using the cost model, the carrying amounts would be as follows:-

THE GROUP	Freehold land RM	Freehold buildings RM	Total RM
<b>2015</b>			
Cost	7,686,000	16,549,149	24,235,149
Accumulated depreciation	-	(2,855,722)	(2,855,722)
At 31 March 2015	7,686,000	13,693,427	21,379,427

	Freehold land RM	Leasehold land RM	Buildings RM	Total RM
<b>2014</b>				
Cost	7,686,000	805,860	18,043,289	26,535,149
Accumulated depreciation	-	(57,011)	(2,630,443)	(2,687,454)
At 31 March 2014	7,686,000	748,849	15,412,846	23,847,695

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	THE GROUP	
	2015	2014
	RM	RM
At cost:-		
Raw materials	3,759,341	2,592,571
Work-in-progress		
- Plastic parts	2,121,963	1,907,709
- Toolings	543,103	2,688,591
Packaging materials	529,765	342,302
Finished goods	8,113,968	4,916,178
	<u>15,068,140</u>	<u>12,447,351</u>
At net realisable value:-		
Finished goods	35,015	-
	<u>15,103,155</u>	<u>12,447,351</u>

**8. TRADE RECEIVABLES**

	THE GROUP	
	2015	2014
	RM	RM
Trade receivables	22,589,322	15,666,304
Allowance for impairment losses	(428,962)	(234,631)
	<u>22,160,360</u>	<u>15,431,673</u>
Allowance for impairment losses:-		
At 1 April	234,631	420,313
Addition for the financial year	237,251	206,168
Reversal during the financial year	(42,920)	(342,279)
Written off during the financial year	-	(19,732)
Transferred to assets of disposal group	-	(29,839)
	<u>428,962</u>	<u>234,631</u>
At 31 March		

The Group's normal trade credit terms range from 30 to 90 (2014: 30 to 90) days. Other credit terms are assessed and approved on a case-by-case basis.

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Included in trade receivables of the Group is an amount of RM2,400 (2014: Nil) owing by a Company in which they have common key management personnel.

**9. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

	THE GROUP		THE COMPANY	
	2015	2014	2015	2014
	RM	RM	RM	RM
Other receivables	721,880	577,843	131,444	131,444
Deposits	855,320	127,440	1,000	1,000
Prepayments	286,351	223,672	6,254	24,430
	<u>1,863,551</u>	<u>928,955</u>	<u>138,698</u>	<u>156,874</u>
Allowance for impairment losses	(241,023)	(218,323)	(131,444)	(131,444)
	<u>1,622,528</u>	<u>710,632</u>	<u>7,254</u>	<u>25,430</u>
Allowance for impairment losses:-				
At 1 April	218,323	254,906	131,444	131,444
Addition for the financial year	38,700	-	-	-
Reversal during the financial year	(16,000)	(36,583)	-	-
At 31 March	<u>241,023</u>	<u>218,323</u>	<u>131,444</u>	<u>131,444</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
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	THE COMPANY	
	2015	2014
	RM	RM
<i>Amount owing by:-</i>		
Non-trade		
- subsidiaries	2,829,975	3,428,650
<i>Amount owing to:-</i>		
Non-trade		
- subsidiaries	(3,023,108)	(3,666,883)
At 31 March	<u>(193,133)</u>	<u>(238,233)</u>

The non-trade balances represent unsecured interest-free advances and payments made on behalf. The amounts owing are repayable on demand and to be settled in cash.

**11. ASSETS CLASSIFIED AS HELD FOR SALES**

On 4 June 2015, Lean Teik Soon, a wholly owned subsidiary of Denko Industrial Corporation Berhad had entered into a Sale and Purchase Agreement ("SPA") for the disposal of a piece of leasehold land and buildings for a total cash consideration of RM7,650,000 plus 6% Goods and Services Tax. The sale is expected to be completed within nine (9) months from the date of the SPA, which is on 3 March 2016.

At the end of the current reporting period, the leasehold land and building have been presented in the consolidated statement of financial position as "Assets classified as held for sale".

The assets classified as held for sales, measured at the lower of their carrying amount and fair value less cost to sell, are as follows:-

	THE GROUP
	2015
	RM
Leasehold land	2,200,000
Leasehold building	3,300,000
Assets classified as held for sales	<u>5,500,000</u>

The leasehold land and building have been pledged as security for banking facilities granted to the subsidiary (Note 19)

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The cumulative income recognised in other comprehensive income relating to the assets classified as held for sales is as below:-

	THE GROUP 2015 RM
Revaluation surplus of leasehold land and building	<u>2,719,092</u>

**12. SHARE CAPITAL**

	THE COMPANY			
	2015 Number Of Shares	2014	2015 RM	2014 RM
ORDINARY SHARES OF RM0.40 EACH:-				
AUTHORISED	<u>179,000,000</u>	<u>179,000,000</u>	<u>71,600,000</u>	<u>71,600,000</u>
ISSUED AND FULLY PAID-UP	<u>104,468,851</u>	<u>104,468,851</u>	<u>41,787,540</u>	<u>41,787,540</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015****13. RESERVES**

THE GROUP	Share Premium RM	Revaluation Reserve RM	Foreign Currency Translation Reserve RM	Accumulated Losses RM	Total RM
Balance at 1.4.2013	1,566,419	3,790,334	-	(7,805,079)	(2,448,326)
Loss after tax for the financial year	-	-	-	(3,102,843)	(3,102,843)
Other comprehensive income for the financial year (Note 28)					
- Remeasurement of deferred tax on revalued properties	-	65,045	-	-	65,045
Total comprehensive expenses for the financial year	-	65,045	-	(3,102,843)	(3,037,798)
Balance at 31.3.2014	1,566,419	3,855,379	-	(10,907,922)	(5,486,124)

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015****13. RESERVES (CONT'D)**

THE GROUP	Share Premium RM	Revaluation Reserve RM	Foreign Currency Translation Reserve RM	Accumulated Losses RM	Total RM
Balance at 1.4.2014	1,566,419	3,855,379	-	(10,907,922)	(5,486,124)
Profit after tax for the financial year	-	-	-	2,844,877	2,844,877
Other comprehensive income for the financial year (Note 28)					
- Revaluation of properties	-	14,103,808	-	-	14,103,808
- Foreign currency translation differences	-	-	(3,049)	-	(3,049)
Total comprehensive income for the financial year	-	14,103,808	(3,049)	2,844,877	16,945,636
Balance at 31.3.2015	1,566,419	17,959,187	(3,049)	(8,063,045)	11,459,512



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**NOTES TO THE FINANCIAL STATEMENTS  
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THE COMPANY	Share Premium RM	Retained Profits RM	Total RM
Balance at 1.4.2013	1,566,419	4,997,267	6,563,686
Loss after tax for the financial year	-	(1,645,085)	(1,645,085)
Balance at 31.3.2014/1.4.2014	1,566,419	3,352,182	4,918,601
Loss after tax for the financial year	-	(777,833)	(777,833)
Balance at 31.3.2015	1,566,419	2,574,349	4,140,768

The nature and purposes of reserves are as below:-

**(a) Share Premium**

The share premium is not distributable by way of dividends and may be utilised in the manner set out in Section 60(3) of the Companies Act 1965.

**(b) Revaluation Reserve**

The revaluation reserve represents the increase in the fair value of freehold land, leasehold land and buildings of the Group (net of deferred tax, where applicable).

**(c) Foreign Exchange Translation Reserve**

The foreign exchange translation reserve arose from the translation of the financial statements of foreign subsidiary and is not distributable by way of dividends.

**(d) Retained Profits**

Under the single tier tax system, tax on the Company's profits is a final tax, and dividends distributed to the shareholders will be exempted from tax.

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**NOTES TO THE FINANCIAL STATEMENTS  
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	THE GROUP	
	2015 RM	2014 RM
Hire purchase payables (Note 20)	1,389,576	1,335,915
Term loans (Note 21)	1,564,110	2,460,510
	<u>2,953,686</u>	<u>3,796,425</u>

**15. DEFERRED TAX LIABILITIES**

	THE GROUP	
	2015 RM	2014 RM
At 1 December	4,107,000	5,281,064
Recognised in profit or loss (Note 26)	(857,100)	(967,019)
Recognised in other comprehensive income (Note 28)	2,890,634	(65,045)
Transferred to assets of disposal group	-	(142,000)
At 31 March	<u>6,140,534</u>	<u>4,107,000</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
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(a) The deferred tax assets and liabilities are attributable to the following:-

	THE GROUP	
	2015 RM	2014 RM
Deferred tax assets:-		
- Unabsorbed capital allowances	-	(237,000)
- Unutilised tax losses	-	(1,000)
- Other temporary differences	(359,200)	(114,000)
	(359,200)	(352,000)
Deferred tax liabilities:-		
- Accelerated capital allowances	2,527,100	3,379,000
- Unrealised foreign exchange gain	52,000	-
- Revaluation of land and buildings	3,920,634	1,080,000
	6,499,734	4,459,000
Net deferred tax liabilities	6,140,534	4,107,000

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

THE GROUP	Unabsorbed capital allowances RM	Unutilised tax losses RM	Other temporary differences RM	Total RM
Deferred tax assets:-				
Balance at 1.4.2014	(237,000)	(1,000)	(114,000)	(352,000)
Recognised in profit or loss	237,000	1,000	(245,200)	(7,200)
Balance at 31.3.2015	-	-	(359,200)	(359,200)
Balance at 1.4.2013	(208,827)	-	(11,000)	(219,827)
Recognised in profit or loss	(28,173)	(1,000)	(103,000)	(132,173)
Balance at 31.3.2014	(237,000)	(1,000)	(114,000)	(352,000)

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- (b) The components and movements of deferred tax assets and liabilities during the year prior to offsetting are as follows (cont'd):-

THE GROUP	Unrealised foreign exchange gain RM	Accelerated capital allowances RM	Revaluation of land and buildings RM	Total RM
Deferred tax liability:-				
Balance at 1.4.2014	-	3,379,000	1,080,000	4,459,000
Recognised in profit or loss	52,000	(851,900)	2,840,634	2,040,734
Balance at 31.3.2015	52,000	2,527,100	3,920,634	6,499,734
Balance at 1.4.2013		4,246,530	1,254,361	5,500,891
Recognised in profit or loss		(867,530)	(174,361)	(1,041,891)
Balance at 31.3.2014		3,379,000	1,080,000	4,459,000

**16. AMOUNT OWING TO DIRECTORS**

The amount owing to directors is unsecured, interest-free and repayable on demand, except for the amount classified in non-current which is not repayable within the next 12 months. The amount owing is to be settled in cash.

**17. TRADE PAYABLES**

	THE GROUP	
	2015 RM	2014 RM
<u>Current</u>		
- Third parties	9,468,127	6,141,863
- Related parties	-	2,787
	9,468,127	6,144,650

The normal trade credit terms granted to the Group range from 60 to 90 (2014: 30 to 90) days.

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	THE GROUP		THE COMPANY	
	2015	2014	2015	2014
	RM	RM	RM	RM
Other payables	2,026,765	1,706,164	124,433	473,224
Accrued expenses	5,002,388	3,838,441	98,624	105,500
Progress billings on toolings	884,729	3,430,952	-	-
Amount owing to a related party	-	1,478	-	-
	<u>7,913,882</u>	<u>8,977,035</u>	<u>223,057</u>	<u>578,724</u>

**19. SHORT-TERM BORROWINGS**

	THE GROUP		THE COMPANY	
	2015	2014	2015	2014
	RM	RM	RM	RM
Bankers' acceptances	8,958,000	9,079,000	-	-
Revolving credit	2,000,000	2,000,000	-	-
Hire purchase payables (Note 20)	702,207	542,565	-	25,491
Term loans (Note 21)	980,999	1,124,752	-	-
	<u>12,641,206</u>	<u>12,746,317</u>	<u>-</u>	<u>25,491</u>

Bankers' acceptance and bills payable are drawn for a period of up to 110 days (2014: 114 days) and bear interest range from 5.28% to 5.70% (2014: 4.80% to 6.06%) per annum.

The revolving credit, bankers' acceptances and bank overdraft are secured by:-

- (i) first and second legal charges over all the freehold land, leasehold land and buildings of the Group as disclosed in Note 6 to the financial statements;
- (ii) fixed and floating charge over all the present and future assets of the assets of a subsidiary as disclosed in Note 6 to the financial statements; and
- (iii) corporate guarantee from the Company.

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	THE GROUP		THE COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Minimum hire purchase payments:				
- not later than one year	824,400	663,679	-	35,643
- later than one year and not later than five years	1,522,580	1,463,423	-	-
	<u>2,346,980</u>	<u>2,127,102</u>	<u>-</u>	<u>35,643</u>
Less: Future finance charges	(255,197)	(248,622)	-	(10,152)
	<u>2,091,783</u>	<u>1,878,480</u>	<u>-</u>	<u>25,491</u>
Present value of hire purchase payables				
<u>Current</u>				
Not later than one year (Note 19)	702,207	542,565	-	25,491
<u>Non-Current</u>				
Later than one year and not later than five years (Note 14)	1,389,576	1,335,915	-	-
	<u>2,091,783</u>	<u>1,878,480</u>	<u>-</u>	<u>25,491</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
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	THE GROUP	
	2015 RM	2014 RM
<u>Current (Note 19)</u>		
Not later than one year	980,999	1,124,752
<u>Non-Current (Note 14)</u>		
Later than one year and not later than five years	1,564,110	2,460,510
	<u>2,545,109</u>	<u>3,585,262</u>

The term loans are secured by a first party legal charge over the subsidiary's freehold land and buildings and corporate guarantee provided by the Company.

The repayment terms of the term loans are as follows:-

Term loan 1 [at Base Lending Rate ("BLR") + 1.75% per annum]	Repayable in 144 monthly instalments of RM41,671, effective from January 2002.
Term loan 2 [at Base Lending Rate ("BLR") + 0.30% per annum]	Repayable in 120 monthly instalments of RM94,315, effective from May 2007.

**22. BANK OVERDRAFT**

Bank overdraft to a limit of RM1,000,000 (2014: RM1,000,000) is payable on demand and secured in the same manner as disclosed in Note 19 to the financial statements.

**23. REVENUE**

	THE GROUP		THE COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Sale of goods	80,076,714	74,445,086	-	-
Dividend income	-	-	-	920,000
	<u>80,076,714</u>	<u>74,445,086</u>	<u>-</u>	<u>920,000</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
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	THE GROUP	
	2015 RM	2014 RM
Short-term employee benefits	20,806,514	19,585,725
Contributions to defined contribution plans	1,183,424	1,144,877
	<u>21,989,938</u>	<u>20,730,602</u>

Included in employee benefits is key management personnel compensation as disclosed in Note 33 to the financial statements.

**25. PROFIT/(LOSS) BEFORE TAX**

	THE GROUP		THE COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Profit/(Loss) before tax is arrived at after charging:-				
Audit fee				
- current year	94,000	85,000	43,000	43,000
- over-provision in the previous financial year	-	(10,296)	-	(7,700)
Bad debts written off	22,417	24,377	-	-
Depreciation of property, plant and equipment	5,168,436	5,905,141	-	-
Directors' remuneration:-				
- EPF contributions	185,175	183,230	-	-
- fees	240,000	240,000	240,000	240,000
- other emoluments	1,288,250	1,252,891	28,000	33,000
Impairment losses on				
- property, plant and equipment	343,465	183,750	-	-
- other receivables	38,700	-	-	-
- trade receivables	<u>237,251</u>	<u>206,168</u>	<u>-</u>	<u>-</u>



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**NOTES TO THE FINANCIAL STATEMENTS  
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	THE GROUP		THE COMPANY	
	2015	2014	2015	2014
	RM	RM	RM	RM
Profit/(Loss) before tax is arrived at after charging:-				
Interest expenses on				
- banker acceptances	105,512	422,862	-	-
- bank overdraft	313,720	8,611	-	-
- hire purchases	143,612	132,239	11,009	-
- revolving credit	157,160	159,584	-	-
- term loans	213,926	299,771	-	-
- others	-	(173,049)	-	-
Inventory written off	115,634	168,004	-	-
Loss on disposal of a subsidiary	-	1,802,838	-	1,100,000
Loss on foreign exchange				
- realised	-	24,524	-	-
- unrealised	-	65,777	-	-
Property, plant and equipment written off	-	5,975	-	-
Rental expenses on				
- hostel	335,388	335,517	-	-
- office	33,240	-	12,000	12,000
and crediting:-				
Bad debts recovered	-	321	-	-
Dividend income	-	-	-	920,000

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**NOTES TO THE FINANCIAL STATEMENTS  
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	THE GROUP		THE COMPANY	
	2015	2014	2015	2014
	RM	RM	RM	RM
and crediting (cont'd):-				
Gain on disposal of property, plant and equipment	28,026	799	-	-
Gain on foreign exchange				
- realised	340,889	99,768	-	-
- unrealised	208,327	-	-	-
Interest income	4,242	2,509	1,954	-
Over provision of directors' fees	253,000	-	253,000	-
Rental income from premises	9,000	-	-	-
Reversal of impairment losses on				
- freehold land and buildings	629,302	-	-	-
- other receivables	16,000	36,583	-	-
- trade receivables	42,920	233,934	-	-
Reversal of inventory written off	880,745	-	-	-

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**NOTES TO THE FINANCIAL STATEMENTS  
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	THE GROUP		THE COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Income tax				
- current tax	410,000	3,000	-	230,000
- (over)/under provision in the previous financial year	(52,207)	40,859	(52,207)	-
	<u>357,793</u>	<u>43,859</u>	<u>(52,207)</u>	<u>230,000</u>
Deferred tax (Note 15)				
- relating to origination or reversal of temporary differences	(276,500)	(557,000)	-	-
- effect of change in corporate income tax rate from 25% to 24% on deferred tax	(102,000)	(99,955)	-	-
- over provision in the previous financial year	(478,600)	(310,064)	-	-
	<u>(857,100)</u>	<u>(967,019)</u>	<u>-</u>	<u>-</u>
	<u>(499,307)</u>	<u>(923,160)</u>	<u>(52,207)</u>	<u>230,000</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
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A reconciliation of tax expense/(income) applicable to the profit/(loss) before tax at the statutory tax rate to tax (income)/expense at the effective tax rate of the Group and the Company is as follows:-

	THE GROUP		THE COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Profit/(Loss) before tax	<u>2,345,570</u>	<u>(4,533,365)</u>	<u>(830,040)</u>	<u>(1,415,085)</u>
Tax at the statutory tax rate of 25% (2014 - 25%)	586,393	(1,133,341)	(207,510)	(353,771)
Tax effects of:-				
Non-deductible expenses	798,744	966,807	271,249	583,771
Non-taxable income	(70,739)	(87,766)	(63,739)	-
Tax incentives - reinvestment allowance	(950,000)	-	-	-
Reversal of deferred tax assets previously not recognised	-	(299,700)	-	-
Deferred tax asset not recognised in current financial year	(230,898)	-	-	-
Effect of change in corporate income tax rate from 25% to 24% on deferred tax	(102,000)	(99,955)	-	-
(Over)/Under provision of income tax expense in the previous financial year	(52,207)	40,859	(52,207)	-
Over provision of deferred tax in the previous financial year	(478,600)	(310,064)	-	-
Tax (income)/expense for the financial year	<u>(499,307)</u>	<u>(923,160)</u>	<u>(52,207)</u>	<u>230,000</u>

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**26. TAX (INCOME)/ EXPENSE (CONT'D)**

The statutory tax rate will be reduced from the current financial year's rate of 25% to 24%, with effective from year of assessment 2016.

Subject to the agreement with the tax authorities, at the end of the reporting period, the unabsorbed capital allowances, unutilised reinvestment allowances and unutilised tax losses of the Group are as follows:-

	RM	RM
Unabsorbed capital allowances	-	787,000
Unutilised reinvestment allowance	20,571,000	24,785,000
Unabsorbed tax losses	659,000	1,772,000
	<hr/>	<hr/>
	21,230,000	27,344,000

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**NOTES TO THE FINANCIAL STATEMENTS  
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In previous financial year, the Company disposed of its entire investment in Denko IPC Sdn. Bhd. for a cash consideration of RM1,900,000 and the disposal was completed in September 2013. Denko IPC Sdn. Bhd. was involved in the production of packaging material and vacuum foam.

An analysis of the results of the discontinued operations is as follows:-

	THE GROUP	
	2015	2014
	RM	RM
Revenue	-	2,853,927
Cost of sales	-	(2,013,640)
Gross profit	-	840,287
Other income	-	328,423
Distribution costs	-	(297,985)
Administrative expenses	-	(277,562)
Other operating expenses	-	(3,464)
Profit before tax	-	589,699
Tax expense	-	(82,337)
Profit after tax from discontinued operations	-	507,362

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**NOTES TO THE FINANCIAL STATEMENTS  
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(a) Included in profit before taxation from the discontinued operations are the following:-

	THE GROUP	
	2015	2014
	RM	RM
Profit before tax is arrived at after charging:		
Audit fee	-	7,140
Depreciation of property, plant and equipment	-	88,133
Directors' non-fee emoluments	-	60,480
Rental of equipment	-	1,267
Rental of hostel	-	7,930
Rental of factory	-	81,000
Loss on foreign exchange - unrealised	-	3,464
Staff costs:		
- defined contribution plan	-	45,593
- salaries and others	-	477,687
And crediting:		
Interest income from deposits with licensed bank	-	2,509
Reversal of impairment losses on		
- trade receivables	-	108,345
Gain on foreign exchange - realised	-	15,399

(b) The cash flows attributable to the discontinued operations are the following:-

	THE GROUP	
	2015	2014
	RM	RM
Net cash for operating activities	-	(1,047,855)
Net cash for investing activities	-	(7,794)
Net cash from financing activities	-	2,065,569
Net cash from discontinued operations	-	1,009,920

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(c) The effect of disposal of the discontinued operations on the financial position is as follows:-

	THE GROUP 2014 RM	THE COMPANY 2014 RM
Investment in a subsidiary	-	3,000,000
Property, plant and equipment	575,652	-
Inventories	836,441	-
Trade receivables	1,098,679	-
Other receivables	1,637,264	-
Cash and cash equivalents	1,326,424	-
Trade payables	(442,719)	-
Other payables	(561,362)	-
Tax payable	(625,541)	-
Deferred tax liabilities	(142,000)	-
Net assets	3,702,838	3,000,000
Loss on disposal of discontinued operations	(1,802,838)	(1,100,000)
Consideration received, satisfied in cash	1,900,000	1,900,000
Cash and cash equivalents disposed of	(1,326,424)	-
Net cash inflow on disposal	573,576	1,900,000

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**NOTES TO THE FINANCIAL STATEMENTS  
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	THE GROUP	
	2015	2014
	RM	RM
<u>Item that will not be reclassified subsequently to profit or loss</u>		
Foreign currency translation differences	(3,049)	-
Revaluation of properties	16,994,442	-
Less: deferred tax	(2,890,634)	-
	14,103,808	-
Remeasurement of deferred tax on revalued properties arising from change in statutory tax rate	-	65,045
	<u>14,100,759</u>	<u>65,045</u>

**29. EARNINGS PER SHARE (SEN)**

	THE GROUP	
	2015	2014
	RM	RM
<b>Continuing operations</b>		
Profit/(Loss) attributable to owners of the Company (RM)	<u>2,844,877</u>	<u>(3,610,205)</u>
Weighted average number of ordinary shares at 31 March	<u>104,468,851</u>	<u>104,468,851</u>
Basic earnings/(loss) per share (sen)	<u>2.72</u>	<u>(3.46)</u>
<b>Discontinued operations</b>		
Profit attributable to owners of the Company (RM)	<u>-</u>	<u>507,362</u>
Weighted average number of ordinary shares at 31 March	<u>-</u>	<u>104,468,851</u>
Basic earnings per share (sen)	<u>-</u>	<u>0.49</u>

The diluted earnings per share was not applicable as there were no dilutive potential ordinary shares outstanding at the end of the financial year.

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**NOTES TO THE FINANCIAL STATEMENTS  
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	THE GROUP	
	2015	2014
	RM	RM
Cost of property, plant and equipment purchased	3,290,615	1,785,757
Amount financed through hire purchase	(671,366)	(1,032,943)
Cash disbursed for purchase of property, plant and equipment	<u>2,619,249</u>	<u>752,814</u>

**31. CASH AND CASH EQUIVALENTS**

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:-

	THE GROUP		THE COMPANY	
	2015	2014	2015	2014
	RM	RM	RM	RM
Cash and bank balances	2,334,908	378,167	411	17,616
Bank overdraft (Note 22)	(513,535)	(593,088)	-	-
	<u>1,821,373</u>	<u>(214,921)</u>	<u>411</u>	<u>17,616</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
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- (a) The aggregate amount of remuneration received and receivable by the directors of the Group and of the Company during the financial year are as follows:-

	THE GROUP		THE COMPANY	
	2015	2014	2015	2014
	RM	RM	RM	RM
Executive directors				
- Non-fee emoluments	1,445,425	1,463,601	-	-
Non-Executive directors				
- Fee	240,000	240,000	240,000	240,000
- Non-fee emoluments	28,000	33,000	28,000	33,000
Total	<u>1,713,425</u>	<u>1,736,601</u>	<u>268,000</u>	<u>273,000</u>

	THE GROUP		THE COMPANY	
	Number of Directors		Number of Directors	
	2015	2014	2015	2014
<u>Non-Executive directors</u>				
Below RM50,000	5	5	5	5
RM50,000 - RM100,000	1	1	1	1
<u>Executive directors</u>				
RM50,000 - RM100,000	-	1	-	-
RM500,001 - RM600,000	-	1	-	-
RM600,001 - RM650,000	1	-	-	-
RM800,001 - RM850,000	1	1	-	-
	<u>8</u>	<u>9</u>	<u>6</u>	<u>6</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
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In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, key management personnel and entities within the same group of companies.

**(b) Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following significant transactions with the related parties during the financial year:-**

	THE GROUP		THE COMPANY	
	2015	2014	2015	2014
	RM	RM	RM	RM
<b><i>Subsidiaries</i></b>				
Dividend received	-	-	-	(920,000)
Rental paid/payable	-	-	12,000	12,000
Management fee paid/ payable	-	-	600,000	600,000
	<u>-</u>	<u>-</u>	<u>600,000</u>	<u>600,000</u>
<b><i>Company related by common key management personnel</i></b>				
Sub-contractor fee paid/payable	-	18,470	-	-
Sales of plastic parts and toolings	22,026	111,483	-	-
	<u>22,026</u>	<u>111,483</u>	<u>-</u>	<u>-</u>

**(c) Key management personnel compensation:**

Short-term employee benefits	6,126,235	5,807,056	268,000	273,000
Post-employment benefits - Defined contribution plan	678,884	614,665	-	-
	<u>6,805,119</u>	<u>6,421,721</u>	<u>268,000</u>	<u>273,000</u>

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### 34. CONTINGENT LIABILITIES

	THE COMPANY	
	2015	2014
	RM	RM
Corporate guarantees given to licensed banks for banking facilities granted to subsidiaries:-	15,967,000	16,896,000

### 35. CAPITAL COMMITMENT

	THE GROUP	
	2015	2014
	RM	RM
<u>Authorised but not contracted for</u>		
Purchase of property, plant and equipment	3,145,888	6,602,857
<u>Contracted but not provided for</u>		
Purchase of property, plant and equipment	2,971,241	-

### 36. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the Group Executive Committee as its chief operating decision maker in order to allocate resources to segments and to assess their performance. For management purposes, the Group is organised into business units based on their products and services provided.

The Group is organised into the 2 reportable business segments as follows:-

- (i) Manufacturing – Manufacture and sale of consumer and industrial products.
- (ii) Trading – Wholesaler/retailer of foodstuff.

Other operating segments that do not constitute reportable segments comprise investment holding and management services.

The Group Executive Committee assesses the performance of the operating segments based on operating profit or loss which is measured differently from those disclosed in the consolidated financial statements.

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Assets, liabilities and expenses which are common and cannot be meaningfully allocated to the operating segments are presented under unallocated items. Unallocated items comprise mainly tax assets and liabilities, corporate assets (primarily the Company's headquarters) and head office expenses. Even though loans and borrowings arise from financing activities rather than operating activities, they are allocated to the segments based on relevant factors (eg. funding requirements).

Transfer prices between operating segments are at arm's length basis in a manner similar to transactions with third parties.

**Business Segments**

	MANUFACTURING RM	TRADING RM	OTHERS RM	GROUP RM
2015				
<u>Revenue</u>				
External revenue	70,966,218	9,110,496	-	80,076,714
Inter-segment revenue	4,020	-	1,274,328	1,278,348
Total revenue	70,970,238	9,110,496	1,274,328	81,355,062
Eliminations				(1,278,348)
Consolidated revenue				80,076,714

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	MANUFACTURING RM	TRADING RM	OTHERS RM	GROUP RM
2015				
<u>Results</u>				
Segment results	7,611,810	(468,869)	1,113,877	8,256,818
Adjustments and eliminations	882,287	(207,959)	(674,328)	-
Finance costs	(781,322)	(158,609)	(11,010)	(950,941)
Tax income/(expense)	290,100	157,000	52,207	499,307
	8,002,875	(678,437)	480,746	7,805,184
Other material items of income	399,809	9,000	253,000	661,809
Depreciation of property, plant and equipment	(4,923,440)	(244,996)	-	(5,168,436)
Other material items of expenses	(350,628)	(18,000)	-	(368,628)
Other non-cash income/(expenses)	1,136,152	(147,219)	-	988,933
	4,264,768	(1,079,652)	733,746	3,918,862
Unallocated expenses				(1,073,985)
Consolidated profit after tax				2,844,877

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	MANUFACTURING RM	TRADING RM	OTHERS RM	GROUP RM
2015				
<u>Assets</u>				
Segment assets	86,504,662	14,488,897	8,613	101,002,172
Tax recoverable				182,857
Consolidated total assets				101,185,029
<u>Liabilities</u>				
Segment liabilities	33,940,799	5,449,531	2,407,113	41,797,443
Deferred tax liabilities				6,140,534
Consolidated total liabilities				47,937,977
<u>Other Segment Items</u>				
Additions to non-current assets other than financial instruments:				
- Property, plant and equipment	3,272,965	17,650	-	3,290,615



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	<u>CONTINUING OPERATIONS</u>				<u>DISCONTINUED OPERATIONS</u>	<u>TOTAL</u>
	MANUFACTURING	TRADING	OTHERS	GROUP	MANUFACTURING	OPERATIONS
	RM	RM	RM	RM	RM	RM
2014						
<u>Revenue</u>						
External revenue	59,484,387	14,960,699	-	74,445,086	2,853,927	77,299,013
Inter-segment revenue	-	6,666	1,362,385	1,369,051	98,213	1,467,264
Dividend income	-	-	920,000	920,000	-	920,000
Total revenue	59,484,387	14,967,365	2,282,385	76,734,137	2,952,140	79,686,277
Eliminations				(2,289,051)	(98,213)	(2,387,264)
Consolidated revenue				74,445,086	2,853,927	77,299,013

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	<u>CONTINUING OPERATIONS</u>			<u>GROUP</u> RM	<u>OPERATIONS</u>		<u>TOTAL</u> RM
	<u>MANUFACTURING</u> RM	<u>TRADING</u> RM	<u>OTHERS</u> RM		<u>MANUFACTURING</u> RM	<u>OPERATIONS</u> RM	
2014							
<u>Results</u>							
Segment results	4,314,017	270,450	2,208,570	6,793,037	710,673		7,503,710
Adjustments and eliminations	831,546	(18,237)	(1,682,385)	(869,076)	(62,924)		(932,000)
Finance costs	(713,677)	(157,577)	-	(871,254)	-		(871,254)
Tax income/(expense)	1,041,360	(118,200)	-	923,160	(82,337)		840,823
	5,473,246	(23,564)	526,185	5,975,867	565,412		6,541,279
Other material items of income	370,285	-	-	370,285	123,744		494,029
Depreciation of property, plant and equipment	(5,690,814)	(214,327)	-	(5,905,141)	(88,133)		(5,993,274)
Other material items of expenses	(317,217)	(42,824)	-	(360,041)	(90,197)		(450,238)
Other non-cash expenses	(514,126)	(139,126)	(1,802,838)	(2,456,090)	(3,464)		(2,459,554)
	(678,626)	(419,841)	(1,276,653)	(2,375,120)	507,362		(1,867,758)
Unallocated expenses							(1,235,085)
Consolidated loss after tax							(3,102,843)

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	<u>CONTINUING OPERATIONS</u>				<u>OPERATIONS</u>	<u>TOTAL</u>
	MANUFACTURING	TRADING	OTHERS	GROUP	MANUFACTURING	OPERATIONS
	RM	RM	RM	RM	RM	RM
2014						
<u>Assets</u>						
Segment assets	64,340,400	8,965,851	44,246	73,350,497	-	73,350,497
Tax recoverable						1,272,232
Consolidated total assets						74,622,729
<u>Liabilities</u>						
Segment liabilities	27,282,146	4,345,220	2,586,947	34,214,313	-	34,214,313
Deferred tax liabilities						4,107,000
Consolidated total liabilities						38,321,313
<u>Other Segment Items</u>						
Additions to non-current assets other than financial instruments:						
- Property, plant and equipment	1,028,289	755,598	-	1,783,887	1,870	1,785,757

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(a) Other material items of income consist of the following:-

	THE GROUP	
	2015	2014
	RM	RM
Gain on foreign currency - realised	340,889	115,167
Over provision of directors' fees	253,000	-
Reversal of impairment losses on		
- other receivables	16,000	36,583
- trade receivables	42,920	342,279
Rental income from premises	9,000	-
	<u>661,809</u>	<u>494,029</u>

(b) Other material items of expenses consist of the following:-

	THE GROUP	
	2015	2014
	RM	RM
Loss on foreign currency - realised	-	24,524
Rental expenses		
- equipment	-	1,267
- factory	-	81,000
- hostel	335,388	343,447
- office	33,240	-
	<u>368,628</u>	<u>450,238</u>

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(c) Other material non-cash income/(expenses) consist of the following:-

	THE GROUP	
	2015	2014
	RM	RM
Bad debt written off	(22,417)	(24,377)
Gain on disposal of property, plant and equipment	28,026	799
Gain on foreign currency - unrealised	208,327	-
Impairment losses on		
- other receivables	(38,700)	-
- property, plant and equipment	(343,465)	(183,750)
- trade receivables	(237,251)	(206,168)
Inventory written off	(115,634)	(168,004)
Loss on disposal of a subsidiary	-	(1,802,838)
Loss on foreign currency - unrealised	-	(69,241)
Property, plant and equipment written off	-	(5,975)
Reversal of impairment losses for freehold land and buildings	629,302	-
Reversal of inventory written off	880,745	-
	<u>988,933</u>	<u>(2,459,554)</u>

**Geographical Segments**

	REVENUE		NON-CURRENT ASSETS	
	2015	2014	2015	2014
	RM	RM	RM	RM
Africa	-	83,895	-	-
America	3,849,290	6,632,631	-	-
Asia-pacific	13,081,877	11,913,331	2,440,248	-
Europe	363,713	429,214	-	-
Malaysia	62,781,834	55,386,015	51,840,973	44,382,674
	<u>80,076,714</u>	<u>74,445,086</u>	<u>54,281,221</u>	<u>44,382,674</u>

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#### 36. OPERATING SEGMENTS (CONT'D)

##### Major Customers

The following are major customers with revenue equal to or more than 10% of Group revenue:-

	REVENUE		SEGMENT
	2015 RM	2014 RM	
Customer A	15,089,414	19,897,203	Manufacturing segment
Customer B	16,796,916	-	Manufacturing segment
	<u>31,886,330</u>	<u>19,897,203</u>	

#### 37. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

##### 37.1 FINANCIAL RISK MANAGEMENT POLICIES

The Group's policies in respect of the major areas of treasury activity are as follows:-

##### (a) Market Risk

##### (i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia. The currencies giving rise to this risk are primarily, United States Dollar ("USD"), Euro Dollar ("EURO") and Singapore Dollar ("SGD"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

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THE GROUP	USD RM	EURO RM	SGD RM
<b>2015</b>			
<u>Financial Assets</u>			
Trade receivables	7,874,390	72,918	170,434
Cash and bank balances	4,205	35,862	113,862
	<u>7,878,595</u>	<u>108,780</u>	<u>284,296</u>
<u>Financial Liabilities</u>			
Trade payables	2,318,715	8,075	136,687
Other payables	40,135	-	121,112
	<u>2,358,850</u>	<u>8,075</u>	<u>257,799</u>
Net currency exposure	<u>5,519,745</u>	<u>100,705</u>	<u>26,497</u>

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(Incorporated in Malaysia)

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015****37. FINANCIAL INSTRUMENTS (CONT'D)****37.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)****(a) Market Risk (Cont'd)****(i) Foreign Currency Risk (Cont'd)***Foreign currency exposure*

THE GROUP	USD RM	EURO RM	SGD RM
<b>2014</b>			
<u>Financial Assets</u>			
Trade receivables	2,854,424	84,948	61,836
Cash and bank balances	3,546	4,220	46,333
	<u>2,857,970</u>	<u>89,168</u>	<u>108,169</u>
<u>Financial Liabilities</u>			
Trade payables	1,190,140	133,503	163,711
Other payables	11,295	-	172,829
	<u>1,201,435</u>	<u>133,503</u>	<u>336,540</u>
Net currency exposure	<u>1,656,535</u>	<u>(44,335)</u>	<u>(228,371)</u>

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

### 37. FINANCIAL INSTRUMENTS (CONT'D)

#### 37.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

##### (a) Market Risk (Cont'd)

###### (i) Foreign Currency Risk (Cont'd)

###### *Foreign currency risk sensitivity analysis*

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the financial year, with all other variables held constant:-

	THE GROUP	
	2015	2014
	RM	RM
<b>Effects on profit after tax</b>		
USD/RM - strengthened by 16% (2014: 12%)	645,945	119,482
- weakened by 16% (2014: 12%)	(645,945)	(119,482)
SGD/RM - strengthened by 7% (2014: 9%)	1,121	(18,326)
- weakened by 7% (2014: 9%)	(1,121)	18,326
EURO/RM - strengthened by 16% (2014: 18%)	21,428	(11,324)
- weakened by 16% (2014: 18%)	(21,428)	11,324

###### (ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities. The Group's policy is to obtain the most favourable interest rates available. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

Information relating to the Group's exposure to the interest rate risk of the financial liabilities is disclosed in Note 37.1 (c) to the financial statements.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

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### 37. FINANCIAL INSTRUMENTS (CONT'D)

#### 37.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

##### (a) Market Risk (Cont'd)

###### (ii) Interest Rate Risk (Cont'd)

###### *Interest rate risk sensitivity analysis*

The following table details the sensitivity analysis to a reasonably possible change in the interest rates as at the end of the reporting period, with all other variables held constant:-

	THE GROUP	
	2015	2014
	RM	RM
<b>Effects on profit after tax</b>		
Increase of 25 basis points (bp) (2014: 30 bp)	(21,683)	(30,603)
Decrease of 25 bp (2014: 30 bp)	21,683	30,603

###### (iii) Equity Price Risk

The Company does not have any quoted investments and hence is not exposed to price risk.

##### (b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

###### (i) Credit risk concentration profile

The Group's major concentration of credit risk relates to the amounts owing by 3 (2014: 3) customers which constituted approximately 53% (2014: 46%) of its trade receivables as at the end of the reporting period.

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As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets at the end of the reporting period.

The carrying amount of trade receivables represents the Group maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk.

The exposure of credit risk for trade receivables (including amount owing by related parties) by geographical region is as follows:-

	THE GROUP	
	2015 RM	2014 RM
Asia-pacific	3,637,655	1,853,223
Malaysia	17,764,246	12,567,844
North America	665,607	898,033
Others	92,852	112,573
Total	<u>22,160,360</u>	<u>15,431,673</u>

**(iii) Ageing analysis**

The ageing analysis of the Group's trade receivables as at end of the reporting period is as follows:-

THE GROUP	GROSS AMOUNT RM	INDIVIDUAL IMPAIRMENT RM	CARRYING VALUE RM
<b>2015</b>			
Not past due	15,200,597	-	15,200,597
Past due:			
- less than 3 months	5,378,722	(26,099)	5,352,623
- 3 to 6 months	1,703,921	(185,953)	1,517,968
- over 6 months	306,082	(216,910)	89,172
	<u>22,589,322</u>	<u>(428,962)</u>	<u>22,160,360</u>

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THE GROUP	GROSS AMOUNT RM	INDIVIDUAL IMPAIRMENT RM	CARRYING VALUE RM
<b>2014</b>			
Not past due	9,194,596	-	9,194,596
Past due:			
- less than 3 months	5,939,750	-	5,939,750
- 3 to 6 months	503,118	(205,791)	297,327
- over 6 months	28,840	(28,840)	-
	<u>15,666,304</u>	<u>(234,631)</u>	<u>15,431,673</u>

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

*Trade receivables that are past due but not impaired*

The Group believes that no impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

*Trade receivables that are neither past due nor impaired*

A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 90 days, which are deemed to have higher credit risk, are monitored individually.

**(c) Liquidity Risk**

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

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The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

THE GROUP	Weighted Average Effective Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM
<b>2015</b>					
Trade payables	-	9,468,127	9,468,127	9,468,127	-
Other payables and accruals	-	7,913,882	7,913,882	7,913,882	-
Amount owing to directors	-	8,307,007	8,307,007	8,307,007	-
Bankers' acceptances	5.28 - 5.70	8,958,000	8,958,000	8,958,000	-
Revolving credit	8.10	2,000,000	2,000,000	2,000,000	-
Hire purchase payables	5.23 - 6.98	2,091,783	2,346,980	824,400	1,522,580
Term loans	7.15 - 8.10	2,545,109	2,779,425	1,131,780	1,647,645
Bank overdraft	8.50	513,535	513,535	513,535	-
		41,797,443	42,286,956	39,116,731	3,170,225

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THE GROUP	Weighted Average Effective Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM	Over 5 Years RM
<b>2014</b>						
Trade payables	-	6,144,650	6,144,650	6,144,650	-	-
Other payables and accruals	-	8,977,035	8,977,035	8,977,035	-	-
Amount owing to directors	-	1,956,798	1,956,798	543,800	1,412,998	-
Bankers' acceptances	3.50 - 6.06	9,079,000	9,079,000	9,079,000	-	-
Revolving credit	8.10	2,000,000	2,000,000	2,000,000	-	-
Hire purchase payables	5.23 - 7.26	1,878,480	2,127,102	663,679	1,451,217	12,206
Term loans	6.90 - 8.35	3,585,262	4,003,355	1,333,217	2,670,138	-
Bank overdraft	8.35	593,088	593,088	593,088	-	-
		34,214,313	34,881,028	29,334,469	5,534,353	12,206

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THE COMPANY	Weighted Average Effective Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM
<b>2015</b>				
Other payables and accruals	-	223,057	223,057	223,057
Amount owing to subsidiaries	-	3,023,108	3,023,108	3,023,108
Amount owing to directors	-	751,800	751,800	751,800
		<b>3,997,965</b>	<b>3,997,965</b>	<b>3,997,965</b>
<b>2014</b>				
Other payables and accruals	-	578,724	578,724	578,724
Amount owing to subsidiaries	-	3,666,883	3,666,883	3,666,883
Amount owing to directors	-	543,800	543,800	543,800
Hire purchase payables	3.51	25,491	35,643	35,643
		<b>4,814,898</b>	<b>4,825,050</b>	<b>4,825,050</b>

**37.2 CAPITAL RISK MANAGEMENT**

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholder(s) value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as total net borrowings from financial institutions divided by total equity.

There was no change in the Group's approach to capital management during the financial year.

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**NOTES TO THE FINANCIAL STATEMENTS  
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The debt-to-equity ratio of the Group as at the end of the financial year was as follows:-

	THE GROUP	
	2015	2014
	RM	RM
Bankers' acceptances	8,958,000	9,079,000
Revolving credit	2,000,000	2,000,000
Hire purchase payables	2,091,783	1,878,480
Term loans	2,545,109	3,585,262
Bank overdraft	513,535	593,088
	<hr/>	<hr/>
	16,108,427	17,135,830
Less: Cash and bank balances	(2,334,908)	(378,167)
	<hr/>	<hr/>
Net debt	13,773,519	16,757,663
	<hr/>	<hr/>
Total equity	53,247,052	36,301,416
	<hr/>	<hr/>
Debt-to-equity ratio	25.87%	46.16%

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity (total equity attributable to owners of the Company) equal to or not less than the 25% of the issued and paid-up share capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

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**NOTES TO THE FINANCIAL STATEMENTS  
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	THE GROUP		THE COMPANY	
	2015	2014	2015	2014
	RM	RM	RM	RM
<b>Financial Assets</b>				
<u>Loans and receivables financial assets</u>				
Trade receivables	22,160,360	15,431,673	-	-
Other receivables and deposits	1,336,177	486,960	1,000	1,000
Amount owing by subsidiaries	-	-	2,829,975	3,428,650
Cash and bank balances	2,334,908	378,167	411	17,616
	<u>25,831,445</u>	<u>16,296,800</u>	<u>2,831,386</u>	<u>3,447,266</u>
<b>Financial Liabilities</b>				
<u>Other financial liabilities</u>				
Trade payables	9,468,127	6,144,650	-	-
Other payables and accruals	7,913,882	8,977,035	223,057	578,724
Amount owing to subsidiaries	-	-	3,023,108	3,666,883
Amount owing to directors	8,307,007	1,956,798	751,800	543,800
Bankers' acceptances	8,958,000	9,079,000	-	-
Revolving credit	2,000,000	2,000,000	-	-
Hire purchase payables	2,091,783	1,878,480	-	25,491
Term loans	2,545,109	3,585,262	-	-
Bank overdraft	513,535	593,088	-	-
	<u>41,797,443</u>	<u>34,214,313</u>	<u>3,997,965</u>	<u>4,814,898</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
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Other than those disclosed below, the fair values of the financial assets and financial liabilities maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments. These fair values are included in level 2 of the fair value hierarchy.

	Fair Value Of Financial Instruments Carried At Fair Value			Fair Value Of Financial Instruments Not Carried At Fair Value			Total Fair Value RM	Carrying Amount RM
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3		
	RM	RM	RM	RM	RM	RM		
<b>2015</b>								
<u>Financial Liabilities</u>								
Hire purchase payables	-	-	-	-	2,104,998	-	2,104,998	2,091,783
Term loans	-	-	-	-	2,545,109	-	2,545,109	2,545,109
	<hr/>			<hr/>			<hr/>	
<b>2014</b>								
<u>Financial Liabilities</u>								
Hire purchase payables	-	-	-	-	1,871,089	-	1,871,089	1,878,480
Term loans	-	-	-	-	3,585,262	-	3,585,262	3,585,262
	<hr/>			<hr/>			<hr/>	

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL ENDED 31 MARCH 2015

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### 37. FINANCIAL INSTRUMENTS (CONT'D)

#### 37.4 FAIR VALUES INFORMATION (CONT'D)

The fair values of level 2 above have been determined using the following basis:-

The fair values of hire purchase payables and term loans are determined by discounting the relevant cash flows using interest rates for similar instruments at the end of the reporting period. The interest rates used to discount the estimated cash flows are as follows:-

	2015 %	2014 %
Hire purchase payables	5.23 - 6.98	6.44 - 6.80
Term loans	7.15 - 8.10	6.90 - 8.35

### 38. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 5 May 2014, the Company through its wholly-owned subsidiary, Winsheng Plastic Industry Sdn. Bhd. incorporated a wholly owned subsidiary in Indonesia namely PT Winsheng Plastic and Tooling Industry ("PTWSP") with intended principal activities of tooling fabrication and plastic parts manufacture. The authorised share capital of PTWSP is IDR27,000,000,000 comprising 270,000 shares of IDR100,000 each of which 90,000 shares are issued and fully paid (equivalent to RM2,547,000).

### 39. SIGNIFICANT EVENT OCCURRING AFTER THE REPORTING PERIOD

On 4 June 2015, the Group announced that Lean Teik Soon Sdn. Bhd., a wholly owned subsidiary had entered into a Sale and Purchase Agreement ("SPA") for the disposal of a leasehold land and building for a total cash consideration of RM7,650,000 plus 6% Goods and Services Tax. The disposal is expected to be completed within nine (9) months from the date of the SPA, which is on 3 March 2016.

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FOR THE FINANCIAL ENDED 31 MARCH 2015****40. SUPPLEMENTARY INFORMATION – DISCLOSURE OF REALISED AND UNREALISED (LOSSES)/PROFITS**

The breakdown of the (accumulated losses)/retained profits of the Group and of the Company as at the end of the reporting period into realised and unrealised profits are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, as follows:-

	THE GROUP		THE COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Total (accumulated losses)/retained profits:				
- realised	(2,127,789)	(6,784,736)	2,574,349	3,352,182
- unrealised	(5,935,256)	(4,123,186)	-	-
At 31 March	<u>(8,063,045)</u>	<u>(10,907,922)</u>	<u>2,574,349</u>	<u>3,352,182</u>

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**ANALYSIS OF SECURITIES****ORDINARY SHARE AS AT 31 JULY 2015**

Authorised Share Capital	:	RM71,600,000 comprising of 179,000,000 ordinary shares of RM0.40 each
Issued and Paid-Up Capital	:	RM41,787,540.40
Class of Shares	:	Ordinary Shares of RM0.40 each
Voting Rights	:	One Vote Per Ordinary Share

**DISTRIBUTION OF SHAREHOLDING AS AT 31 JULY 2015**

Size of Holdings	No. of Holders	%	No. of Shares	%
1 - 99	760	10.526	34,048	0.033
100 - 1,000	4,708	65.208	1,905,137	1.824
1,001 - 10,000	1,198	16.593	4,403,322	4.215
10,001 - 100,000	464	6.427	16,735,423	16.020
100,001 – 5,223,441 (*)	87	1.205	44,763,321	42.848
5,223,442 and above (**)	3	0.041	36,627,600	35.060
<b>TOTAL</b>	<b>7,220</b>	<b>100.000</b>	<b>104,468,851</b>	<b>100.000</b>

REMARKS : \* Less than 5% of issued Shares

\*\* 5% and above of issued Shares

**DIRECTORS' SHAREHOLDINGS AS AT 31 JULY 2015**

DIRECTOR	No. of Shares Held			
	Direct Interest	%	Indirect Interest	%
DATO' ONG SOON HO	4,845,500	4.638	14,507,500^	13.886
DAVID YAORY	-	-	-	-
DATO' ONG CHOO MENG	14,507,500	13.887	4,845,500*	4.638
TAN CHEN WEI	12,507,900	11.972	-	-
DR. LOH YEE FEEI	-	-	-	-
THOOLASY DAS PONNIAH	-	-	-	-
TAN SRI DATO' SERI TAN KING TAI @				
TAN KHOON HAI	6,200	0.006	-	-
YOONG NIM CHOR	-	-	-	-
ONG WEI LIAM @ JEREMY ONG	-	-	-	-

^ Deemed interested by virtue of his child, Dato' Ong Choo Meng shareholdings

\* Deemed interested by virtue of his father, Dato' Ong Soon Ho shareholdings

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**ANALYSIS OF SECURITIES (CONT'D)****SUBSTANTIAL SHAREHOLDERS AS AT 31 JULY 2015**

<b>SUBSTANTIAL SHAREHOLDERS</b>	<b>No. of Shares Held</b>			
	<b>Direct Interest</b>	<b>%</b>	<b>Indirect Interest</b>	<b>%</b>
DATO' ONG SOON HO	4,845,500	4.638	14,507,500^	13.886
DATO' ONG CHOO MENG	14,507,500	13.886	4,845,500*	4.638
GREEN POWER RESOURCES LIMITED	13,727,200	13.139	-	-
TAN CHEN WEI	12,507,900	11.972	-	-

*^ Deemed interested by virtue of his child, Dato' Ong Choo Meng shareholdings**\* Deemed interested by virtue of his father, Dato' Ong Soon Ho shareholdings*

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**TOP THIRTY SHAREHOLDERS AS AT 31 JULY 2015**

(without aggregating securities from different securities accounts belonging to the same registered holder)

No.	Shareholders	Number of Shares Held	%
1.	DATO' ONG CHOO MENG	14,507,500	13.89
2.	GREEN POWER RESOURCES LIMITED	13,727,200	13.14
3.	TAN CHEN WEI	8,392,900	8.03
4.	DATO' ONG SOON HO	4,845,500	4.64
5.	TAN CHEN WEI	4,115,000	3.94
6.	MIDDLEMOUNT INTERNATIONAL LIMITED	2,900,000	2.78
7.	CHAN MUN HON	2,512,500	2.41
8.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOW ENG YEW	2,395,200	2.29
9.	JASON TAN KIM SONG	2,030,000	1.94
10.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TING SIEW PIN	1,820,000	1.74
11.	CHIN KOK SANG	1,051,000	1.01
12.	AMSEC NOMINEES (ASING) SDN BHD ORIENTAL GROUP INVESTMENT LIMITED	990,600	0.95
13.	CIMSEC NOMINEES (TEMPATAN) SDN BHD DANAHARTA MANAGERS SDN BHD	943,033	0.90
14.	LO MUN TAT	916,500	0.88
15.	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NAA HOLDINGS SDN BHD	702,396	0.67
16.	LIM CHO YAM @ LIM NAM HONG	600,800	0.58
17.	YAM YIN HOLDINGS SDN BHD	599,000	0.57

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**TOP THIRTY SHAREHOLDERS AS AT 31 JULY 2015 (CONT'D)**

(without aggregating securities from different securities accounts belonging to the same registered holder)

No.	Shareholders	Number of Shares Held	%
18.	KHOR CHOU SIN	580,500	0.56
19.	FAMI TAUFEQ BIN FAKARUDIN	550,000	0.53
20.	NG SIE LING	504,000	0.48
21.	LEO KOK MENG	500,000	0.48
22.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SOH CHIN KEAT	500,000	0.48
23.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG YENG CHI	500,000	0.48
24.	ZAINUL ABIDEEN BIN FAZLE ABBAS	500,000	0.48
25.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PHNUAH FARN FARN	481,300	0.46
26.	BONG SZE KHIONG	480,000	0.45
27.	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ONG LEE CHUAN	470,750	0.45
28.	JULIAN CHEAH WAI MENG	420,000	0.40
29.	LAW AH TIEN	404,000	0.38
30.	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAHAYA BIN ABD GHANI	400,000	0.38
Total		69,339,679	66.37



**DENKO INDUSTRIAL CORPORATION BERHAD**

(Incorporated in Malaysia)

Company No: 190155-M

**LIST OF PROPERTIES**

<b>Title/Location</b>	<b>Tenure</b>	<b>Description</b>	<b>Land Area/ Built-up Area</b>	<b>Age of Building (Years)</b>	<b>Net Book Value (RM'000)</b>	<b>Date of Valuation</b>
H.S. (D) 251643 P.T.D. 62917	Grant in Perpetuity	Land	2.4 acres	18	18,800	31.03.2015
Mukim of Tebrau, District of Johor Bahru, <b>JOHOR</b>		a) 2 Storey Office cum Factory	a) 7,286m <sup>2</sup>			
16, Jalan Hasil Dua, 81200 Tampoi Johor Bahru, <b>JOHOR</b>		b) 5 Storey Factory	b) 5,330m <sup>2</sup>			
			<u>Total:</u> <u>12,616m<sup>2</sup></u>			
H.S. (D) 187269 P.T.D. 62921	Freehold	Land	1.0 acre	22	5,650	31.03.2015
Mukim of Tebrau, District of Johor Bahru, <b>JOHOR</b>		2 Storey Office cum Factory	4,100m <sup>2</sup>			
18, Jalan Hasil Satu, 81200 Tampoi, Johor Bahru, <b>JOHOR</b>						

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No.: 190155-M

## LIST OF PROPERTIES – CONT'D

Title/Location	Tenure	Description	Land Area/ Built-up Area	Age of Building (Years)	Net Book Value (RM'000)	Date of Valuation
H.S. (D) 187268 P.T.D. 62920 Mukim of Tebrau, District of Johor Bahru, <b>JOHOR</b>	Freehold	Land  5 Storey Office cum Factory	1.1 acre  15,244m <sup>2</sup>	15	16,960	31.03.2015
20, Jalan Hasil Dua, 81200 Tampoi, Johor Bahru, <b>JOHOR</b>						
PN 7074, Lot No. 5999 Mukim 11, District of Seberang, Perai Tengah, <b>PULAU PINANG</b>	Leasehold expiring 2054	Land  Double Storey Office & Single Storey Warehouse	1.0 acre  2,764m <sup>2</sup>	21	5,500	31.03.2015
1589, Lorong Perusahaan Utama 2, Bukit Tengah Industrial Park, 14000 Bukit Mertajam, <b>PULAU PINANG</b>						

**NOTICE IS HEREBY GIVEN** THAT THE TWENTY-SIXTH (26<sup>TH</sup>) ANNUAL GENERAL MEETING OF **DENKO INDUSTRIAL CORPORATION BERHAD**, WILL BE HELD AT THE CONFERENCE ROOM, NO. 20 JALAN HASIL DUA, 81200 TAMPOI, JOHOR BAHRU, JOHOR ON MONDAY, 21 SEPTEMBER 2015 AT 11:00 AM FOR THE FOLLOWING PURPOSES:

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## **A G E N D A**

### **Ordinary Business**

1. To receive the Audited Financial Statements for the financial year ended 31 March, 2015 and the Reports of the Directors and Auditors thereon. *Please refer to Explanatory Note 7 (a) (i)*
2. To approve the Directors' fees for the financial year ended 31 March, 2015. *Resolution 1*
3. To re-elect the retiring Directors in accordance with the Company's Articles of Association:-
  - (i) Mr. Yoong Nim Chor - Article 102 *Resolution 2*
  - (ii) Mr. Thoolasy Das Ponniah - Article 102 *Resolution 3*
  - (iii) Mr. Ong Wei Liam @ Jeremy Ong - Article 109 *Resolution 4*
  - (iv) Dr. Loh Yee Feei - Article 109 *Resolution 5*
4. To re-appoint Messrs Crowe Horwath as Auditors of the Company and to authorise the Directors to fix their remuneration. *Resolution 6*

### **Special Business**

To consider and if thought fit, to pass the following Ordinary Resolutions:

5. **ORDINARY RESOLUTION**  
**- AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965** *Resolution 7*

"That pursuant to Section 132D of the Companies Act, 1965 and the Articles of Association of the Company, the Directors be and hereby authorised to allot and to issue shares in the Company, from time to time, upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed 10 per centum of the total issued share capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."
6. To transact any other ordinary business of which due notice shall have been given.

### **BY ORDER OF THE BOARD,**

**WOO MIN FONG (MAICSA 0532413)**  
**WONG CHEE YIN (MAICSA 7023530)**  
Company Secretaries

Johor Bahru  
Dated: 28 August 2015

**Notes:**

1. *For the purpose of determining members' eligibility to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd, in accordance with Article 67(2) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositor as at 14 September 2015. Only members whose names appear therein shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on his/her behalf.*
2. *A member entitled to attend and vote at the meeting may appoint a proxy to vote in his stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. Where a member appoints more than 1 proxy, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
3. *In the case of a corporation, this proxy should be executed under its Common Seal or under the hand of officer or attorney of the corporation duly authorised in writing on its behalf.*
4. *Where a member is an authorized nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
5. *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.*
6. *The proxy form and the Power of Attorney or other authority (if any) under which it is signed or notarily certified copy thereof must be lodged at the Registered Office, Suite 1301, 13<sup>th</sup> Floor, City Plaza, Jalan Tebrau, 80300 Johor not less than 48 hours before the time appointed for the Meeting.*
7. *Explanatory Note:*
  - (a) Ordinary Business
    - (i) **Item 1 of Agenda**

*This item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda is not put forward for voting.*
  - (b) Special Business
    - (i) **Resolution No. 7**

**– Authority to Issue and Allot Shares Pursuant to Section 132D of the Companies Act, 1965**

*The proposed Resolution No. 7, if passed, is a new General Mandate to empower the Directors to issue and allot shares up to an aggregate amount not exceeding ten per centum (10.0%) of the total issued share capital of the Company for the time being, for the purpose as the Directors consider would be in the interest of the Company. This authority unless revoked or varied at a general meeting will expire at the next Annual General Meeting. With this authority, the Company will be able to raise capital from the equity market in a shorter period of time and the cost to be incurred will also be lower as the need to convene an Extraordinary General Meeting will be dispensed with.*

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

*The Company did not issue any shares under the mandate granted to the Directors at the last Annual General Meeting of the Company held on 22 September 2014 and which will lapse at the conclusion of the 26<sup>th</sup> Annual General Meeting of the Company.*

## **STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING**

The Twenty-Sixth (26<sup>th</sup>) Annual General Meeting of Denko Industrial Corporation Berhad will be held at the Company's Conference Room of No.20, Jalan Hasil Dua, 81200, Tampoi, Johor Bahru, Johor on Monday, 21 September 2015 at 11.00 a.m.

### **Directors standing for re-election**

The directors who are standing for re-election at the Twenty-Sixth (26<sup>th</sup>) Annual General Meeting of Denko Corporation Industrial Berhad are as follows:

<b><u>Name of Director</u></b>	<b><u>Article</u></b>
Mr. Yoong Nim Chor	102
Mr. Thoolasy Das Ponniah	102
Mr. Ong Wei Liam @ Jeremy Ong	109
Dr. Loh Yee Feei	109

Mr Thoolasy Das Ponniah has expressed that he does not wish to seek re-election at the 26<sup>th</sup> Annual General Meeting.

Details of the director who is standing for re-election and his shareholdings are set out in the Director's Profile on pages 8 to 14 of the Annual Report.

### **Information on Board meetings:-**

Details of attendance of directors at board meetings are set out on the Corporate Governance Statement on pages 15 to 26 of the Annual Report.

The place, date and hour of the Board Meeting are as follow:

<b>Date</b>	<b>Time</b>	<b>Place</b>
24 February 2014	1:05 p.m.	Conference Room No. 20, Jalan Hasil Dua, 81200 Tampoi, Johor Bahru, Johor.
19 May 2014	1:00 p.m.	Conference Room No. 20, Jalan Hasil Dua, 81200 Tampoi, Johor Bahru, Johor.
21 July 2014	12:15 p.m.	Conference Room No. 20, Jalan Hasil Dua, 81200 Tampoi, Johor Bahru, Johor.
18 August 2014	10:00 a.m.	Conference Room No. 20, Jalan Hasil Dua, 81200 Tampoi, Johor Bahru, Johor.
17 November 2014	12:53 p.m.	Conference Room No. 20, Jalan Hasil Dua, 81200 Tampoi, Johor Bahru, Johor.
13 February 2015	1:26 p.m.	Conference Room No. 20, Jalan Hasil Dua, 81200 Tampoi, Johor Bahru, Johor.

# PROXY FORM

## DENKO INDUSTRIAL CORPORATION BERHAD

(190155-M)  
(Incorporated in Malaysia)

I/We \_\_\_\_\_

of \_\_\_\_\_

being a member of **DENKO INDUSTRIAL CORPORATION BERHAD** hereby appoint :-

Full Name (in Block) and NRIC/Passport No.	Address	Proportion of Shareholdings	
		No. of Shares	%

and/or (delete as appropriate)

Full Name (in Block) and NRIC/Passport No.	Address	Proportion of Shareholdings	
		No. of Shares	%

or failing him/her, the Chairman of the Meeting, as my/our proxy to vote for me/us and on my/our behalf at the Twenty-Sixth (26<sup>th</sup>) Annual General Meeting of the Company to be held at THE CONFERENCE ROOM, NO. 20 JALAN HASIL DUA, 81200 TAMPOI, JOHOR BAHRU, JOHOR ON MONDAY, 21 SEPTEMBER 2015 at 11.00 a.m. and at any adjournment thereof.

My/Our Proxy is to vote as indicated below:

	FOR	AGAINST
RESOLUTION 1		
RESOLUTION 2		
RESOLUTION 3		
RESOLUTION 4		
RESOLUTION 5		
RESOLUTION 6		
RESOLUTION 7		

(Please indicate with an "X" in the appropriate box against each Resolution how you wish your votes to be cast. If you do not do so, the Proxy will vote or abstain from voting at his/her discretion).

Signed this \_\_\_\_ day of \_\_\_\_\_, 2015

\_\_\_\_\_  
Signature of shareholder(s)  
Contact No. :

No. of Shares Held	
CDS Account No.	

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**Notes:**

1. *For the purpose of determining members' eligibility to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd, in accordance with Article 67(2) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositor as at 14 September 2015. Only members whose name appear therein shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on his/her behalf.*
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3. *In the case of a corporation, this proxy should be executed under its Common Seal or under the hand of officer or attorney of the corporation duly authorised in writing on its behalf.*
4. *Where a member is an authorized nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
5. *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.*
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