



**DENKO INDUSTRIAL  
CORPORATION  
BERHAD**  
(COMPANY NO.: 190155-M )



***WE MOULD THE FUTURE***

**ANNUAL REPORT 2017**

<b><u>Contents</u></b>	<b><u>Page</u></b>
Corporate Information	1
Chairman's Statement	2
Group Structure	5
Financial Highlights	6
Profile of the Board of Directors	7
Profile of the Key Senior Management Team	9
Management Discussion and Analysis	10
Statement on Corporate Governance	19
Sustainability and Corporate Social Responsibility	39
Statement of Risk Management and Internal Control	42
Audit Committee Report	46
Other Disclosures	52
Directors' Report and Audited Financial Statements	53
Analysis of Securities	134
List of Properties	137
Notice of Annual General Meeting and Statement Accompanying the Notice of Annual General Meeting	139

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

Dato' Sri Foo Chee Juan	Executive Director cum Executive Chairman
Grace Foo Hui Ting	Non-Independent Non-Executive Director
Koh Win Ton	Independent Non-Executive Director
Wong Chin Chin	Independent Non-Executive Director

### COMPANY SECRETARIES

Yong May Li (LS 0000295)  
Wong Chee Yin (MAICSA 7023530)  
Santhi A/P Saminathan (MIA 37094)

### 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 & Issuing House Services Sdn Bhd  
Unit 32-01, Level 32, Tower A,  
Vertical Business Suite, Avenue 3, Bangsar South,  
No. 8, Jalan Kerinchi, 59200 Kuala Lumpur,  
Malaysia.  
Tel: +6(03) 2783 9299 Fax: +6(03) 2783 9222  
E-mail : [is.enquiry@my.tricorglobal.com](mailto:is.enquiry@my.tricorglobal.com)

### COMPANY'S WEBSITE

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

### PRINCIPAL BANKERS

Alliance Islamic Bank Berhad  
AmBank (M) Berhad  
CIMB Bank Berhad

### SOLICITORS

YH Teh & Quek

### AUDITOR

Crowe Horwath  
E-2-3 Pusat Komersial Bayu Tasek,  
Persiaran Southkey 1, Kota Southkey,  
80150, Johor Bahru, Johor.

Paul Hadiwinata, Hidajat, Arsono, Achmad, Suharli  
& Rekan  
Jl. Kebon Sirih Timur 1 No.267  
Jakarta Pusat 10340  
Indonesia.

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## CHAIRMAN'S STATEMENT

Dear valued shareholders,

On behalf of the Board of Directors, it gives me great pleasure to present the Annual Report and Financial Statements of Denko Industrial Corporation Berhad for the financial year ended 31 March 2017 ("FY2017").

Firstly, I wish to thank the previous Board members for their services rendered to the Company and Group over the years. I also want to take the opportunity to welcome the newly appointed Board members in the Group, and sincerely hope that our collective experiences and expertise will be able to steer the Company and Group through the challenging times ahead to generate greater value for the Company and shareholders.

## REVIEW OF PERFORMANCE

### *OPERATING ENVIRONMENT*

The Malaysian economy registered a lower GDP growth of 4.2% for the calendar year 2016, compared to a 5% GDP growth in 2015. This was a reasonable growth rate considering the global events that caused significant uncertainty to the global economies and currency movements.

On the international scene, firstly there was the "Brexit" referendum in the United Kingdom, where the UK voted in favour to leave the European Union. Then there was the unexpected Presidential election win for President Donald Trump in the United States of America. Further to these, there were also geopolitical conflicts in the Middle East and an increase in terrorist related activities in many parts of the world, including in South-East Asia. All these factors have contributed to the global economic recovery to be somewhat uncertain and muted, thereby causing the already very competitive business environment even more challenging.

Crude oil prices have been on a steady rebound during 2016, thereby easing the economic conditions for Malaysia, as crude oil is a key export of Malaysia. However, an increase in unemployment from 3.1% in 2015 to 3.5% in 2016, with only moderate public sector spending, coupled with the aforementioned international factors, the Ringgit Malaysia ("RM") continued its slide against the United States Dollar ("USD") in calendar year 2016. This prompted the Central Bank of Malaysia (Bank Negara Malaysia) to introduce foreign exchange controls which limited the benefits gained by exporters from the depreciation of the RM.

Also, the minimum wages imposed by the Malaysian government were further increased effective from July 2016, which placed further pressure on manufacturing costs.

The Company's principal operating subsidiary Winsheng Plastic Industry Sdn Bhd ("WSP") was also impacted by these rulings.

### *FINANCIAL REVIEW*

With the myriad of global events and some notable domestic government policy changes mentioned above, the Denko Group's financial performance is as follows:

- Group Revenue continued to grow by a lower amount of RM8.8 million, i.e an increase of approximately 9.5% to RM101.6 million (FY2016: RM92.8 million). The main increase coming from the Group's Manufacturing Division registering an increase in revenue of RM8.2 million or 9.4% to RM95.6 million (FY2016: RM87.4 million). Revenue for the Group's trading segment also grew to RM6.0 million (FY2016: RM5.3 million) as the company began to open up new product lines, including chocolates;

# **DENKO INDUSTRIAL CORPORATION BERHAD**

(Incorporated in Malaysia)

Company No: 190155-M

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

### *FINANCIAL REVIEW (CONT'D)*

- However, the Group suffered a Loss Before Tax ("LBT") of RM10.9 million from a Profit Before Tax of RM2.0 Million for FY2016. Due to a decline in sales to some of the existing customers, and an increase in sales of assembly parts whereby material content is much higher, the selling prices and material costs increased, but gross margins and output were reduced compared to previous years. Manufacturing costs were also higher due to the increase in minimum wages from July 2016. Significant costs were also incurred to start up the Indonesian operations. Even though manufacturing activities had commenced during the year, the subsidiary incurred substantial losses as the operations are well below optimum output, thereby also resulting in an impairment of the fixed assets in accordance with accounting principles. The Group's Trading Division continued to perform poorly, registering a Loss Before Tax of RM1.2 million (FY2016: Loss of RM2.8 million). However, the losses were contained because of a one-time gain on disposal of property amounting to RM1.9 million.

## **CORPORATE GOVERNANCE**

Admittedly the Board of Directors is still in a transition stage as we have only been appointed since 21 March 2017, but the Board is committed to continuously ensure the key principles of integrity, transparency and accountability are in place in all of its dealings internally and with third parties. The Group will continue to evaluate and improve its internal controls, and work towards meeting the best practices recommended in the Malaysian Code on Corporate Governance ("MCCG") 2012, and in future the MCCG 2017.

## **DIVIDENDS**

As the Group incurred operating losses in FY2017, the Board is not recommending a dividend for FY2017.

## **PROSPECTS AND BUSINESS OUTLOOK**

With numerous significant world events happening, we expect continued volatility in the global markets for the coming year. With the ever changing market demands and economic forces resulting in an increasingly competitive business environment, Denko Group must constantly adapt and improve to remain competitive and overcome the challenges ahead.

In order to sustain growth and to turnaround the losses of the Group, the Board of Directors will need to re-examine the Group's business strategies and make the necessary adjustments to strengthen and build on the Group's core competencies in its Manufacturing Division, combined with re-investment in plant and equipment and human resources to further improve efficiency and productivity.

For the plastic parts and tooling divisions, WSP will need to develop new business with existing or new customers to increase sale volume to capitalise on economies of scale.

## **DENKO INDUSTRIAL CORPORATION BERHAD**

(Incorporated in Malaysia)

Company No: 190155-M

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

#### **PROSPECTS AND BUSINESS OUTLOOK (CONT'D)**

The Group's Indonesian subsidiary and Food Trading operations have been suffering substantial losses over the last 2 years. The Board will therefore need some time to evaluate the viability and future direction of these businesses. If the Board concludes that these businesses are viable, the Board would still be looking at a more medium to long term recovery plan to be able to turnaround these companies as these would require considerable financial and human resources to grow the businesses to reach a level where they can contribute positively to the Group. The management will require tenacity, patience and be pro-active to achieve this.

#### **APPRECIATION**

Lastly I wish to thank our staff and management, both past and present for their dedication and contributions and my sincere appreciation to our valued customers, business associates, shareholders, financiers and the authorities for their continuous support and confidence in the Denko Group. I also look forward to your continuous support for the future.

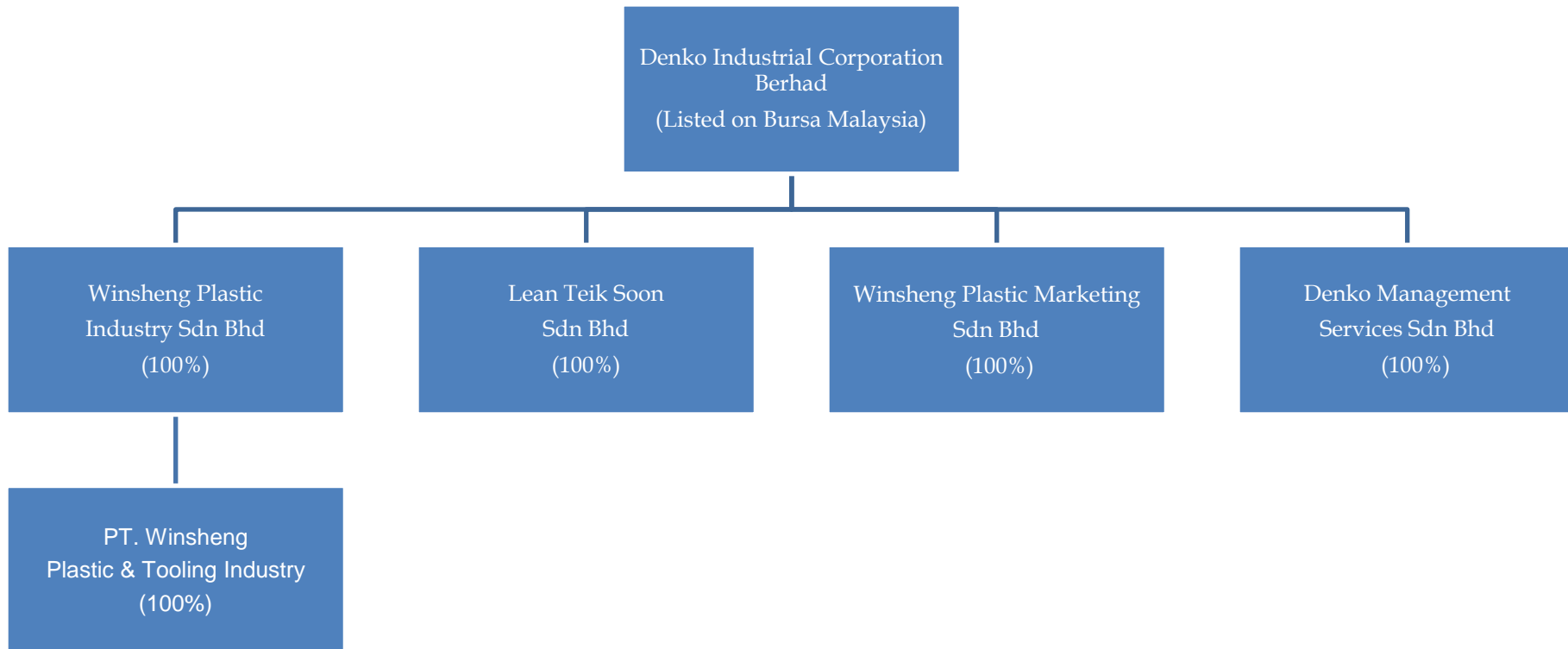
**Dato' Sri Foo Chee Juan**  
**Executive Director cum Executive Chairman**

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## GROUP STRUCTURE

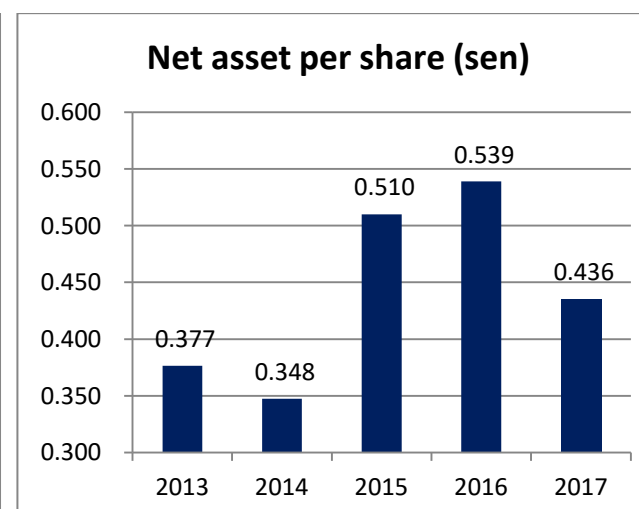
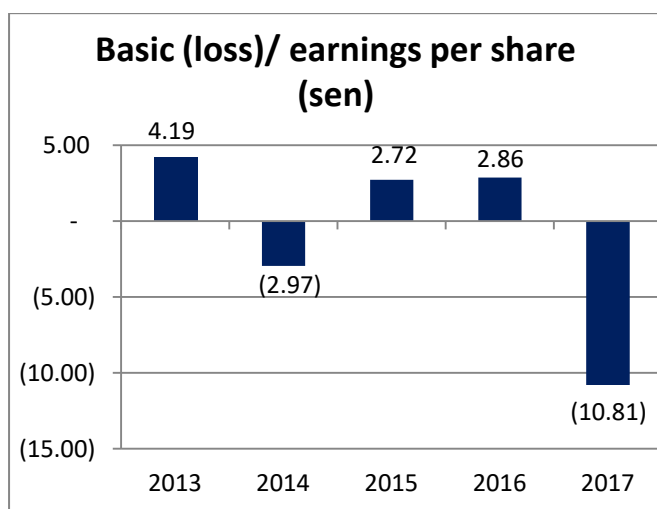
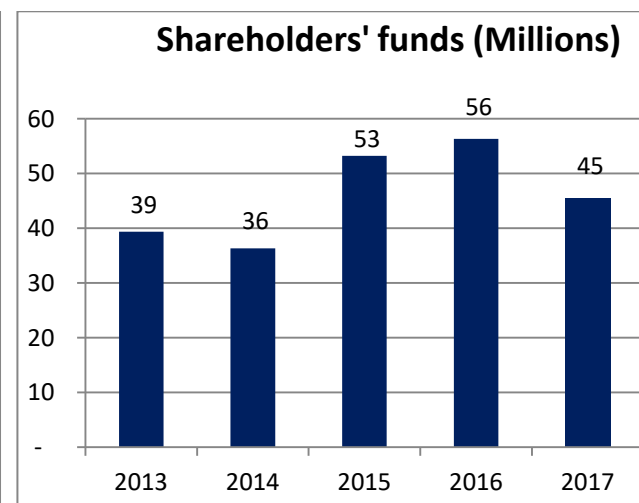
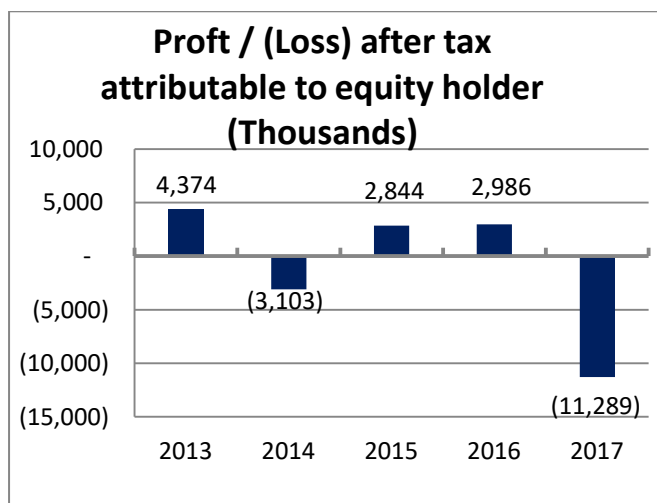
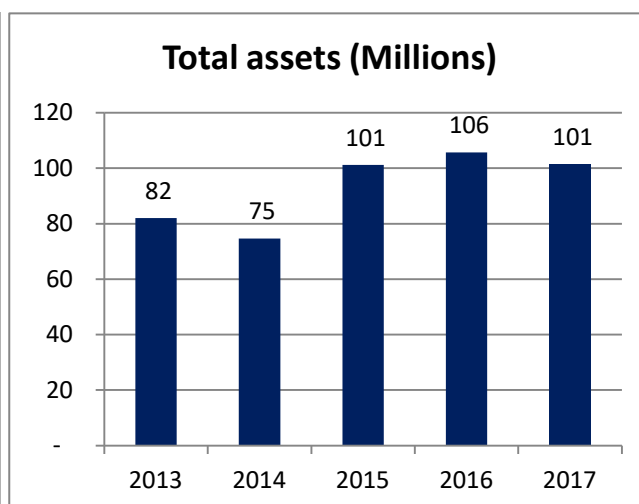
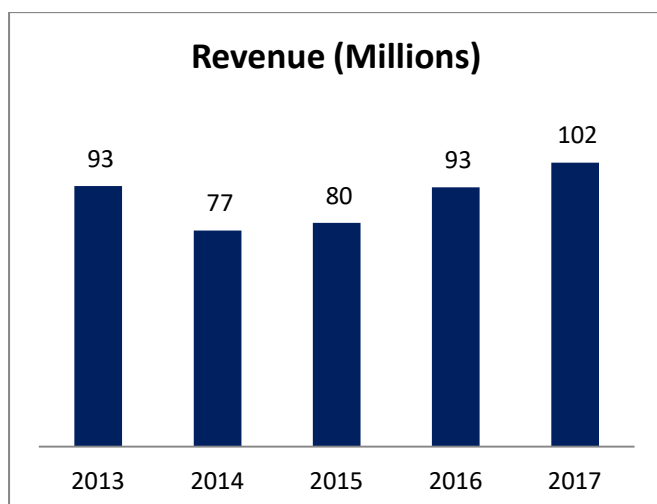


# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## FINANCIAL HIGHLIGHTS (RM)





# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## PROFILE OF THE BOARD OF DIRECTORS

Dato' Sri **Foo** Chee Juan

Aged 55, Singaporean – Executive Director cum Executive Chairman

Gender: Male

Dato' Sri **Foo** Chee Juan was appointed to the Board on 21 March 2017. He graduated from the University of Oregon, United States of America, with a Degree in Bachelor of Science, major in Finance and Marketing in 1987.

Upon graduation, Dato' Sri Foo Chee Juan joined The Computer Centre as a Sales Manager before moving to ATA Industrial Pte Ltd in 1991 as a Business Development Manager. In 1993, he established ATA Industrial (M) Sdn Bhd and commenced operations in 1993. He has more than 25 years of experienced in the manufacturing and sales of precision plastic injection moulded parts and assembly of electrical and electronic components and products.

Dato' Sri Foo is a director of Oregon Technology Sdn Bhd who is a substantial shareholder of the Company. He also sits on the board of several private limited companies.

Dato' Sri Foo is the father of the Non-Independent Non-Executive Director, Ms Grace Foo Hui Ting.

Grace **Foo** Hui Ting

Aged 22, Singaporean - Non-Independent Non-Executive Director

Gender: Female

Ms Grace Foo Hui Ting was appointed to the Board on 21 March 2017. She graduated from the Queen Mary, University of London with a Second Upper Division with Honours in Business Management in 2016.

While Ms Grace Foo Hui Ting was pursuing her university degree, she also participated in setting up Stone's Electronics Japan and its sales networks. She is involved in the sales management and marketing in both Stone's Singapore and Japan. She is currently the Executive Director of Stone's Electronic Pte Ltd.

Ms Grace is a Director of Oregon Technology Sdn Bhd who is a substantial shareholder of the Company. She also sits on the board of several private limited companies.

Ms Grace is the daughter of Dato' Sri Foo Chee Juan, the Executive Director cum Executive Chairman of the Group.

Ms Grace was appointed as Chairman of the Nominating and Remuneration Committee and a member of the Audit Committee on 21 March 2017.

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

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

### **Koh** Win Ton

Aged 44, Malaysian – Independent Non Executive Director

Gender: Male

Mr. Koh Win Ton was appointed to the Board on 21 March 2017. He holds a Bachelor of Business (Accounting) from the University of Technology, Sydney in 1995 and he was admitted to CPA Australia on 30 June 1999 and admitted to Malaysia Institute of Accountants on 27 August 1999. In 2005, he was also admitted to Malaysia Institute of Taxation.

Mr. Koh Win Ton is a director of Opal Corporate Services Sdn Bhd and SK & Associates and has more than 20 years of experience in the accounting and tax profession as well as commercial sector in Malaysia, Singapore, Hong Kong and China. He joined one of the big four international accounting firms in 1996 and was exposed to a wide range of professional services including audit, tax and business advisory. In 1999, he joined a manufacturing company as the Financial Controller where he was responsible to oversee the internal control system as well as the finance and accounts departments. In 2001, he extended his exposure to China where he was appointed as the General Manager by a PLC in Malaysia to set up a factory in the southern part of China. In 2003, he was transferred back to Singapore to oversee the Group accounts department, and preparation of PLC's annual report as well as quarterly reporting and the internal audit function.

He joined Opal Corporate Service Sdn Bhd as a Director in 2004 and is currently in charge of the day-to-day operation of the business advisory department providing corporate secretarial services, compliance advisory, tax planning advisory, technical training services and internal audit services. In addition, he joined SK & Associates in 2009 to operate a branch office in Johor Bahru to handle audit and tax engagement.

He was appointed as Chairman of the Audit Committee and a member of the Nominating and Remuneration Committee on 21 March 2017.

### **Wong** Chin Chin

Aged 51, Malaysian – Independent Non Executive Director

Gender: Female

Ms. Wong Chin Chin was appointed to the Board on 21 March 2017. She holds a Bachelor of Laws (LLB.) from the University of Sydney and was admitted as a Barrister of the Supreme Court of New South Wales in 1990 and to the Malaysian Bar in 1991. She is recognised as a leading lawyer in Malaysia by Asialaw Leading Lawyers and IFLR 1000.

She has advised financial institutions, insurance companies, manufacturers, wholesalers, retailers and specialty traders, travel and leisure operators and renewable energies companies on their mergers and acquisitions. She has advised on privatisation of companies via selective capital reduction, take-over, acquisition of assets and transfer of listing status. She has also advised in the restructuring of debt via schemes of arrangements and has acted for both issuers and underwriters in initial public offerings and in the rights issue of shares and/or warrants. This includes the initial public listing of a Special Purpose Acquisition Company in the oil & gas sector and in the listing of stapled securities on the Main Market of Bursa Malaysia.

She was appointed as a member of the Audit Committee and a member of the Nominating and Remuneration Committee on 21 March 2017.

### **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 5 years.
- (c) Any conflict of interest with the Company.
- (d) Any other directorship in public companies and listed issuers.

## **DENKO INDUSTRIAL CORPORATION BERHAD**

(Incorporated in Malaysia)

Company No: 190155-M

### **PROFILE OF THE KEY SENIOR MANAGEMENT TEAM**

#### **Lim Pang Yan**

Aged 47, Malaysian – Group Financial Controller

Gender: Male

Mr. Lim joined Denko as Group Financial Controller in August 2016. Mr. Lim graduated with a degree in Accounting from the University of New South Wales, Australia in 1991. He then completed the Australian Certified Practising Accountants (CPA) programme in 1994, and is currently a member of CPA Australia and the Malaysian Institute of Accountants (MIA).

Mr. Lim started his career at Ernst & Young, Johor Bahru in 1992, and rose to the rank of Audit Senior in 1994. He left Ernst & Young and joined Halex (M) Sdn Bhd as an Accountant in 1996, and was subsequently promoted to Group Accountant in 2001. The Halex group was involved in manufacture and sales of agriculture chemicals, paper and cotton based healthcare disposable products and agriculture biotechnology. Mr. Lim was a key member of the management team which assisted Halex Holdings Bhd to be listed on the main board of Bursa Malaysia Securities Berhad in September 2009. He was subsequently appointed as an Executive Director in 2014.

Mr. Lim was engaged as a consultant by Advend Systems Group of companies in November 2015 and later as Group Financial Controller for Malaysia operations, which were principally involved in vending machine operations, before subsequently joining Denko group.

#### **Chan King Hooi**

Aged 48, Malaysian – Operation Manager, Winsheng Plastic Industry Sdn Bhd

Gender: Male

Mr. Chan joined as Operation Manager of Winsheng Plastic Industry Sdn Bhd in the year 2013. He holds a Diploma in Business Administration.

Prior to joining the Group, he held several production roles in various companies such as Meiban Technologies Sdn Bhd, Siemens Nixdorf, Celestica Electronic Group, ATA Industrial Sdn Bhd and Podoyo Plastics Industries Sdn Bhd. In total, Mr.Chan has 28 years of experience in the electronic and plastic industries.

#### **Tan Siew Li**

Aged 43, Malaysian – Accounts Manager, Winsheng Plastic Industry Sdn Bhd

Gender: Female

Ms.Tan joined the subsidiary, Winsheng Plastic Industry Sdn Bhd in the year 2000. She holds a degree in Bachelor of Accountancy from University Utara Malaysia. Ms.Tan is a member of the Malaysian Institute of Accountants (MIA).

Ms.Tan started her career as an audit senior in a local audit firm. She has twenty years of experience in accountancy related jobs. She is currently in charge of accounts department's operations at Winsheng Plastic Industry Sdn Bhd as well as assisting in Group's accounts, external audit, internal audit, taxation, secretarial, insurance, banking facilities and other corporate matters.

#### **Note:**

Saved as disclosed, none of the Senior Management Staffs 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 5 years.
- (c) Any conflict of interest with the Company.
- (d) Any directorship in public company and listed issuers.

# DENKO INDUSTRIAL CORPORATION BERHAD

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Company No: 190155-M

## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS

#### History and Business

The Company was incorporated in Malaysia on 29 November 1989 under the name of Ecodynamic (M) Sdn Bhd. The Company changed its name to Denko Industrial Corporation Sdn Bhd on 7 July 1990. In October 1990, the Company was converted into a public listed company and adopted its present name. Denko was listed on the Second Board of Kuala Lumpur Stock Exchange- Bursa Malaysia on 11 April 1991 where it begins its history of expansion till today.

#### Major Corporate Exercises in Denko Group in FY2017

- On 2 February 2017, the Company announced that it had on even date received a notice of conditional voluntary take-over offer from Public Investment Bank Berhad (PIVB), on behalf of Oregon Technology Sdn Bhd (OTSB). OTSB intends to acquire all the Offer Shares at the Offer Price of RM0.55 per Offer Share.
- On 20 February 2017, PIVB had, on behalf of OTSB, announced that the shareholding of OTSB in Denko has exceeded 50% of the issued and paid up share capital of Denko. Accordingly, the conditional take-over offer had become unconditional as to the level of acceptances as at 20 February 2017.
- As a result, OTSB became the Holding Company for the Company and the Ultimate Holding Company for the Subsidiaries. Dato' Sri Foo Chee Juan who holds approximately 100% equity interest in OTSB is the Ultimate Shareholder for the Company.
- On 21 March 2017, there were major changes to the Board of Directors. Four (4) new directors were appointed and the seven (7) existing directors resigned.

<b>New Directors</b>	<b>Former Directors</b>
• Dato' Sri Foo Chee Juan	• Dato' Ong Soon Ho
• Grace Foo Hui Ting	• Dato' Ong Choo Meng
• Koh Win Ton	• Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai
• Wong Chin Chin	• Tan Chen Wei
	• Yoong Nim Chor
	• David Yaory
	• Ong Wei Liam @ Jeremy Ong

## DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

### MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

#### OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS (CONT'D)

##### Two Principal Division of Denko Group

###### Manufacturing Division

The Group has two (2) manufacturing operations of which one (1) is located at Johor Bahru, Malaysia and one (1) is located in Indonesia. These subsidiaries are primarily involved in the Manufacture and sales of precision plastic injection moulded parts, secondary process, sub-assembly, full assembly of finished products, and Tooling Fabrication

###### Trading Division

The Group has one (1) subsidiary engaged as a wholesaler and retailer of foodstuff and consumer goods. This subsidiary located at Penang, Malaysia.

# DENKO INDUSTRIAL CORPORATION BERHAD

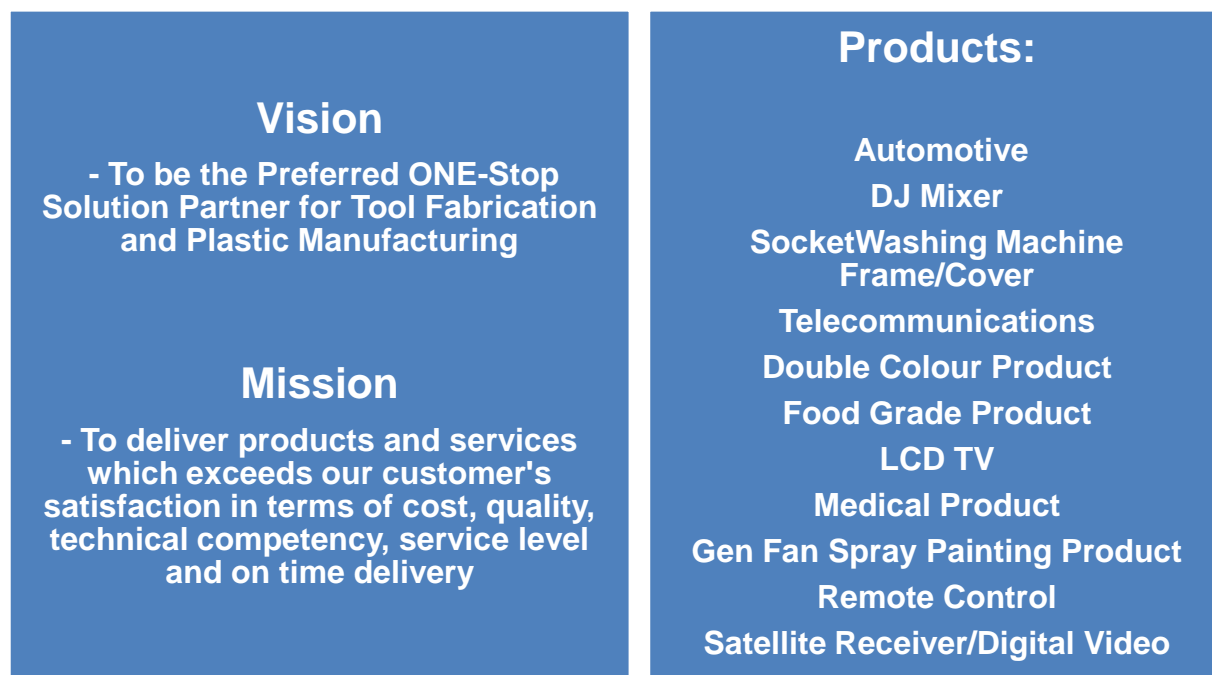
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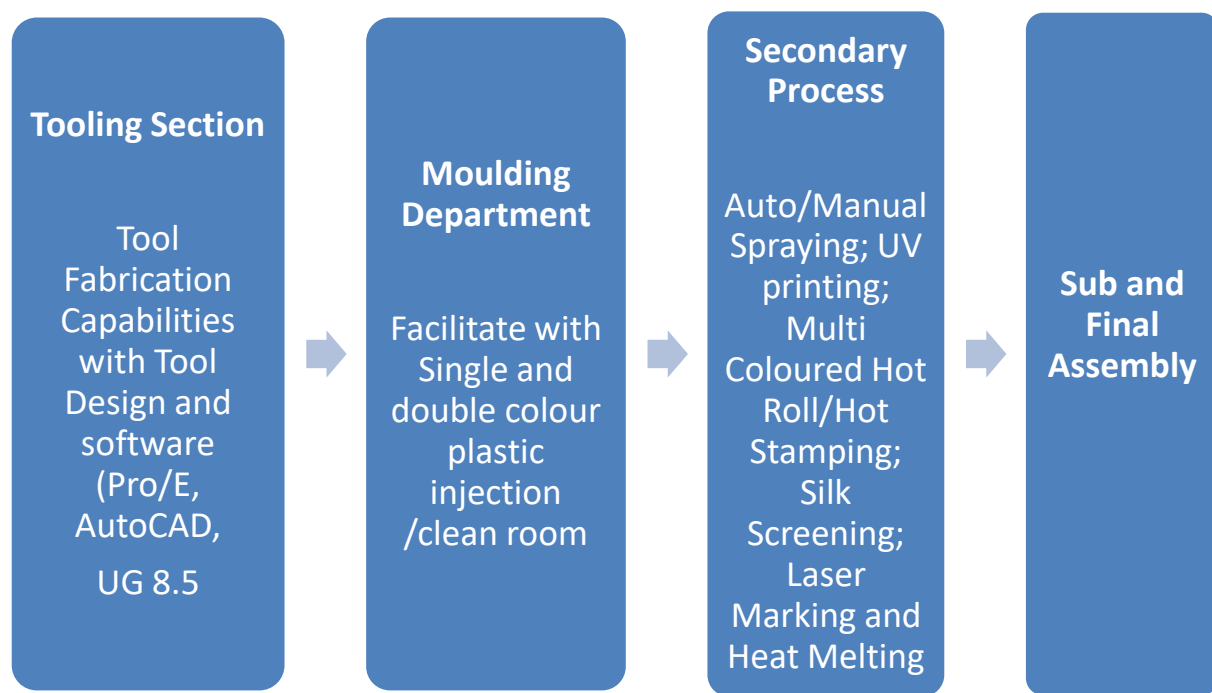
## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS (CONT'D)

#### Manufacturing Division



#### Various Processes and capacities:



# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS (CONT'D)

#### Trading Division

Sales geographical areas included:

Central, South, East  
Cost and Northern  
Region of Malaysia

Products:

Homax - Canned food

Beh Kwang Chee - Almond  
powder

Appledon - Boboiboy / Chocolate

London confectionery

#### New Products launched in FY2017



# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS (CONT'D)

#### Performance and Financial Reviews

#### Financial highlights of the Group's financial information for the past 5 financial years

##### Profit & Loss for the Financial Year Ended 31st March (RM'000)

	2013	2014	2015	2016	2017
Revenue	93,184	77,299	80,076	92,753	101,602
Earnings before Interest, Tax, Depreciation & Amortisation (EBITDA)	13,390	2,897	8,444	7,441	(5,079)
Profit / (Loss) before Tax (PBT)	5,450	(3,943)	2,346	1,992	(10,907)
Profit / (Loss) after Tax (PAT)	4,374	(3,103)	2,845	2,986	(11,289)

##### Balance Sheet as at 31st March (RM'000)

	2013	2014	2015	2016	2017
Shareholders' Funds	39,339	36,301	53,247	56,317	45,497
Total Assets	82,031	74,623	101,185	105,683	101,204
Net Current Assets	1,283	1,235	8,060	14,447	10,553
Total Borrowings	20,808	17,136	16,108	15,781	24,419
Cash and Bank balances	1,412	378	2,335	4,607	1,921

##### Per Share

Earning per share (sen)	4.19	(2.97)	2.72	2.86	(10.81)
Net Assets per Share (RM)	0.38	0.35	0.51	0.54	0.44

##### Financial Ratios

Current Ratio (times)	1.04	1.04	1.21	1.37	1.26
EBITDA Margin (%)	14.37	3.75	10.54	8.02	(5.00)
Asset Turnover (times)	1.14	1.04	0.79	0.88	1.00
Debt-to-Equity (times)	0.49	0.46	0.26	0.20	0.49
Return on Equity (%)	0.11	(0.09)	0.05	0.05	(0.25)



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(Incorporated in Malaysia)

Company No: 190155-M

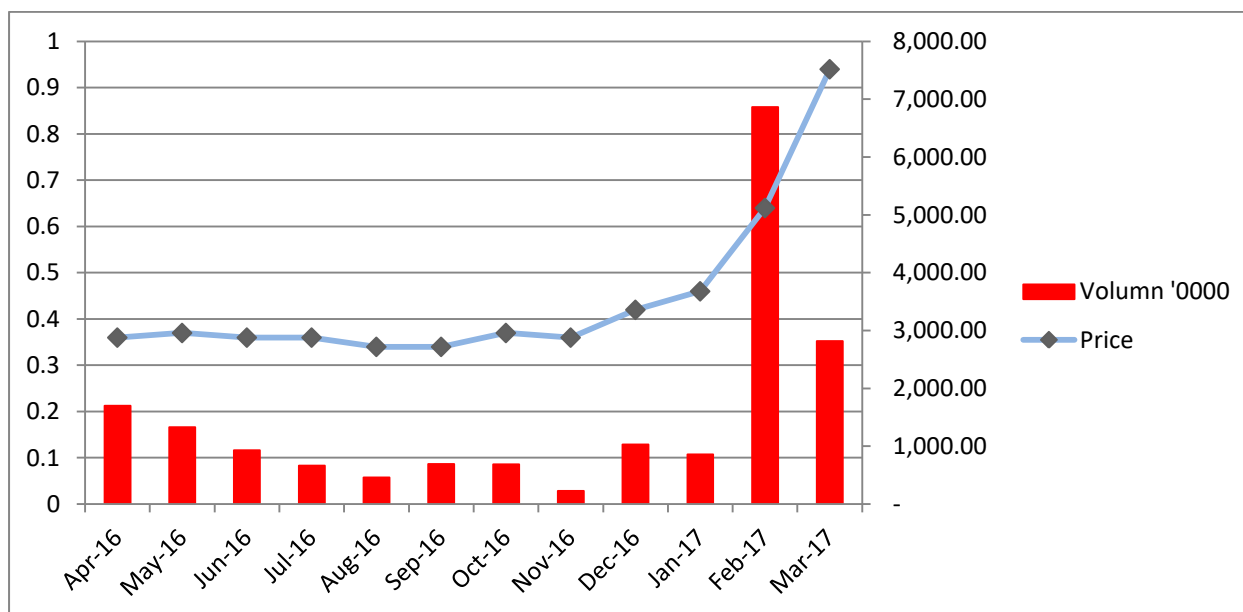
## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS (CONT'D)

#### Performance and Financial Reviews (Cont'd)

##### Share Performance

Our Company's share price performance for the period from April 2016 till March 2017:



The Company's share price has increased from RM0.36 since the beginning of current financial year to the closing price at RM0.94 recorded on 31 March 2017, with a notable acceleration of 161%.

#### FINANCIAL RESULT FOR THE FINANCIAL YEAR ENDED 2017

Financial year 2017 was a challenging year for Denko Group given a softer economic climate and macroeconomic volatilities. Unexpected election results in Europe and the USA, geopolitical conflicts, a slowdown in China's economy, and volatility in currencies brought on an adverse impact to the local manufacturing as well as consumer industry.

##### Revenue

Revenue of the Group grew marginally to RM101.6 million in FY2017 (FY2016: RM92.8 million). Revenue for the financial year comprises RM94.2 million (FY2016: RM87.0 million) contributed by Winsheng Plastic Industry Sdn Bhd; RM1.4 million (FY2016: RM0.4 million) contributed by PT. Winsheng Plastic & Tooling Industry and RM6.0 million (FY2016: RM5.4 million) by Lean Teik Soon Sdn Bhd.

The increase in Revenue in FY2017 was mainly due to:

- Higher toolings revenue completed and recognised from projects during the year;
- Higher plastic parts sales attributed to new products from major customers; and
- Higher sales in consumer goods which arose from the launching of new chocolate products, especially during festive season in third quarter FY2017

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS (CONT'D)

#### FINANCIAL RESULT FY 2017 (CONT'D)

##### Profit Before Tax

The Group's Profit Before Tax had reduced by RM12.9 million to Loss Before Tax of RM10.9 million (FY2016: Profit RM2.0 million). There were several significant one-time transactions incurred in FY2017, as below:

(1) Impairment of Assets amounted to RM4.2 million

This refers to full impairment of Property, Plant and Machinery at the Manufacturing Division and Trading (Consumer Goods) division of RM4.0 million and RM0.2 million respectively.

(2) Gain on Disposal of Assets amounted to RM1.1 million

This gain refers to the disposal of a piece of leasehold land with a 2 storey office, a single factory building cum warehouse by the subsidiary at the Trading (Consumer Goods) division.

Excluding the abovementioned one-time transactions, the Group recorded an Operational Loss Before Tax of RM7.8 million, compared to Profit Before Tax of RM2.0 million in the preceding year, resulted in an unfavourable variance of RM9.8 million.

The two major contributing factors to the Losses for the Malaysian operations are the lower Gross Margin generated from both Plastic Parts and Tooling Sub Segment due to higher material consumption and lower output respectively.

During the end of the last financial year, the company took in new projects from a new customer which involved the production of plastic part and full assembly. Revenue and costs increased due to the products requiring higher material content, and thus the gross profit margins was lower. Apart from this, there was also an increase in minimum wages in July 2016 which increased the cost of production.

The company also incurred significant travelling, set up and business development costs for the Indonesian operations.

The Indonesian operations recorded a significant loss before tax of RM7 million as the operations have only approximately a quarter of the machineries required for optimal sustainable output capacity. Tooling fabrication machineries are also significantly underutilised due to the lack of orders as the operations only started during the year. The Indonesian operations fit into the new ultimate shareholder's plans to expand its geographical presence in the Asia Pacific region. However the management will need to perform an in-depth evaluation to determine whether to further invest to increase the number of injection moulding machines to achieve the optimal level of output and increase revenue, and also to bring down fixed costs before the Indonesian subsidiary can see a turnaround from loss to profits. Greater effort will also be needed to bring in more local tooling orders for the tooling section to start contributing to the profitability of the company.

The consumer trading business continued to suffer losses due to the clearing of slow moving stocks at lower selling price and the write off of obsolete stocks. The company also had to continue making provisions for doubtful debts as collections are delayed due to weak consumer sentiment.

##### Trade and Other Receivables

Included in Trade and Other Receivables were amount owing by Trade Receivables totaling to RM27.3 million (FY2016: RM21.3 million). The significant increased in Trade Receivables by RM6 million was due to the higher tooling sales recognised in the financial year which were not due for collection as at year end.

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS (CONT'D)

#### FINANCIAL RESULT FY 2017 (CONT'D)

##### Inventories

Inventories were reduced by RM0.4 million to RM18.5 million (FY2016: RM18.9 million). The major movements in inventories at the various divisions is as follows :

- Increased in raw and packaging materials at Plastic Part Sub Segment amounted to RM2.1 million to cater for the upcoming higher production in subsequent financial year;
- Increased in food product at Trading (Consumer Goods) Division by RM0.5 million; and
- Huge decrease in the tooling work in progress of RM2.7 million as many projects were completed and recognised to Revenue during the financial year.

##### Trade and Other Payables

The Group's trade and other payables increased by 10% to RM26.4 million (FY2016: RM23.9 million). This was mainly due to higher trade purchases to cater for higher orders during the financial year, at both Manufacturing and Trading (Consumer Goods) Division which were still outstanding as at 31 March 2017.

##### Capital Expenditure

The Group's capital expenditures for FY2017 was RM7.5 million (FY2016: RM2.6 million) mainly arising for the replacement of injection moulding machines and additional of new tooling machines.

##### Borrowings

The Group's borrowings increased by RM8.6 million at the end of the financial year to RM24.4 million primarily due to the combination of the following:

- 1) Additional RM3.0 million obtained in Revolving Credit facility for working capital;
- 2) Utilisation of RM600,000 Overdraft for working capital;
- 3) New Term Loan drawdown amounted to RM2.8 million for acquisition of fixed assets;
- 4) Additional Hire Purchase Facility of RM4.6 million for acquisition of fixed assets; and
- 5) The above (1), (2) and (3) were offset against repayment of Banker Acceptance amounted RM1.0 million and the schedule based repayments of RM1.4 million for Hire Purchase and Term Loans.

## REVIEW OF OPERATING ACTIVITIES

During the financial year, the management worked hard to have product diversification in the Manufacturing Division and introduction of new food product by the Trading Division. This initiative appears to be gaining momentum as Revenue had grown by approximately 9% in FY2017 to RM101.6 million (FY2016: RM92.8 million).

In order to achieve product diversification and improve efficiency and revenue, the Group invested in capital expenditures to replace old injection machines and add in new tooling machines, done mainly through borrowings.

Besides this, the Group also invested in IT technologies, whereby a new integrated Enterprise Resource Planning ("ERP") system was implemented in the core business in Manufacturing Division to enhance efficiency and effectiveness in production planning as well as to systemize management processes especially on inventory and supply chain management. Plastic Parts manufacturing and Tooling Fabrication remained as the Group's key segments in FY2017 and moving forward, the Board plan to ramp-up the resources and capacity to further expand our market share in these segments.

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### ANTICIPATED RISKS

Most of the Group's assets and liabilities are denominated in Ringgit Malaysia. However, the Group is exposed to foreign currency risk from trade sales and trade purchases of the subsidiaries. The net exposure in terms of its potential impact on both profitability and financial position of the Group is considered not material.

### FORWARD-LOOKING STATEMENT

In general, the Group's prospects and outlook in the coming year would largely rely on a comprehensive review of the underlying businesses and strategies, as well as identifying potential opportunities for further growth.

A leadership changes under the new Board appointed in March 2017 heralds in a new chapter for the Group. The new Board will use their many years of industry experience to guide the Group through the next phase of business endeavours.

The Board is in the midst of reviewing the business operations and strategies of the Group, and will decide on the future business plans, which may include amongst others, the following:

- (i) whether to dispose or re-deploy the fixed assets, which are identified as non-viable to the Group as part of the process to rationalise the business activities of the Group;
- (ii) to optimise the utilisation of the existing resources, which include assets and facilities of the Group;
- (iii) to plan on the business strategy of the Denko Group, which may include expansionary activities as well as exploring new ventures as and when the opportunity arises. Where appropriate, the Board may also implement changes deemed necessary to the corporate structure of the Group to help strengthen and grow the Group's businesses; and
- (iv) may discontinue business which are deemed less viable to the Group.

Moving into FY2018, the Group will emphasize on cost reduction, improving economies of scales, together with efforts in reviewing opportunities for further growth via business expansion. In summary, both recovery and growth strategy will be the main focus for Manufacturing Division in FY2018.

For the Trading Division, the Board may undertake a product rationalisation plan, recovery measures on the warehouse and logistic operations and cost cutting initiatives in the new financial year. New products may be sourced and added to the existing product lists to complement and enhance the company's product range, and also to expand market reach to increase revenue. However, each new product will require time and effort to market before sales can grow to a sustainable level. If the above efforts are successful, barring the unforeseen, this division will be able to increase its revenue growth and contribute positively to the bottom line of the Group in the future.

The market competitiveness would remain challenging for the year ahead and the Group will continue to be subjected to unforeseen circumstances which may further affect our price competitiveness.

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors (“the Board”) of Denko Industrial Corporation Berhad (“Denko” or “the Company”) observes Malaysian Code on Corporate Governance 2012 (“MCCG 2012”) and ensures that the highest standards of corporate governance are practiced throughout the Denko Group of companies (“the Group”) as a fundamental part of discharging its responsibilities to protect and enhance shareholders’ value and the financial performance of the Group.

This Corporate Governance Statement (“Statement”) sets out how the Company has applied the 8 Principles (“Principles”) of MCCG 2012 and observed the 26 Recommendations supporting the Principles during the financial year under review. Where a specific Recommendation of the MCCG 2012 has not been observed during the financial year under review, the non-observation, including the reasons thereof and, where appropriate, the alternative practice, if any, is mentioned in this Statement.

### PRINCIPLE 1 – ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT

The Board recognises the key role it plays in charting the strategic direction of the Company and its subsidiaries (“the Group”) and has assumed the following principal responsibilities in discharging its fiduciary and leadership functions:

- reviewing and adopting a strategic plan for the Group, addressing the sustainability of the Group’s businesses;
- overseeing the conduct of the Group’s business and evaluating whether or not its businesses are being properly managed;
- identifying principal business risks faced by the Group and ensuring the implementation of appropriate internal controls and mitigating measures to address such risks;
- ensuring that all candidates appointed to senior management positions are of sufficient calibre, including having in place a process to provide for the orderly succession of senior management personnel and members of the Board;
- overseeing the development and implementation of a shareholder communication policy; and
- reviewing the adequacy and integrity of the Group’s internal control and management information systems.

To assist in the discharge of its stewardship role, the Board has established Board Committees, namely the Audit Committee, Nominating Committee and Remuneration Committee, to examine specific issues within their respective terms of reference as approved by the Board and report to the Board with their recommendations. The ultimate responsibility for decision making, however, lies with the Board.

#### (i) The Board and Board Balance

The Board has overall responsibility for strategic planning and direction, setting the corporate goals, organising resources, monitoring the achievement of goals and identifying critical business risks. The Board assumes full responsibility for the overall performance of the Company and its subsidiaries by providing leadership and direction as well as management supervision. It also lays down the appropriate policies for managing the related risks to ensure that good internal control is in place for operational efficiency and effectiveness of the Group.

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

### PRINCIPLE 1 – ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT (CONT'D)

#### (i) The Board and Board Balance (Cont'd)

The Board consists of four (4) members comprising one (1) Executive Director, and three (3) Non-Executive Directors. Two (2) of the four (4) Directors are Independent Non-Executive Directors. The Board has complied with Paragraph 15.02 (1) of the Listing Requirements of Bursa Malaysia Securities Berhad that at least two or one-third of the Board, whichever is the higher is represented by Independent Non-Executive Directors who are independent of management, thereby ensuring independence in the Board deliberation and decision-making. Given the scope of responsibilities for managing the Group's business operations, the Board considers its current composition and size are adequate.

Whilst the Board acknowledges the general call for and support gender diversity in a board's composition, the Board believes that appointment of board members, regardless of gender, should be based on experience, character, integrity and competence as these are the essential criteria for an effective Board.

The profile of the Directors is set out at page 7 to 8 of this Annual Report.

The Directors combined in them have expertise and experience in various fields. Their expertise, experience and background result in thorough examination and deliberation of the various issues and matters affecting the Group. The position of Chairman and Executive Director are currently assumed by the same individual. During the period from 1 April 2016 to 20 March 2017, the Board had adopted the recommendations of MCCG 2012 that where the Chairman of the Board is not an Independent Director, the Board must comprise a majority of Independent Directors. During this period, four (4) of the seven (7) members on the board are independent. However, following the changes in the boardroom on 21 March 2017 with the appointment of an Executive Director who is also holding the position as Chairman and two (2) of the four (4) members on the board are independent, the board's composition therefore had not adhered to this MCCG 2012's Recommendation. Alternatively, while in the midst of sourcing a candidate for the position of Independent Director, the Board also observes best practices to ensure independence in the Board deliberation, whereby the Chairman cum Executive Director does not aggressively participate in the day-to-day management and daily business of the Group but instead are being executed by a management team. The Chairman is focused more on the setting of the Group's strategic vision and direction, and on leading the Board in the oversight of management, whilst the management team is responsible for the implementation of the Board's decisions. The Board is currently satisfied with the level of independence demonstrated by the Executive Director and his ability to act in the best interests of the Company for the coming financial years. Nevertheless, the Board will review and evaluate the appropriateness of the composition and size of the Board from time to time in order to adhere to MCCG's Recommendations. Whilst the Board is responsible for creating the framework and policies within which the Group should be operating, Management is responsible for instituting compliance with laws, regulations, rules, directives and guidelines, including the achievement of the Group's corporate objectives. This demarcation of roles both complements and reinforces the supervisory role of the Board.

The Board is responsible for the overall strategic direction of the Group and the leadership of the Chairman cum Executive Director is to ensure effectiveness of the Board in achieving corporate and business objectives. The Independent Non-Executive Directors are not employees and do not take part in the daily management and the day-to-day operations of the Group. However, they bring an outside perspective and assist to develop proposals on strategy, assess the performance of Management in achieving goals and objectives, and monitor the risk profile of the Group's businesses. They provide independent views, advices and judgments and take into account the interests of the Group and the various stakeholders including but not limited to shareholders, employees, customers, suppliers and other communities in which the Group conducts its business, and their presence brings an additional element of balance on the Board.

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

### PRINCIPLE 1 – ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT (CONT'D)

#### (i) The Board and Board Balance (Cont'd)

Key matters reserved for the Board's approval include the overall strategic direction of the Group, the annual operating and capital expenditure budgets, dividend policy, expansion of core business, organisational structure, capital management e.g. issuance of new securities and ensuring that there is a sound system of internal control and risk management in place.

The Board has a formal schedule of matters specifically reserved to it for decision. Such matters include the overall Group strategy and direction, acquisition and divestment policy, approval of major capital expenditure, consideration of significant financial matter and monitoring the financial and operating performance of the Group. This arrangement enables the direction and control of the Group to be firmly in the Board's hand.

The role and function of the Board, which includes the differing roles of the Executive Director and Non-Executive Directors as well as the schedule of matters reserved for the Board, are clearly delineated in a Board Charter. The Board Charter was updated in March 2017 and is available on the Company's website at [www.denko.com.my](http://www.denko.com.my).

#### (ii) Sustainability of Business

The Board is mindful of the importance of business sustainability and, in conducting the Group's business, the impact of the Group's business on the environmental, social, economic and governance aspects is taken into consideration. The Group's activities on Corporate Social Responsibilities for the financial year under review are disclosed on page 39 to 41 of this Annual Report.

#### (iii) 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. There are acts or omissions stipulated in the Code of Conduct as offences for which an employee is liable to be disciplined and be given warning accordingly. These include failure of observing or not observing scheduled hours of work, quarrelling while on Company's premises, leaving work place without permission during working hours, obtain leave of absence by fraud, unauthorised use of Company's assets, using improper language, refusal to carry out assigned work, failure to wear the Company uniform, create fake documents at the security gate for Company's property being removed or returned, create fake documents at the security gate for entering/while on/or when leaving the Company premises, smoking in prohibited area, excessive tardiness, excessive sick leave, littering in the Company's premises, having food in the working area during working hours and sleeping on purpose during working hours.

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

### PRINCIPLE 1 – ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT (CONT'D)

#### (iii) Code of Conduct (Cont'd)

Besides, the Employee Handbook has also stipulated acts or omissions that will be treated as major misconduct for which an employee may be subjected to immediate dismissal from the Company's employment with loss of all benefits due to him/her. These include stealing from Company's premises any item or items belonging to the Company, offering to accept any gratification whatsoever in order to gain unauthorised favor from vendor or client, willfully damaging Company's property or employee, obstructing Company employees, possession of any lethal weapon, willful destruction of any Company's document, negligence leads to production loss, absence for more than two working days consecutively without prior approval, misconduct which is harmful to the Company, willfully slowing down to create termination, the accumulation of three warnings or suspension from work, bringing intoxicating liquor, disturbing, molesting or attempting to molest, gambling in the premises, insubordination, unauthorised gathering, cheating the Company, drugs abuse, criminal charges, leaking Company's confidential information, involvement in private business, scanning another employee's card and abetting any employee to commit any act of misconduct stated in the handbook.

#### (iv) Access to Information and Advice

The Board recognises that the decision making process is highly dependent on the quality of information furnished. As such, Board members have full and unrestricted access to all information pertaining to the Group's businesses and affairs. Directors are supplied with relevant information and reports on financial, operational, corporate, regulatory, business development and audit matters for decisions to be made on an informed basis and effective discharge of the Board's responsibilities.

Procedures have been established for timely dissemination of Board and Board Committee papers to all Directors at least seven (7) days prior to the Board and Board Committee meetings, to facilitate decision making by the Board and to deal with matters arising from such meetings. Senior Management of the Group and external advisers are invited to attend Board meetings to provide additional insights and professional views, advices and explanations on specific items on the meeting agenda. Besides direct access to Management, Directors may obtain independent professional advice at the Company's expense, if considered necessary, in accordance with established procedures set out in the Board Charter in furtherance of their duties.

Directors have unrestricted access to the advices and services of the Company Secretaries to enable them to discharge their duties effectively. The Board is regularly updated and advised by the Company Secretaries who are qualified, experienced and competent on statutory and regulatory requirements, and the resultant implications of any changes therein to the Company and Directors in relation to their duties and responsibilities. The Company Secretaries constantly keep themselves abreast of the evolving capital market environment, regulatory changes and developments in Corporate Governance through continuous training. The removal of the Company Secretaries is a matter for the Board as a whole to decide.



# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

### PRINCIPLE 2 – STRENGTHEN COMPOSITION OF THE BOARD

As at the date of this Statement, the Board consists of four (4) members comprising one (1) Executive Director and three (3) Non-Executive Directors of which two (2) are Independent Directors. The profile of each Director is set out on pages 7 to 8 of this Annual Report. The Directors, with their diverse backgrounds and specialisations, collectively bring with them a wide range of experience and expertise in areas such as entrepreneurship; finance; taxation; accounting and audit, legal and economics.

#### (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 46 to 51 of this Annual Report.

#### (ii) **Nominating and Remuneration Committee**

##### **Selection and Assessment of Directors**

During the financial year ended 2017, the Nominating Committee had merged with the Remuneration Committee and is now known as Nominating and Remuneration Committee. The Nominating and Remuneration Committee was established as the Board recognises the importance of the role the Nominating and Remuneration Committee plays not only in the selection and assessment of Directors but also in other aspects of corporate governance of which the Nominating and Remuneration Committee can assist the Board to discharge its fiduciary and leadership functions.

The Nominating & Remuneration Committee's primary responsibilities include:

- a) Leading the process for Board appointment and making recommendations to the Board after considering the candidates' experience, integrity and evaluating Independent Non-Executive Directors ability to discharge their responsibilities and functions as Independent Directors;
- b) Assessing the performance of the Board, its Committees and individual Directors at least annually, with the evaluation outcome properly documented to facilitate reference whenever a need arises;
- c) Annually reviewing the required skills and core competencies of Non-Executive Directors; and
- d) Establishing, reviewing and recommending to the Board a suitable remuneration framework that regulates the remuneration packages of each individual Executive Director.

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

### PRINCIPLE 2 – STRENGTHEN COMPOSITION OF THE BOARD (CONT'D)

#### (ii) Nominating and Remuneration Committee (Cont'd)

As at the date of this Statement, the Nominating and Remuneration Committee comprises the following members with the meeting attendance as below:

	<u>Designation</u>	<u>Meetings Attended</u>
<b><u>Chairman</u></b>		
Grace <b>FOO</b> Hui Ting ( <i>appointed on 21 March 2017</i> )	Non Independent Non- Executive Director	None
<b><u>Members</u></b>		
<b>KOH</b> Win Ton ( <i>appointed on 21 March 2017</i> )	Independent Non- Executive Director	None
<b>WONG</b> Chin Chin ( <i>appointed on 21 March 2017</i> )	Independent Non- Executive Director	None

After their appointment as members of Nominating and Remuneration Committee, there is no meeting being held during the period up to the date of this Statement.

#### Former Nominating Committee

##### Former Nominating Chairman

Tan Sri Dato' Seri <b>TAN</b> King Tai @ <b>TAN</b> Khoon Hai ( <i>resigned on 21 March 2017</i> )	Senior Independent Non- Executive Director	3/3
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##### Former Nominating Members

<b>YOONG</b> Nim Chor ( <i>resigned on 21 March 2017</i> )	Independent Non- Executive Director	3/3
<b>ONG</b> Wei Liam @ Jeremy <b>ONG</b> ( <i>resigned on 21 March 2017</i> )	Independent Non- Executive Director	3/3

#### Former Remuneration Committee

##### Former Remuneration Chairman

<b>YOONG</b> Nim Chor ( <i>resigned on 21 March 2017</i> )	Independent Non- Executive Director	2/2
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##### Former Remuneration Members

Dato' <b>Ong</b> Choo Meng ( <i>resigned on 21 March 2017</i> )	Non Independent Non- Executive Director	2/2
<b>ONG</b> Wei Liam @ Jeremy <b>ONG</b> ( <i>resigned on 21 March 2017</i> )	Independent Non- Executive Director	2/2
Tan Sri Dato' Seri <b>TAN</b> King Tai @ <b>TAN</b> Khoon Hai ( <i>resigned on 21 March 2017</i> )	Senior Independent Non- Executive Director	2/2

#### **Appointment/ Composition**

- The Nominating and Remuneration Committee members shall be appointed by the Board.
- The Nominating and Remuneration Committee shall consist of not less than three (3) members.
- The majority of the Nominating and Remuneration Committee members shall be Independent Non- Executive Directors.
- The Chairman of the Nominating and Remuneration Committee must be a Non-Executive Director and shall be appointed by the Board. In the absence of Chairman of the Nominating and Remuneration Committee, the remaining members present shall elect one of their members to chair the meeting.

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

### PRINCIPLE 2 – STRENGTHEN COMPOSITION OF THE BOARD (CONT'D)

#### (ii) Nominating and Remuneration Committee (Cont'd)

##### Meetings

- The Nominating and Remuneration Committee shall meet at least once per year unless otherwise determined by the Nominating and Remuneration Committee. The Nominating and Remuneration Committee shall provide the schedule of Nominating and Remuneration Committee meetings to the Board. The quorum of the Nominating and Remuneration Committee meeting shall be at least two (2) members and comprise a majority of Independent Non-Executive Directors.
- Special meetings may be convened as required. The Nominating and Remuneration Committee, or its Chair, shall report to the Board on the results of these meetings. The Nominating and Remuneration Committee may invite to its meetings other Directors, Management and such other persons as the Nominating and Remuneration Committee deems appropriate in order to carry out its responsibilities.

##### Authority

- The Nominating & Remuneration Committee is authorised by the Board of Directors to carry out its duties mentioned above and the other Directors and employees of the Group are required to give full assistance to the Nominating & Remuneration Committee in discharging their duties. The Nominating & Remuneration Committee will have full, free and unrestricted access to the Company's records, properties and personnel in carrying its duties and responsibilities. In addition, the Nominating & Remuneration Committee is also authorised to seek for external professional expertise when required.

##### Duties and responsibilities

- Be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise;
- Evaluate the balance of skill, knowledge and experience on the Board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment of Director;
- Review the time required from a Non-Executive Director. The performance evaluation should be used to assess whether the Non-Executive Directors are spending enough time to fulfil their duties;
- Consider candidates from a wide range of backgrounds and look beyond the "usual suspects";
- Give full consideration to succession planning in the course of its work, taking into account the challenges and opportunities facing the Group and what skills and expertise are needed on the Board in the future;
- Review the structure, composition and size of the Board and determine the criteria for membership on the Board, which may include, among other criteria, issues of character, judgment, independence, gender diversity, age, expertise, corporate experience, length of service, other business commitments and the like;
- Keep under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the Group to compete effectively in the marketplace;

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

### PRINCIPLE 2 – STRENGTHEN COMPOSITION OF THE BOARD (CONT'D)

#### (ii) Nominating and Remuneration Committee (cont'd)

##### Duties and responsibilities (cont'd)

- Evaluate the performance of individual members of the Board, eligibility for re-election, and select, or recommend for the selection of the Board, the Director nominated for election to the Board by the shareholders at each Annual General Meeting;
- Periodically review the composition of each Board Committee and make recommendations to the Board for the creation of additional Committees or the change in mandate or dissolution of Committees;
- To give full consideration to succession planning in the course of its work, taking into account the challenges and opportunities facing the Company, and the required skills and expertise that are needed by the Board in the future. Insofar as Board diversity is concerned, the Board does not intend to develop any specific policy on targets for a female Director. The Board believes that the on-boarding process of Directors should not be based on any gender discrimination. As such, the evaluation of suitable candidates is solely based on the candidates' competency, character, time commitment, integrity and experience in meeting the needs of the Company, including, where appropriate, the ability of the candidates to act as Independent Non-Executive Directors, as the case may be;
- To establish and recommend to the Board, the remuneration package for Executive Directors such as the terms of employment or contract of employment/service, benefit, pension, incentive scheme, bonuses, fees, expenses, compensation payable on termination of the service contract by the Company and/or the Group etc;
- To set remuneration at levels which are sufficient to attract and retain the Directors needed to run the Company and Group successfully, taking into consideration all relevant factors including the function, workload and responsibilities involved, the level of remuneration for the Executive Directors is recommended by the Remuneration Committee for Board's approval after giving due consideration to the compensation levels for comparable positions amongst other similar Malaysian public listed companies;
- The Committee will make the following recommendations to the Board:
  - Plans for succession for Directors and Senior Management in order to maintain an appropriate balance of skills on the Board;
  - Concerning the re-election by shareholders of any Director under retirement by rotation provisions in the Company's Articles of Association;
  - Concerning any matters relating to the continuation in office of any Director at any time; and
  - Concerning the appointment of any Director to executive or other office other than to the positions of Chairman and Group Managing Director, the recommendation for which shall be considered at a meeting of the Board.
- In the event the Board appoints a new Chairman, the Nominating and Remuneration Committee shall be guided by the following principles prior to making recommendations to the Board:
  - That the Senior Independent Director leads the appointment process;
  - That a systematic evaluation be undertaken to identify the skills and expertise required for the role; and
  - That all short listed candidates be considered with the possibility of obtaining external advice, if necessary.

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

### PRINCIPLE 2 – STRENGTHEN COMPOSITION OF THE BOARD (CONT'D)

#### (ii) Nominating and Remuneration Committee (Cont'd)

##### Duties and responsibilities (Cont'd)

During the financial year, the Committee carried out its duties in accordance with its terms of reference, which encompassed the following :

- (a) Reviewing the profile and recommended to the Board the appointment of new directors;
- (b) Reviewing the profile and recommended to the Board the appointment of an Executive Director;
- (c) Reviewing the profile and recommended to the Board the appointment of Executive Chairman;
- (d) Reviewing the profile and recommended to the Board the appointment of a Non-Independent Non-Executive Director;
- (e) Reviewing the profile and recommended to the Board the appointment of Independent Non-Executive Directors;
- (f) Recommended to the Board the appointment of a Non Independent Non-Executive Director as Chairman of Nominating and Remuneration Committee;
- (g) Recommended to the Board the appointment of Independent Non-Executive Directors as members of Nominating and Remuneration Committee;
- (h) Conduct the annual assessment of the effectiveness of the individual Directors, the Board as a whole as well as the Board Committees;
- (i) Reviewed the composition of the Board with the view to ensure it has the required mix of skills, experience and competencies for the Group's core business;
- (j) Recommended to the Board the Directors' fee payable to members of the Board and are deliberated at the Board before it is presented at the Annual General Meeting for shareholders' approval; and
- (k) Reviewed and recommended to the Board the Remuneration Package of the Executive Director.

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

### PRINCIPLE 2 – STRENGTHEN COMPOSITION OF THE BOARD (CONT'D)

#### (ii) Nominating and Remuneration Committee (Cont'd)

##### Duties and responsibilities (Cont'd)

Directors' remuneration in aggregate, with categorisation into appropriate components, distinguishing between Executive and Non-Executive Directors during the financial year ended 2017, are as follows:-

Remuneration Package	Executive Director RM'000	Non-Executive Directors RM'000	Total RM'000
Fees	-	237	237
Salaries & Allowances	522	34	556
Bonus	244	-	244
<b>Total</b>	<b>766</b>	<b>271</b>	<b>1,037</b>

The number of Directors whose total remuneration falls within the following bands of RM50,000 are :

Range of Remuneration	Executive Directors	Non-Executive Directors
Less than RM50,000	-	8
RM50,001 to RM100,000	-	1
RM100,001 to RM150,000	1	
RM650,001 to RM700,000	1	-

In respect of the non-disclosure of detailed remuneration for each Director, the Board views that the transparency in respect of the Directors' Remuneration has been appropriately dealt with by the 'band disclosure' presented in this Statement.

The terms of reference of the Nominating and Remuneration Committee is available on the Company's website at [www.denko.com.my](http://www.denko.com.my)

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

### PRINCIPLE 3 – REINFORCE INDEPENDENCE OF THE BOARD

The roles of Independent Non-Executive Directors are vital for the successful direction of the Group as they provide independent professional views, advices and decisions to take into account the interest of the Group, shareholders, employees, customers, suppliers and many others with whom the Group conducts business.

The existing two (2) Independent Non-Executive Directors are able to express their opinions without any constraint. This strengthens the Board who benefits from the independent views expressed before any decisions are taken. The Group has made available a dedicated electronic email address, enquiry@denko.com.my to which stakeholders can direct their concerns. Management will address the issues raised as they see fit and will refer the matters which are beyond their scope to be reviewed and addressed by the Board accordingly.

The Policy on Assessing Independence of Directors (“Policy”) approved by the Board sets out policies and procedures to ensure the effectiveness of the Independent Non-Executive Directors on the Board, including new appointments. The Board, through the Nominating and Remuneration Committee, assesses the independence of Non-Executive Directors annually using the Policy, which is in line with Recommendation 3.1 of the MCCG 2012, as one of the factors in determining their eligibility to stand for re-election/ re-appointment. The Nominating and Remuneration Committee reviewed and was satisfied that all the Independent Non-Executive Directors had satisfied the criteria to be an Independent Non-Executive Director as prescribed in the Listing Requirements (“Listing Requirements”) and Practice Note 13 of Bursa Securities. The Nominating and Remuneration Committee was also satisfied that they are independent of management and free from any business or other relationship which could interfere with the exercise of their independent judgment, objectivity or the ability to act in the best interests of the Company.

On the other hand, the Board also observes Recommendation 3.2 of the MCCG 2012 whereby an Independent Director may continue to serve on the Board upon reaching the nine (9) year limit subject to the Independent Director’s re-designation as a Non-Independent Non-Executive Director. In the event the Board intends to retain such Director as an Independent Non-Executive Director after the latter has served a cumulative term of nine (9) years, the Board must justify the decision and seek Shareholders’ approval at a general meeting, normally the Annual General Meeting of the Company. None of the Independent Non-Executive Directors has reached nine (9) years of service since their appointment and/or election as Directors as at the date of this Statement. The key justifications as Senior Independent Non-Executive Director are as follows:

- He fulfills the criteria under the definition of Independent Director as stated in the Listing Requirements of Bursa Securities and, therefore, is able to bring independent and objective judgment to the Board as a whole;
- His experience in the relevant industries has enabled him to provide the Board and Board Committees, as the case may be, with pertinent expertise, skills and competence;
- He has been with the Company long and therefore understands the Company’s business operations which enables him to contribute actively and effectively during deliberations or discussions at Board and Committee meetings; and
- He has exercised due care during his tenure as Independent Non-Executive Director of the Company and carried out his professional duties in the interest of the Company.

Additionally, each of the Independent Non-Executive Directors has provided an annual confirmation of their independence to the Nominating Committee and the Board.

During the period from 1 April 2016 to 20 March 2017, the Executive Director cum Group Chief Executive Officer, Mr. Tan Chen Wei was responsible for the overall performance of the Group’s operations, organisation effectiveness and financial performance. As an Executive Director, supported by Executive Management team, he implemented the Group’s strategies, policies and decisions adopted by the Board and oversee the operations and business development of the Group.

# **DENKO INDUSTRIAL CORPORATION BERHAD**

(Incorporated in Malaysia)

Company No: 190155-M

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

### **PRINCIPLE 3 – REINFORCE INDEPENDENCE OF THE BOARD (CONT'D)**

During the period from 1 April 2016 to 20 March 2017, the Board is chaired by Dato' Ong Soon Ho, Non-Independent Non-Executive Chairman, whose responsibility was to ensure Board effectiveness, corporate affairs and implementation of Board policies and decisions of the Group. The Chairman was a non-executive member of the Board and was a non-independent director by virtue of his substantial interest in the Company.

With effect from 21 March 2017, Dato' Sri Foo Chee Juan, an Executive Director is also holding the position as Chairman, whose responsibility is to ensure Board effectiveness, corporate affairs, and implementation of Board policies and decisions of the Group.

However, notwithstanding that the Chairman of the Board is a Non-Independent Director, the Board believes that he is well-placed to act in the best interests of all Shareholders. Further, in compliance with and beyond the Recommendation 3.5 of MCCG 2012 the majority of the current Board comprises Non-Executive Directors. With such strong representation of high calibre Non-Executive Directors, the Board is of the view that they are able to represent the public investment and the minority shareholders. Given such, the Board is of the view that it is not necessary to nominate an Independent Non-Executive Director as Chairman at this juncture.

However, the Board adopted Recommendation 3.1 of the MCCG 2012 to undertake an annual assessment of the independence of its independent directors whereby focus were beyond the independent director's background, economic and family relationships to consider whether the independent director can continue to bring independent and objective judgement to board deliberations. Also, the Board will continuously review and evaluate the Recommendation 3.5 of the MCCG 2012 from time to time.

### **PRINCIPLE 4 – FOSTER COMMITMENT OF DIRECTORS**

The Board ordinarily meets at least four (4) times a year, scheduled well in advance before the end of the preceding financial year to facilitate the Directors in planning their meeting schedule for the year. Additional meetings are convened when urgent and important decisions need to be made between the scheduled meetings.

Board and Board Committees papers, which are prepared by Management, provide the relevant facts and analysis for the convenience of Directors. The meeting agenda, the relevant reports and Board papers are furnished to Directors and Board Committees members at least seven (7) days before the meeting to allow the Directors sufficient time to study for effective discussion and decision making at the meetings. At the quarterly Board meetings, the Board reviews the business performance of the Group and discusses major operational and financial issues. All pertinent issues discussed at Board meetings in arriving at decisions and conclusions are properly recorded by the Company Secretaries by way of minutes of meetings.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company.



# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

### PRINCIPLE 4 – FOSTER COMMITMENT OF DIRECTORS (CONT'D)

This is evidenced by the attendance record of the Directors at Board during the financial year under review.

<u>Name</u>	<u>Designation</u>	<u>Attendance</u>	<u>Percentage (%)</u>
Dato' Sri <b>FOO</b> Chee Juan ( <i>appointed on 21 March 2017</i> )	Executive Director cum Executive Chairman	1/1	100
Grace <b>FOO</b> Hui Ting ( <i>appointed on 21 March 2017</i> )	Non Independent Non-Executive Director	1/1	100
<b>KOH</b> Win Ton ( <i>appointed on 21 March 2017</i> )	Independent Non- Executive Director	1/1	100
<b>WONG</b> Chin Chin ( <i>appointed on 21 March 2017</i> )	Independent Non- Executive Director	1/1	100
<u>Former Directors</u>			
<b>TAN</b> Chen Wei ( <i>resigned on 21 March 2017</i> )	Executive Director	6/6	100
Dato <b>ONG</b> Soon Ho ( <i>resigned on 21 March 2017</i> )	Non-Independent Non-Executive Director	6/6	100
Dato <b>ONG</b> Choo Meng ( <i>resigned on 21 March 2017</i> )	Non-Independent Non-Executive Director	6/6	100
Tan Sri Dato' Seri <b>TAN</b> King Tai @ <b>TAN</b> Khoon Hai ( <i>resigned on 21 March 2017</i> )	Senior Independent Non-Executive Director	6/6	100
<b>YOONG</b> Nim Chor ( <i>resigned on 21 March 2017</i> )	Independent Non-Executive Director	6/6	100
David <b>YAORY</b> ( <i>resigned on 21 March 2017</i> )	Independent Non-Executive Director	4/6	67
<b>ONG</b> Wei Liam @ Jeremy <b>ONG</b> ( <i>resigned on 21 March 2017</i> )	Independent Non-Executive Director	6/6	100

As stipulated in the Board Charter, the Directors are required to devote sufficient time and efforts to carry out their responsibilities. The Board obtains this commitment from Directors at the time of their appointment. Each Director is expected to commit time as and when required to discharge the relevant duties and responsibilities, besides attending meetings of the Board and Board Committees.

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

### PRINCIPLE 4 – FOSTER COMMITMENT OF DIRECTORS (CONT'D)

Notwithstanding that no specific quantum of time has been fixed, all the Board members are required to notify the Board before accepting any new directorship. Any Director is, while holding office, at liberty to accept Board appointment in other companies so long as the appointment is not in conflict with the Company's business and does not affect the discharge of his/her duty as a Director of the Company. To ensure the Directors have the time to focus and fulfill their roles and responsibilities effectively, one (1) criterion as agreed by the Board is that they must not hold directorships at more than five public listed companies (as prescribed in Paragraph 15.06 of Listing Requirements).

Each Board member is expected to achieve at least fifty percent (50%) attendance of total Board Meetings in any applicable financial year. Any leave of absence been notified to the Chairman and/or Company Secretaries, where applicable.

#### Directors' Training – Continuing Education Programme

The Board also oversees the training needs of its Directors. Directors are regularly updated on the Group's businesses and the competitive and regulatory environment in which they operate. Directors, especially newly appointed ones, are encouraged to visit the Group's operating centers to have an insight on the operations which would assist the Board to make effective decisions.

Although the Board does not have a policy requiring each Director to attend a specific number and types of training sessions each year, to keep abreast of industry developments and trends, the Directors are encouraged to attend various external professional programmes deemed necessary to ensure that they are kept abreast on various issues facing the changing business environment within which the Group operates, in order to fulfill their duties as Directors. Any Director so appointed to the Board is required to complete the Mandatory Accreditation Programme ("MAP") within four months from the date of appointment. All the Directors will attend the MAP which is scheduled in July 2017.

The details of the relevant training sessions attended by each Director during the financial year under review are as follows:-

Name	Training Programme	Date
Dato' Sri <b>FOO</b> Chee Juan (appointed on 21 March 2017)	<ul style="list-style-type: none"><li>China Import and Export Fair 2016 (Canton Fair) – Electronics &amp; Household Electrical Appliances</li><li>Product design seminar</li></ul>	15 & 16 October 2016
Grace <b>FOO</b> Hui Ting (appointed on 21 March 2017)	<ul style="list-style-type: none"><li>China Import and Export Fair 2016 (Canton Fair) – Electronics &amp; Household Electrical Appliances</li><li>Product design seminar</li></ul>	15 & 16 October 2016
<b>KOH</b> Win Ton (appointed on 21 March 2017)	<ul style="list-style-type: none"><li>National Tax Conference</li><li>Seminar Percukaian Kebangsaan 2016</li><li>2017 Budget Seminar</li><li>Dynamics of Constitution, written resolution, meetings, shareholders, directors and audit under Companies Act 2016</li></ul>	9 & 10 August 2016 3 November 2016 23 November 2016 6 January 2017
<b>WONG</b> Chin Chin (appointed on 21 March 2017)	<ul style="list-style-type: none"><li>Company Law Seminar – 7 Major Areas of Change in the new Companies Act</li><li>Business and Tax Seminar – Understanding and Embracing Economic Challenges</li><li>Singapore Fintech Festival</li><li>New Companies Act 2016: Impact of New Laws on Legal and Corporate Practices in Malaysia</li></ul>	16 & 17 August 2016  2 November 2016  18 November 2016 22 November 2016

## DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

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

#### PRINCIPLE 4 – FOSTER COMMITMENT OF DIRECTORS (CONT'D)

##### Directors' Training – Continuing Education Programme (Cont'd)

<b>TAN</b> Chen Wei ( <i>resigned on 21 March 2017</i> )	<ul style="list-style-type: none"><li>• Tax Budget 2016</li><li>• Board Chairman Series Part 2 – Leadership Excellence from the Chair</li></ul>	5 November 2016 18 August 2016
Dato' <b>ONG</b> Soon Ho ( <i>resigned on 21 March 2017</i> )	<ul style="list-style-type: none"><li>• Malaysia-Turkey Business Seminar</li><li>• 2017 Tax &amp; Budget Conference</li></ul>	27 June 2016 27 October 2016
Dato' <b>ONG</b> Choo Meng ( <i>resigned on 21 March 2017</i> )	<ul style="list-style-type: none"><li>• Trans-Pacific Big opportunities. Great challenges</li><li>• 2017 Tax &amp; Budget Conference</li><li>• Catching the Fintech Wave</li></ul>	26 April 2016 27 October 2016 25 November 2016
Tan Sri Dato' Seri <b>TAN</b> King Tai @ <b>TAN</b> Khoon Hai ( <i>resigned on 21 March 2017</i> )	<ul style="list-style-type: none"><li>• Focus Group Series: Corporate Governance Disclosures on 6 April 2016</li><li>• Malaysian Company Secretaries Conference 2016</li><li>• 2 Days Workshop on CSP Practical Issues under The Companies Act 2016</li></ul>	6 April 2016 27 & 28 September 2016 9 & 10 March 2017
<b>YOONG</b> Nim Chor ( <i>resigned on 21 March 2017</i> )	<ul style="list-style-type: none"><li>• Workshop on Islamic Sukuk/Capital Markets</li><li>• Directors' Fraud &amp; Corruption Risks</li><li>• Directors' Compliance Programme</li><li>• International Commercial Arbitration</li></ul>	4 April 2016 5 April 2016 9 April 2016 16 August 2016
David <b>YAORY</b> ( <i>resigned on 21 March 2017</i> )	<ul style="list-style-type: none"><li>• Transformation &amp; Innovation Through Digital Technology</li></ul>	12 & 13 August 2016
<b>ONG</b> Wei Liam @ Jeremy <b>ONG</b> ( <i>resigned on 21 March 2017</i> )	<ul style="list-style-type: none"><li>• Fraud Risk Management Workshop</li></ul>	5 April 2016

The Company Secretaries normally circulates the relevant statutory and regulatory requirements from time to time for the Board's reference and briefs the Board on the updates, where applicable. External Auditors also brief the Board members on any changes to the Malaysian Financial Reporting Standards that affect the Group's financial statements for the financial year under review.

The Board will on a continuing basis evaluate and determine the training needs of each Director, particularly on relevant new law and regulations and essential practices for effective corporate governance and risk management to enable the Directors to effectively discharge their duties.

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

### PRINCIPLE 5 – UPHOLD INTEGRITY IN FINANCIAL REPORTING BY THE COMPANY

It is the Board's commitment to present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of each reporting period and financial year, primarily through the Quarterly Announcement of Group's Results to Bursa Securities, the Annual Audited Financial Statements of the Group and Company as well as the Chairman's Statement and review of the Group's Operations in the Annual Report, where relevant.

The Board is responsible for ensuring that the financial statements give a true and fair view of the state of affairs of the Group and the Company as at the end of the reporting period and of their results and cash flows for the period then ended.

In assisting the Board to discharge its duties on financial reporting, the Board established the Audit Committee comprising wholly Independent Non-Executive Directors, with Tan Sri Dato' Seri **TAN** King Tai @ **TAN** Khoon Hai as the Committee Chairman for the period from 1 April 2016 to 20 March 2017. On 21 March 2017, Mr. **KOH** Win Ton, our Independent, Non-Executive Director was appointed as Chairman. The Audit Committee is currently made of two (2) Independent Non-Executive Directors and one (1) Non-Independent, Non-Executive Director.

The composition of the Audit Committee, including its roles and responsibilities, are set out in the Audit Committee Report on pages 46 to 51 of this Annual Report. One (1) of the key responsibilities of the Audit Committee in its specific terms of reference is to ensure that the financial statements of the Group and Company comply with applicable financial reporting standards in Malaysia and provisions of the Companies Act, 2016. Such financial statements comprise the quarterly financial report announced to Bursa Securities and the annual audited financial statements.

The Audit Committee, without the presence of Executive Board members and Management also meets with the External Auditors at least once during each financial year to exchange free and honest views on issues which the External Auditors may wish to discuss in relation to their audit findings.

The Board understands its role in upholding the integrity of financial reporting by the Company. Accordingly, the Audit Committee, which assists the Board in overseeing the financial reporting process of the Company, has formalised and adopted Non-Audit Services Policy for the types of non-audit services permitted to be provided by the External Auditors, including the need for the Audit Committee's approval in writing before such services can be provided by the External Auditors. To address the "self-review" threat faced by the External Audit Firm, the procedures to be included in the policy require the engagement team conducting the non-audit services to be different from the External Audit team.

In addition, the Audit Committee is also empowered by the Board to review any matters concerning the appointment and reappointment, resignations or dismissals of External Auditors and review and evaluate factors relating to their independence. The terms of engagement for services provided by the External Auditors are reviewed by the Audit Committee prior to submission to the Board for approval.

In assessing the independence of External Auditors, the Audit Committee will seek assurance from the External Auditors, confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the Malaysian Institute of Accountants.

In this regard, the Audit Committee had assessed the independence of Messrs. Crowe Horwath as External Auditors of the Company as well as reviewed the level of non-audit services rendered by Crowe Horwath to the Company for the financial year under review. The Audit Committee was satisfied with the technical competency and audit independence of Crowe Horwath. Having satisfied itself with the performance of and fulfilment of criteria as set out in the Non-Audit Services' Policy by the External Auditors, the Audit Committee recommended their re-appointment to the Board, upon which the shareholders' approval will be sought at the Company's forthcoming 28th Annual General Meeting.

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

### PRINCIPLE 6 – RECOGNISE AND MANAGE RISK OF THE GROUP

The Board regards risk management and internal controls as an integral part of the overall management processes. The following represent the key elements of the Group's risk management and internal control structure:

- (a) An organisational structure in the Group with formally defined lines of responsibility and delegation of authority. A Group Financial Level of Delegated Authority Limit Manual was established with the objective to specify the authority levels relating to financial matters vested within the Group with the aim of ensuring consistent and clear understanding of financial responsibilities and optimum control over the financial exposure of the Group whilst maintaining operational efficiency;
- (b) Review and approval of annual business plan and budget of all major business units by the Board. This plan sets out the key business objectives, the major risks and opportunities in the operations and ensuing action plans;
- (c) Quarterly review of the Group's business performance by the Board, which also covers the assessment of the impact of changes in business and competitive environment;
- (d) Timely reporting to the Executive Director by management team, on major operational issues mainly from key business units; and
- (e) Monthly financial reporting by the subsidiaries to the holding company.

Recognising the importance of having risk management processes and practices, the Board had formalised an Enterprise Risk Management framework to provide Management with structured policies and procedures to identify, evaluate, control, monitor and report to the Board the principal business risks faced by the Group on an ongoing basis, including remedial measures to be taken to address the risks vis-à-vis the risk parameters of the Group.

The responsibilities of identifying and managing risks are delegated to the respective Head of each department. The Board and the Audit Committee are responsible to review the effectiveness of the processes. Any material risk identified will be discussed and appropriate actions or controls will be implemented. This is to ensure the risk is properly monitored and managed to an acceptable level.

The Audit Committee assists the Board in overseeing the risk management framework of the Group and reviewing the risk management policies formulated by Management and to make relevant recommendations to the Board for approval.

In line with MCCG 2012 and the Listing Requirements of Bursa Securities, the Company has outsourced the Internal Audit Function to Forreststone Corporate Advisory Sdn Bhd as Internal Auditors, who reports directly to the Audit Committee on the adequacy and effectiveness of the Group's internal controls. The internal audit is guided by internal auditing standards promulgated by the Institute of Internal Auditors Inc., a globally recognised professional body for internal auditors. The Internal Audit Function is independent of the activities it audits and the scope of work it covers during the financial year under review is provided in the Audit Committee Report set out on page 46 to 51 of this Annual Report.

# **DENKO INDUSTRIAL CORPORATION BERHAD**

(Incorporated in Malaysia)

Company No: 190155-M

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

### **PRINCIPLE 7 – ENSURE TIMELY AND HIGH QUALITY DISCLOSURE**

The Board is aware of the needs to establish corporate disclosure policies and procedures to enable comprehensive, accurate and timely disclosures relating to the Company and its subsidiaries to be made to the regulators, shareholders and stakeholders. Accordingly, the Board has formalized corporate disclosure policies not only to comply with the disclosure requirements as stipulated in the Listing Requirements of Bursa Securities, but also setting out the persons authorised and responsible to approve and disclose material information to regulators, shareholders and stakeholders.

The Company has put in place an internal policy on confidentiality to ensure that confidential information is handled properly by the Directors, employees and relevant parties to avoid leakage and improper use of such information. The Board is mindful that information which is expected to be material must be announced immediately.

To augment the process of disclosure, the Board has from time to time, uploaded the information on the Company's announcements to the regulators, the Board Charter, the whistle blowing policy, Terms of Reference for Audit Committee and Nominating & Remuneration Committee and the Company's Annual Report may also be accessed on the Company's website at [www.denko.com.my](http://www.denko.com.my).

### **PRINCIPLE 8 – STRENGTHEN RELATIONSHIP BETWEEN THE COMPANY AND ITS SHAREHOLDERS**

#### **(i) Shareholders participation at general meeting**

The Company recognises the importance of maintaining transparency and accountability to its Shareholders. The Board believes that they are not only accountable to shareholders but also responsible for managing a successful and productive relationship with the Company's stakeholders. In this regard, the Board will ensure that all the Company's shareholders and stakeholders are treated equitably and the rights of all investors, including minority shareholders, are protected.

The annual general meeting ("AGM"), which is the principal forum for shareholders dialogue, allows shareholders to review the Group's performance via the Company's Annual Report and pose questions to the Board for clarification as well as for the Chairman of the AGM to provide an overview of the Company's progress and receive questions from shareholders. At the AGM, shareholders participate in deliberating resolutions being proposed or on the Group's operations in general. At the last AGM, a question and answer session was held where the Chairman of the AGM invited shareholders to raise questions with responses from the Board.

The Board encourages other channels of communication with shareholders. For this purpose, the Board has identified Mr. Koh Win Ton as the Independent Non-Executive Director to whom queries or concerns regarding the Group may be conveyed.

Mr. Koh may be contacted via the following channels:

Post: Denko Industrial Corporation Berhad  
No.16, Jalan Hasil Dua, Kawasan Perindustrian Jalan Hasil,  
81200 Tampoi, Johor Bahru,  
Johor.

Fax: 07-238 9993

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

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

### PRINCIPLE 8 – STRENGTHEN RELATIONSHIP BETWEEN THE COMPANY AND ITS SHAREHOLDERS (CONT'D)

#### (i) Shareholders participation at general meeting (Cont'd)

The Notice of AGM is circulated to shareholders at least twenty-one (21) days before the date of the meeting to enable them to go through the Annual Report and papers supporting the resolutions proposed. Where special business items appear in the Notice of AGM, a full explanation is provided to shareholders on the effect of the proposed resolution emanating from the special business item. Separate resolutions are proposed for substantially separate issues at the meeting and the Chairman will declare the number of proxy votes received, both for and against each separate resolution where appropriate. All the resolutions set out in the Notice of the last AGM were put to vote by a show of hands and duly passed. The outcome of the last AGM was announced to Bursa Securities on the same meeting day. Nevertheless, with effect from the last 27<sup>th</sup> AGM, the Company had complied to the Listing Requirement to put to vote by poll.

To in line with Paragraph 7.21A(2) of Listing Requirements for further promoting participation of members through proxies, the information regarding procedures and the rights of the members, corporate representatives and proxies present to speak and vote by poll on the resolutions set out in the Notice of AGM will be briefed via an explanatory note provided during the registration process and/or by the Chairman of the AGM and general meetings at the commencement of such meetings. Following the removal of the limit on the number of proxies to be appointed by an exempt authorised nominee with shares in the Company for multiple beneficial owners in one securities account under the Listing Requirements, the beneficial owners of shares will have greater participation at general meetings of the Company. The Articles of Association of the Company further entitles a member to vote in person, by corporate representative, by proxy or by attorney.

#### (ii) Communication and engagement with shareholders and prospective investors

The Board recognises the importance of being transparent and accountable to the Company's shareholders and prospective investors. The various channels of communications are through meetings with institutional shareholders and investment communities, quarterly announcements on financial results to Bursa Securities, relevant announcements and circulars, when necessary, the annual and extraordinary general meetings and through the Group's website at [www.denko.com.my](http://www.denko.com.my) where shareholders and prospective investors can access corporate information, annual reports, press releases, financial information and company announcements of the Company. To maintain a high level of transparency and to effectively address any issues or concerns, the Group has a dedicated electronic mail, i.e. [enquiry@denko.com.my](mailto:enquiry@denko.com.my) to which stakeholders can direct their queries or concerns.

However, any information that may be regarded as undisclosed material information about the Group will not be given to any single shareholder or shareholder group.

#### (iii) Investor Relations

The Company takes into consideration the shareholder's rights to access information relating to the Company and has thus, taken measures to enable the Company to communicate effectively with its shareholders, prospective investors, stakeholders and public generally with the intention of giving them a clear picture of the Group's performance and operations.

## **DENKO INDUSTRIAL CORPORATION BERHAD**

(Incorporated in Malaysia)

Company No: 190155-M

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

#### **COMPLIANCE STATEMENT**

This Statement on the Company's Corporate Governance practices is made in compliance with Paragraphs 15.25 and 15.08A of the Listing Requirements. Save and except for those stated therein, the Board considers and is satisfied that the Company complied with the Principles and Recommendations of the MCGG 2012, the relevant chapters of the Listing Requirements on corporate governance and all applicable laws and regulations throughout the financial year under review.

This Statement was approved by the Board on 10 July 2017.



# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY STATEMENT

At Denko, Corporate Social Responsibility (“CSR”) is about who we are and how we operate as a Company. As a corporate citizen, we are not only responsible and successfully in producing and delivering quality products and service to generate economic benefit to consumers and shareholders. We also committed to ensure our business is being conducted lawfully, professionally and ethically coupled with the concern on environmental friendly. Denko does consider the economic, social and environmental impact of our kind of business 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 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 hospitalisation 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. Group Personal Accident Insurance was placed for clerical and managerial staff. At our Johor Bahru factory, we offer our foreign worker, purposely built dormitories operated by specialists’ third parties within walking distance from our factory. 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. Apart from enjoying modern facilities, there is minimal commuting time which means 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 for all staff held were:

- (i) Charity Marathon at IOI Mall Kulai in August 2016;
- (ii) Bowling Tournament in October 2016;
- (iii) A “Hungry Ghost” Prayers and Food Festival for non-Muslim colleagues in August 2016;
- (iv) Charity to Old Folks Home, Rumah Kebajikan Nur Ehsan in July 2016;
- (v) Jungle Trekking at University Technology Malaysia in September 2016;
- (vi) Blood Donation; and
- (vii) Weekly Badminton games, yoga and zumba open for all staff.

Besides, a six months leadership programme organised in FY2017, for selected clerical staff and all executive staff had successfully improve corporate performance and drive competitive advantage.

The Recreational Club 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. Staff are also allowed to borrow 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.

# **DENKO INDUSTRIAL CORPORATION BERHAD**

(Incorporated in Malaysia)

Company No: 190155-M

## **SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY STATEMENT (CONT'D)**

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

The Group's continuous efforts toward good Environmental, Occupational Safety and Health management practices has resulted in the subsidiaries being accredited with ISO 14001 : 2004 (for Environmental Management System), 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), ISO 9001 : 2008 (for Quality Management System) and ISO/TS 16949 : 2009 (For Automotive Part). All the certifications which were expiring in 2017 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 mosquitos. 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 college and university students to enable them to fulfill the requirement that 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.

### **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.

# **DENKO INDUSTRIAL CORPORATION BERHAD**

(Incorporated in Malaysia)

Company No: 190155-M

## **SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY STATEMENT (CONT'D)**

### **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. The Group trust the importance of providing the best quality in products and services for economic benefit to shareholders, maintaining the highest standard in employee conducts whilst safeguarding environmental and adding social values, in order to generate long term benefits and business continuity.

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

### Introduction

The Malaysian Code on Corporate Governance 2012 ("MCCG 2012") 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 2017 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; and
- (iv) 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 to address areas of key risk(s) identified. The Board also conducts periodical testing on the effectiveness and efficiency of its procedures and processes through independent reviews by the Internal Auditor.

For Financial Year Ended 2017, the Board has received assurance from the Executive Director that the Group's risk management and internal control system is in all material aspects, operating adequately and effectively.

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.

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

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

### 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 with and involves 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
- (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 RM23,000 for Internal Audit fees during the financial year.

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## 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 Financial Level of Delegated Authority Limit 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 Senior Management for further deliberation and decision;
- (vi) The Finance function reviews and monitors each business unit's performance monthly;
- (vii) A Whistle-Blowing Policy was established to report suspected misconduct or illegal act;
- (viii) Different methodologies and practices are in place to measure the potential impacts of risk and to quantify a risk events;
- (ix) Close monitoring e.g: credit control process that give earlier warnings, and enable management to respond quickly and effectively;
- (x) 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; and
- (xi) 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.

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## 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.

The certification of ISO 9001:2008 for the Quality Management System on provision of trading, sales, distribution, warehousing, all kind of food, beverage and personal care, product to local and oversea distributor at Trading Division had also successfully renewed during the Financial Year 2017.

### 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 2017. 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 10 July 2017.

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## AUDIT COMMITTEE REPORT

### MEMBERS

#### **KOH Win Ton**

Chairman, Independent Non-Executive Director (appointed as chairman on 21 March 2017)  
CPA Australia; Member, Malaysia Institute of Accountants

#### **Grace FOO Hui Ting**

Member, Non-Independent Non-Executive Director (appointed on 21 March 2017)

#### **WONG Chin Chin**

Member, Independent Non-Executive Director (appointed on 21 March 2017)

### FORMER MEMBERS

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

Chairman, Senior Independent Non-Executive Director (resigned on 21 March 2017)  
Member, Certified Public Accountants, Ireland

#### **YOONG Nim Chor**

Member, Independent Non-Executive Director (resigned on 21 March 2017)

#### **ONG Wei Liam @ Jeremy ONG**

Member, Independent Non-Executive Director (resigned on 21 March 2017)

### 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 I 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)

### TERMS OF REFERENCE (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 at least on a quarterly basis 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)

### TERMS OF REFERENCE (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.

#### Authorities

- (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:
  - (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;
- (d) 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;
- (e) 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
- (f) 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:

- (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;

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## AUDIT COMMITTEE REPORT (CONT'D)

### TERMS OF REFERENCE (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 by resolution passed under section 276 of the Companies Act 2016, the Company shall give a notice of that fact to the Registrar of Companies within fourteen days, pursuant to section 278 (1) of the Companies Act 2016. Whereas, when the External Auditors give notice to the Company of their desire to resign as External Auditors, the Committee shall send a copy of the notice to the Registrar of Companies within seven days from the receiving of a notice of resignation, pursuant to section 282 (1) of the Companies Act 2016.
- (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;
- (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;

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## AUDIT COMMITTEE REPORT (CONT'D)

### TERMS OF REFERENCE (CONT'D)

#### Duties and Responsibilities (Cont'd)

- (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.

### SUMMARY OF WORK OF THE AUDIT COMMITTEE

During the Financial Year, the Committee held four (4) meetings. The attendance of each member of the Committee was as follows:

Name	Designation	Meetings Attended
<b><u>Chairman</u></b>		
<b><u>KOH Win Ton</u></b> ( <i>appointed on 21 March 2017</i> )	Independent Non-Executive Director	0/0
<b><u>Members</u></b>		
<b><u>Grace FOO Hui Ting</u></b> ( <i>appointed on 21 March 2017</i> )	Non Independent Non-Executive Director	0/0
<b><u>WONG Chin Chin</u></b> ( <i>appointed on 21 March 2017</i> )	Independent Non-Executive Director	0/0
<b><u>Former Chairman</u></b>		
Tan Sri Dato' Seri <b><u>TAN King Tai @ TAN Khoon Hai</u></b> ( <i>resigned on 21 March 2017</i> )	Senior Independent Non-Executive Director	4/4
<b><u>Former Members</u></b>		
<b><u>YOONG Nim Chor</u></b> ( <i>resigned on 21 March 2017</i> )	Independent Non-Executive Director	4/4
<b><u>ONG Wei Liam @ Jeremy Ong</u></b> ( <i>resigned on 21 March 2017</i> )	Independent Non-Executive Director	4/4

During the Financial Year, the Committee held Two (2) meetings with the External Auditors and Three (3) meetings with the Internal Auditors. The Committee had one (1) private session 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;

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## AUDIT COMMITTEE REPORT (CONT'D)

### ACTIVITIES OF THE AUDIT COMMITTEE (CONT'D)

- (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;
- (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) Undertaken an assessment and review of the area of Internal Audit as set out in paragraph 15.12(1)(e) and (f) of the Listing Requirement and report the same to the Board;
- (g) Reviewed the new accounting policies adopted by the Group to ensure compliance with the applicable approved Malaysian 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.

### Summary of Work of the Internal Audit

The Internal Audit Function is disclosed in the Statement on Risk Management and Internal Control set out on pages 42 to 45 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 10 July 2017.

# **DENKO INDUSTRIAL CORPORATION BERHAD**

(Incorporated in Malaysia)

Company No: 190155-M

## **OTHER DISCLOSURES**

### **Utilisation of Proceeds**

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

### **Audit Fees**

The Audit fees payable to the External Auditor of the Company and the Group for FY 2017 were RM26,000.00 and RM108,317.00 respectively.

### **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 RM 5,800.00.

### **Material Contracts**

Other than the Employment Contract entered into between a subsidiary of the Company and the Company's Executive Director who is also a Substantial Shareholder via his shareholding in Oregon Technology Sdn Bhd, 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 2017, there were Related Party Transactions entered into by subsidiary companies which involved an Executive Director, and/or a Non-Independent Non-Executive Director. All the Related Party Transactions entered were in the ordinary course of business and were within the applicable prescribed 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 2017.

## PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 7 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
Loss after tax for the financial year	<u>11,288,547</u>	<u>4,630,180</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

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

## ISSUES OF SHARES AND DEBENTURES

During the financial year:-

- (a) there were no changes in the 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.

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## DIRECTORS' REPORT

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### 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.

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 making of 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 ensure that any current assets, 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

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.



# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## DIRECTORS' REPORT

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### 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.

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 in which this report is made.

### DIRECTORS

The name of directors in office from the beginning of the financial year and up to the date of this report are as follows:-

Dato' Sri Foo Chee Juan*	(Appointed on 21 March 2017)
Grace Foo Hui Ting*	(Appointed on 21 March 2017)
Koh Win Ton	(Appointed on 21 March 2017)
Wong Chin Chin	(Appointed on 21 March 2017)
Dato' Ong Choo Meng	(Resigned on 21 March 2017)
Dato' Ong Soon Ho	(Resigned on 21 March 2017)
David Yaory	(Resigned on 21 March 2017)
Ong Wei Liam @ Jeremy Ong	(Resigned on 21 March 2017)
Tan Chen Wei*	(Resigned on 21 March 2017)
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	(Resigned on 21 March 2017)
Yoong Nim Chor	(Resigned on 21 March 2017)

\* *Directors of the Company and its subsidiaries*

The names of the directors of the Company's subsidiaries from the beginning of the financial year and up to the date of this report, excluding those who are already listed above are:

Balachandran Govindasamy	(Appointed on 23 June 2017)
Gobalan Kanaran	(Appointed on 23 June 2017)
Niken Wijaya	(Resigned on 23 June 2017)
Teh Li King	(Resigned on 21 March 2017)

### DIRECTORS' INTERESTS

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

	<----- Number of Ordinary Shares ----->			
	At Date of Appointment	Bought	Sold	At 31.3.2017
<b><u>Ordinary Shares in the Company</u></b>				
<i>Indirect Interests</i>				
Dato' Sri Foo Chee Juan	54,560,850	-	-	54,560,850

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## DIRECTORS' REPORT

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### DIRECTORS' INTERESTS (CONT'D)

	<----- Number of Ordinary Shares ----->			
	At Date of Appointment	Bought	Sold	At 31.3.2017
<b><u>Ordinary Shares in the Holding Company, Oregon Technology Sdn. Bhd.</u></b>				

#### *Direct Interests*

Dato' Sri Foo Chee Juan	499,999	-	-	499,999
Grace Foo Hui Ting	1	-	-	1

By virtue of his substantial shareholdings in the holding Company, Dato' Sri Foo Chee Juan is deemed to have interests in shares in the Company and its related corporations during the financial year to the extent of the Company's interest, in accordance with Section 8 of the Companies Act 2016.

The other directors holding office at the end of the financial year had no interest in shares of the Company or its related corporations during the financial year.

### 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 remuneration received or due and receivable by directors shown in the financial statements or the fixed salary of a full-time employee of the Company or related corporations) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest 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 32 to the financial statements.

Neither during nor at the end of the financial year was the Group or 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.

### DIRECTORS' REMUNERATION

The details of the directors' remuneration paid or payable to the directors of the Company during the financial year are disclosed in Note 31 to the financial statements.

### SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 7 to the financial statements.

The auditors' reports on the financial statements of the subsidiaries did not contain any qualification.

None of the subsidiaries had any interest in shares in the Company during the financial year.

### AUDITOR'S REMUNERATION

During the financial year, the total amount paid to or receivable by the auditors as remuneration for their services are disclosed in Note 26 to the financial statements.

# **DENKO INDUSTRIAL CORPORATION BERHAD**

(Incorporated in Malaysia)

Company No: 190155-M

## **DIRECTORS' REPORT**

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### **HOLDING COMPANY**

The holding company is Oregon Technology Sdn. Bhd., a company incorporated in Malaysia.

### **AUDITORS**

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

Signed in accordance with a resolution of the directors dated 10 July 2017

**Dato' Sri Foo Chee Juan**

**Grace Foo Hui Ting**

# **DENKO INDUSTRIAL CORPORATION BERHAD**

(Incorporated in Malaysia)

Company No: 190155-M

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## **STATEMENT BY DIRECTORS PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016**

We, Dato' Sri Foo Chee Juan and Grace Foo Hui Ting, 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 65 to 132 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 March 2017 and of their financial performance and cash flows for the financial year ended on that date.

The supplementary information set out in Note 36, 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 10 July 2017

**Dato' Sri Foo Chee Juan**

**Grace Foo Hui Ting**

## **STATUTORY DECLARATION PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016**

I, Lim Pang Yan, 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 65 to 132 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  
Lim Pang Yan at Johor Bahru in the state of Johor  
on this 10 July 2017

Before me

**Lim Pang Yan**

Nur Sabrina binti Abdullah  
No. J276  
Commissioner of Oaths

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

(Incorporated in Malaysia)

Company No: 190155-M

### **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

#### **Opinion**

We have audited the financial statements of Denko Industrial Corporation Berhad, which comprise the statements of financial position as at 31 March 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 65 to 132.

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

#### **Basis for Opinion**

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

#### **Independence and Other Ethical Responsibilities**

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

#### **Key Audit Matters**

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

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

(Incorporated in Malaysia)

Company No: 190155-M

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)**

**Key Audit Matters (Cont'd)**

We have determined the matter described below to be the key audit matters to be communicated in our report.

<b>Impairment of property, plant and equipment</b> Refer to Page 40, Note 8 to the financial statements	
<b>Area of focus</b>	<b>How the scope of our audit addressed the area of focus</b>
<p>We focus on this area due to</p> <ul style="list-style-type: none"> <li>• Continuous losses incurred by Lean Teik Soon Sdn. Bhd. and PT. Winsheng Plastic and Tooling Industry, subsidiaries of the Group.</li> <li>• There is judgment in the assumptions used in the estimates of value-in-use of the cash-generating units ("CGUs") for the impairment assessment on property, plant and equipment.</li> </ul>	<p>Our procedures included obtaining the details of estimated value-in-use of the company and details of budgets and forecasts and performed the following procedures:-</p> <ul style="list-style-type: none"> <li>• Testing calculation and evaluating the reasonableness of assumptions and determine whether management's assumptions, either individually or as a whole, provide a reasonable basis for budgets and forecasts.</li> <li>• Determining if the method of valuation chosen by management is appropriate and identify if there are any indicators of possible management bias.</li> <li>• Developing stress tests on certain key assumptions used and assess the range estimate for all reasonable outcomes.</li> <li>• Establishing that if there is any foreseeable reasonable possible change in key assumptions that will trigger the recoverable amount to be lower than the carrying amount.</li> <li>• Ensuring the impairment has been properly provided when the value-in-use is lower than the carrying amount of property, plant and equipment.</li> </ul>

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

(Incorporated in Malaysia)

Company No: 190155-M

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)**

**Information Other than the Financial Statements and Auditors' Report Thereon**

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

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

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

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

**Responsibilities of the Directors for the Financial Statements**

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

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

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

(Incorporated in Malaysia)

Company No: 190155-M

### **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)**

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

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.



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

(Incorporated in Malaysia)

Company No: 190155-M

### **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)**

#### **Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)**

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

(Incorporated in Malaysia)

Company No: 190155-M

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 7 to the financial statements.

**Other Reporting Responsibilities**

The supplementary information set out in Note 36 on page 133 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

**OTHER MATTERS**

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

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

Johor Bahru

10 July 2017

**Fong Kiat Keong**  
Approval No: 03048/06/2019 J  
Chartered Accountant

**DENKO INDUSTRIAL CORPORATION BERHAD**

(Incorporated in Malaysia)

Company No: 190155-M

**STATEMENTS OF FINANCIAL POSITION AT 31 MARCH 2017**

		<b>The Group</b>		<b>The Company</b>	
	Note	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
		RM	RM	RM	RM
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Investments in subsidiaries	7	-	-	40,446,699	47,088,633
Property, plant and equipment	8	50,321,329	52,074,005	-	-
		<u>50,321,329</u>	<u>52,074,005</u>	<u>40,446,699</u>	<u>47,088,633</u>
<b>CURRENT ASSETS</b>					
Inventories	9	18,454,585	18,859,638	-	-
Trade receivables	10	27,346,441	21,325,405	-	-
Other receivables, deposits and prepayments	11	2,913,671	3,177,573	227,414	130,669
Amount owing by subsidiaries	12	-	-	741,596	2,829,975
Current tax assets		246,850	139,352	-	-
Cash and bank balances		1,921,419	4,606,695	14,156	23,505
		<u>50,882,966</u>	<u>48,108,663</u>	<u>983,166</u>	<u>2,984,149</u>
Non-current assets held for sales	13	-	5,500,000	-	-
		<u>101,204,295</u>	<u>105,682,668</u>	<u>41,429,865</u>	<u>50,072,782</u>

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

**DENKO INDUSTRIAL CORPORATION BERHAD**

(Incorporated in Malaysia)

Company No: 190155-M

**STATEMENTS OF FINANCIAL POSITION AT 31 MARCH 2017 (CONT'D)**

		The Group		The Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
Share capital	14	43,353,959	41,787,540	43,353,959	41,787,540
Reserves	15	2,143,197	14,529,474	(2,375,949)	3,820,650
<b>TOTAL EQUITY</b>		<b>45,497,156</b>	<b>56,317,014</b>	<b>40,978,010</b>	<b>45,608,190</b>
<b>NON-CURRENT LIABILITIES</b>					
Long-term borrowings	16	10,470,921	5,532,598	-	-
Deferred tax liabilities	17	4,906,700	4,671,245	-	-
		15,377,621	10,203,843	-	-
<b>CURRENT LIABILITIES</b>					
Trade payables	18	14,911,298	11,460,134	-	-
Other payables and accruals	19	11,450,892	12,462,453	451,855	150,248
Amount owing to directors	20	-	4,807,551	-	955,208
Amount owing to subsidiaries	12	-	-	-	3,359,136
Short-term borrowings	21	13,358,327	10,248,506	-	-
Bank overdraft	24	589,982	-	-	-
Current tax liabilities		19,019	183,167	-	-
		40,329,518	39,161,811	451,855	4,464,592
<b>TOTAL LIABILITIES</b>		<b>55,707,139</b>	<b>49,365,654</b>	<b>451,855</b>	<b>4,464,592</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>101,204,295</b>	<b>105,682,668</b>	<b>41,429,865</b>	<b>50,072,782</b>

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

**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 2017**

		The Group		The Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
REVENUE	25	101,602,276	92,752,795	2,800,000	-
COST OF GOODS SOLD		(93,123,968)	(77,920,068)	-	-
GROSS PROFIT		8,478,308	14,832,727	2,800,000	-
OTHER INCOME		2,089,438	1,262,274	-	-
MARKETING AND DISTRIBUTION EXPENSES		(5,403,606)	(4,629,876)	-	-
ADMINISTRATIVE EXPENSES		(8,308,451)	(7,136,631)	(784,230)	(486,380)
OTHER OPERATING EXPENSES		(6,617,226)	(1,391,901)	(6,645,950)	-
FINANCE COSTS		(1,145,197)	(944,496)	-	-
(LOSS)/PROFIT BEFORE TAX	26	(10,906,734)	1,992,097	(4,630,180)	(486,380)
INCOME TAX (EXPENSE)/ INCOME	27	(381,813)	993,762	-	166,262
(LOSS)/PROFIT AFTER TAX		(11,288,547)	2,985,859	(4,630,180)	(320,118)
OTHER COMPREHENSIVE INCOME					
<u>Item that May be Reclassified Subsequently to Profit or Loss</u>					
- Foreign currency translation differences		468,689	84,103	-	-
TOTAL COMPREHENSIVE (EXPENSES)/INCOME FOR THE FINANCIAL YEAR		(10,819,858)	3,069,962	-	-
<b>(LOSS)/EARNINGS PER SHARE (SEN)</b>	28				
- basic		(10.81)	2.86		
- diluted		Not applicable	Not applicable		

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

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

The Group	<----- Non-Distributable ----->					Total Equity RM
	Share Capital RM	Share Premium RM	Revaluation Reserve RM	Foreign Exchange Translation Reserve RM	Accumulated Losses RM	
Balance at 1.4.2015	41,787,540	1,566,419	17,959,187	(3,049)	(8,063,045)	53,247,052
Profit after tax for the financial year	-	-	-	-	2,985,859	2,985,859
Other comprehensive income for the financial year: - Foreign currency translation differences	-	-	-	84,103	-	84,103
Total comprehensive income for the financial year	-	-	-	84,103	2,985,859	3,069,962
<u>Balance at 31.3.2016</u>	<u>41,787,540</u>	<u>1,566,419</u>	<u>17,959,187</u>	<u>81,054</u>	<u>(5,077,186)</u>	<u>56,317,014</u>

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

**DENKO INDUSTRIAL CORPORATION BERHAD**

(Incorporated in Malaysia)

Company No: 190155-M

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017 (CONT'D)**

	<----- Non-Distributable ----->					Total Equity RM
	Share Capital RM	Share Premium RM	Revaluation Reserve RM	Foreign Exchange Translation Reserve RM	Accumulated Losses RM	
<b>The Group</b>						
Balance at 1.4.2016	41,787,540	1,566,419	17,959,187	81,054	(5,077,186)	56,317,014
Loss after tax for the financial year	-	-	-	-	(11,288,547)	(11,288,547)
Other comprehensive income for the financial year:						
- Foreign currency translation differences	-	-	-	468,689	-	468,689
Total comprehensive income/(expenses) for the financial year	-	-	-	468,689	(11,288,547)	(10,819,858)
Realisation of revaluation reserve upon the disposal of property	-	-	(2,869,092)	-	2,869,092	-
Transfer to share capital upon implementation of the Companies Act 2016	1,566,419	(1,566,419)	-	-	-	-
Balance at 31.3.2017	43,353,959	-	15,090,095	549,743	(13,496,641)	45,497,156

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

**DENKO INDUSTRIAL CORPORATION BERHAD**

(Incorporated in Malaysia)

Company No: 190155-M

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017 (CONT'D)**

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<b>The Company</b>	Share Capital RM	Share Premium RM	Retained Profits/ (Accumulated Losses) RM	Total Equity RM
Balance at 1.4.2015	41,787,540	1,566,419	2,574,349	45,928,308
Loss after tax /Total comprehensive expenses for the financial year	-	-	(320,118)	(320,118)
Balance at 31.3.2016/1.4.2016	41,787,540	1,566,419	2,254,231	45,608,190
Loss after tax /Total comprehensive expenses for the financial year	-	-	(4,630,180)	(4,630,180)
Transfer to share capital upon implementation of the Companies Act 2016	1,566,419	(1,566,419)	-	-
Balance at 31.3.2017	43,353,959	-	(2,375,949)	40,978,010

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



**DENKO INDUSTRIAL CORPORATION BERHAD**

(Incorporated in Malaysia)

Company No: 190155-M

**STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017**

	Note	The Group		The Company	
		2017 RM	2016 RM	2017 RM	2016 RM
<b>CASH FLOWS (FOR)/FROM OPERATING ACTIVITIES</b>					
(Loss)/Profit before tax		(10,906,734)	1,992,097	(4,630,180)	(486,380)
Adjustments for:-					
Bad debt written off		19,168	-	-	-
Depreciation of property, plant and equipment		4,685,356	4,530,625	-	-
Dividend income		-	-	(2,800,000)	-
Gain on disposal of property, plant and equipment		(925,050)	(30,474)	-	-
Impairment losses on:-					
- investment in subsidiaries		-	-	6,641,934	-
- property, plant and equipment		4,168,596	50,625	-	-
- other receivables		943,427	-	-	-
- trade receivables		852,754	798,965	-	-
Interest expense		1,142,746	928,829	-	-
Interest income		-	(10,092)	-	-
Inventories written down		44,594	560,101	-	-
Inventories written off		788,340	642,824	-	-
Property, plant and equipment written off		228,126	1	-	-
Reversal of inventory written down		(104,764)	-	-	-
Unrealised (gain)/loss on foreign exchange		(558,251)	594,232	-	-
Operating profit/(loss) before working capital changes		378,308	10,057,733	(788,246)	(486,380)
Increase in inventories		(323,117)	(4,959,408)	-	-
Increase in trade and other receivables		(7,037,768)	(2,352,197)	(96,745)	(123,415)
Increase/(Decrease) in trade and other payables		2,338,073	6,856,386	301,607	(72,809)
<b>CASH (FOR)/FROM OPERATIONS</b>		<b>(4,644,504)</b>	<b>9,602,514</b>	<b>(583,384)</b>	<b>(682,604)</b>
Interest paid		(1,142,746)	(928,829)	-	-
Tax paid		(509,906)	(717,905)	-	-
Tax refunded		87,371	466,407	-	166,262
<b>NET CASH (FOR)/FROM OPERATING ACTIVITIES</b>		<b>(6,209,785)</b>	<b>8,422,187</b>	<b>(583,384)</b>	<b>(516,342)</b>

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

**DENKO INDUSTRIAL CORPORATION BERHAD**

(Incorporated in Malaysia)

Company No: 190155-M

**STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017 (CONT'D)**

	Note	The Group		The Company	
		2017	2016	2017	2016
		RM	RM	RM	RM
<b>CASH FLOWS FROM/(FOR)</b>					
<b>INVESTING ACTIVITIES</b>					
Dividend received		-	-	2,800,000	-
Interest received		-	10,092	-	-
Proceeds from disposal of property, plant and equipment		7,591,984	317,472	-	-
Purchase of property, plant and equipment	29	(2,882,108)	(2,115,515)	-	-
Real property gains tax paid		(783,646)	-	-	-
<b>NET CASH FROM/(FOR)</b>		<b>3,926,230</b>	<b>(1,787,951)</b>	<b>2,800,000</b>	<b>-</b>
<b>INVESTING ACTIVITIES</b>					
<b>CASH FLOWS (FOR)/FROM</b>					
<b>FINANCING ACTIVITIES</b>					
(Repayment to)/advances from directors		(4,807,551)	(3,499,456)	(955,208)	203,408
Net repayment of bankers' acceptance		(1,023,948)	(1,637,553)	-	-
Net repayment of hire purchase obligations		(994,231)	(1,017,295)	-	-
(Repayment to)/Advances from subsidiaries		-	-	(1,270,757)	336,028
Net drawdown of revolving credit		3,000,000	-	-	-
Drawdown of term loans		2,821,243	5,000,000	-	-
Repayment of term loans		(374,763)	(2,608,305)	-	-
Withdrawal/(Placement) of cash for issuance of bank guarantee		870,000	(870,000)	-	-
<b>NET CASH (FOR)/FROM</b>		<b>(509,250)</b>	<b>(4,632,609)</b>	<b>(2,225,965)</b>	<b>539,436</b>
<b>FINANCING ACTIVITIES</b>					
<b>NET (DECREASE)/INCREASE</b>		<b>(2,792,805)</b>	<b>2,001,627</b>	<b>(9,349)</b>	<b>23,094</b>
<b>IN CASH AND CASH</b>					
<b>EQUIVALENTS</b>					
<b>CASH AND CASH EQUIVALENTS</b>		<b>3,736,695</b>	<b>1,821,373</b>	<b>23,505</b>	<b>411</b>
<b>AT BEGINNING OF THE</b>					
<b>FINANCIAL YEAR</b>					
<b>EFFECTS OF FOREIGN</b>		<b>387,547</b>	<b>(86,305)</b>	<b>-</b>	<b>-</b>
<b>EXCHANGE TRANSLATION</b>					
<b>CASH AND CASH EQUIVALENTS</b>		<b>1,331,437</b>	<b>3,736,695</b>	<b>14,156</b>	<b>23,505</b>
<b>AT END OF THE</b>					
<b>FINANCIAL YEAR</b>					

The annexed notes form an integral part of these 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 2017

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### 1. GENERAL INFORMATION

The Company is a public company limited by shares, incorporated and domiciled in 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. 16, 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 10 July 2017.

### 2. HOLDING COMPANY

The holding company is Oregon Technology Sdn. Bhd., a company incorporated in Malaysia.

### 3. ULTIMATE CONTROLLING PARTY

The ultimate controlling party of the Group is Dato' Sri Foo Chee Juan who is the controlling shareholder of the holding company.

### 4. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 7 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

### 5. 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 2016 in Malaysia.

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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

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

#### **MFRSs (Including The Consequential Amendments)**

Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities – Applying the Consolidation Exception

Amendments to MFRS 101: Disclosure Initiative

Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

Annual Improvements to MFRSs 2012 – 2014 Cycle

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

- 5.2 The Group has not applied in advance the following applicable accounting standards and/or IC 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:-

#### **MFRSs and/or IC Interpretations (Including The Consequential Amendments)**

	<b>Effective Date</b>
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018
Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'	1 January 2018
Amendments to MFRS 107: Disclosure Initiative	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Annual Improvements to MFRS Standards 2014 – 2016 Cycles:	
• Amendments to MFRS 12: Clarification of the Scope of Standard	1 January 2017

The adoption of the above accounting standards and/or IC 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.

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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### 6. SIGNIFICANT ACCOUNTING POLICIES

#### 6.1 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 factors 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 expense and deferred tax balances 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. For manufacturing segment, the identified slow-moving inventories, which are aged more than 6 months and have less than 5% movement as compared to previous month are marked down in their carrying amount. While, for trading segment, certain percentages are applied on inventories which are near expiry date and non-claimable from the respective suppliers. 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.

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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

#### 6.1 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 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, current economic trends and changes in the customer payment terms when making a judgement 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 expectation 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) Fair Value Estimates for Certain Financial Assets and Financial Liabilities

The Group carries certain financial assets and financial 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.

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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

#### 6.2 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 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. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

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. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. 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.

#### (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.

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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

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

##### (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.

#### 6.3 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.

##### (b) Foreign Currency Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the exchange 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.



# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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

#### 6.3 FUNCTIONAL AND FOREIGN CURRENCIES (CONT'D)

##### (c) Foreign Operations

Assets and liabilities of foreign operations are translated to the Group's presentation currency at the exchange rates at the end of the reporting period. Income, expenses and other comprehensive income of foreign operations are translated at exchange rates at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity; attributed to the owners of the Company and non-controlling interests, as appropriate.

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.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign subsidiary, or a partial disposal involving loss of control over a subsidiary that includes a foreign operation, of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that foreign operation attributable to the owners of the Company are reclassified to profit or loss as part of the gain or loss on disposal. The portion that related to non-controlling interests is derecognised but is not reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss.

In the consolidated financial statements, when settlement of an intragroup loan is neither planned nor likely to occur in the foreseeable future, the exchange differences arising from translating such monetary item are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income.

#### 6.4 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities 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 financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definition in MFRS 132. 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.

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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

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

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.

#### (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 receivables 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.

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

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.

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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

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

##### (a) Financial Assets (Cont'd)

###### (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

###### (i) Financial Liabilities at 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. Fair value through profit or loss category also comprises contingent consideration in a business combination.

###### (ii) Other Financial Liabilities

Other financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

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

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.

##### (c) Equity Instruments

Equity instruments classified as equity are measured initially at cost and are not remeasured subsequently.

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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

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

##### (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.

##### (e) Financial Guarantee Contracts

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

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee or, when there is no specific contractual period, recognised in profit or loss upon discharge of the guarantee. If the debtor fails to make payment relating to a financial guarantee contract when it is due and the Company, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period and the amount initially recognised less cumulative amortisation.

#### 6.5 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.

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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

#### 6.6 PROPERTY, PLANT AND EQUIPMENT

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use

Subsequent to initial recognition, all property, plant and equipment, other than freehold land and buildings, are stated at cost less accumulated depreciation and any impairment losses.

Freehold land is stated at valuation less impairment losses recognised after the date of the revaluation. Freehold buildings are stated at revalued amount less accumulated depreciation and impairment losses recognised after the date of the revaluation.

Freehold land and buildings are revalued periodically, at least once in every five years. Surpluses arising from the revaluation are recognised in other comprehensive income and accumulated in equity under the revaluation reserve to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss. Deficits arising from the revaluation, to the extent that they are not supported by any previous revaluation surpluses, are recognised in profit or loss.

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.

Freehold land is not depreciated. Depreciation on other property, plant and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on a 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:-

Freehold buildings	2%
Plant and machinery	10%
Motor vehicles	15%
Other property, plant and equipment	10% - 20%

Capital work-in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

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. Any changes are accounted for as a change in estimate.

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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

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

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

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, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss. The revaluation reserve included in equity is transferred directly to retained profits on retirement or disposal of the asset.

#### 6.7 IMPAIRMENT

##### (a) Impairment of Financial Assets

All financial assets (other than those categorised at fair value through profit or loss and investments in subsidiaries), 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. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be an objective evidence of impairment.

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 an annual impairment assessment is compulsory or 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. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value-in-use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs.

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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

#### 6.7 IMPAIRMENT (CONT'D)

##### (b) Impairment of Non-financial Assets (Cont'd)

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. Any impairment loss recognised in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

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.

#### 6.8 LEASED ASSETS

##### (a) Finance Assets

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the statement of financial position as hire purchase payables.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss and allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

##### (b) Operating Lease

All leases that do not transfer substantially to the Group all the risks and rewards incidental to ownership are classified as operating leases and, the leased assets are not recognised on the statement of financial position of the Group and of the Company.

Payments made under operating leases are recognised as an expense in the profit or loss on a straight-line method over the term of the lease. Lease incentives received are recognised as a reduction of rental expense over the lease term on a straight-line method.

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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

#### 6.9 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost of raw materials 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 and production or conversion cost. The cost of conversion includes costs directly related to unit of production, and a proportion of fixed production overheads based on normal capacity of the production facilities.

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

#### 6.10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, 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 with original maturity periods of three months or less. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdraft.

#### 6.11 EMPLOYEE BENEFITS

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

Wages, salaries, paid annual leave and bonuses 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.

##### (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.



# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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

#### 6.12 INCOME TAXES

##### (a) Current Tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

##### (b) Deferred Tax

Deferred tax are recognised using the liability method for all temporary differences other than those that arise from goodwill 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.

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 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 the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or 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 taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

##### (c) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of GST except for the GST in a purchase of assets or services which are not recoverable from the taxation authorities, the GST are included as part of the costs of the assets acquired or as part of the expense item whichever is applicable.

In addition, receivables and payables are also stated with the amount of GST included (where applicable).

The net amount of the GST recoverable from or payable to the taxation authorities at the end of the reporting period is included in other receivables or other payables.

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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

#### 6.13 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.

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 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).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the reporting entity either directly or indirectly, including any director (whether executive or otherwise) of that entity.

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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

#### 6.14 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, unless the probability of outflow of economic benefits is remote. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

#### 6.15 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.

#### 6.16 EARNINGS PER ORDINARY SHARE

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

#### 6.17 BORROWING COSTS

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

#### 6.18 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 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.

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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

#### 6.18 FAIR VALUE MEASUREMENTS (CONT'D)

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.

#### 6.19 REVENUE AND OTHER INCOME

Revenue is measured at the fair value of the consideration received or receivable, net of returns, goods and services tax, cash and trade discounts

##### (a) Sale of Goods

Revenue from sale of goods is recognised when significant risks and rewards of ownership of the goods have been transferred to the buyer and where the Group does not have continuing managerial involvement and effective control over the goods sold.

##### (b) Interest Income

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

##### (c) Dividend Income

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

##### (d) Rental Income

Rental income is accounted for on a straight-line method over the lease term.

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

### 7. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2017	2016
	RM	RM
Unquoted shares, at cost - in Malaysia	62,557,293	62,557,293
Accumulated impairment losses	(22,110,594)	(15,468,660)
	<u>40,446,699</u>	<u>47,088,633</u>
Accumulated impairment losses:-		
At 1 April 2016/2015	15,468,660	15,468,660
Additions	6,641,934	-
At 31 March 2017/2016	<u>22,110,594</u>	<u>15,468,660</u>

The details of the subsidiaries are as follows:-

Name of Subsidiaries	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent		Principal Activities
		2017 %	2016 %	
<b>Subsidiaries of the Company</b>				
Winsheng Plastic Industry Sdn. Bhd. ("WSP")	Malaysia	100	100	Manufacture and sales of precision plastic injection moulded parts, secondary process, sub-assembly, full assembly of finished products, and tooling fabrication.
Lean Teik Soon Sdn. Bhd.	Malaysia	100	100	Wholesaler/retailer of foodstuff and consumer goods
Denko Management Services Sdn. Bhd.	Malaysia	100	100	Dormant
Winsheng Plastic Marketing Sdn. Bhd.	Malaysia	100	100	Dormant
<b>Subsidiary of WSP</b>				
PT. Winsheng Plastic and Tooling Industry^	Indonesia	100	100	Tooling fabrication and plastic part manufacture

## DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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#### 7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

<sup>^</sup> This subsidiary was audited by other firms of chartered accountants.

- (a) During the financial year, the Company has carried out a review of the recoverable amounts of its investments in certain subsidiaries that had been persistently reporting losses. A total impairment losses of RM6,641,934, representing the write-down, which was recognised in "Other Operating Expenses" line item of the statements of profit or loss and other comprehensive income. The recoverable amounts were determined based on their value in use approach and the pre-tax discount rates used was 6.20%.

These investments in subsidiaries are belonged to the Group's 'Segment 1' reportable segment.

#### 8. PROPERTY, PLANT AND EQUIPMENT

	At 1.4.2016	Additions (Note 29)	Disposals	Write Off	Impairment Losses	Translation Differences	Depreciation Charges	At 31.3.2017
	RM	RM	RM	RM	RM	RM	RM	RM
<b>The Group</b>								
<b>2017</b>								
<i>Net Book Value</i>								
Freehold land	13,910,000	-	-	-	-	-	-	13,910,000
Freehold buildings	26,612,903	-	-	-	-	-	(887,097)	25,725,806
Plant and machinery	8,109,081	5,294,733	(379,793)	(1)	(2,412,856)	177,478	(2,531,977)	8,256,665
Motor vehicles	281,911	131,119	(4)	(2)	(217,559)	1,388	(88,040)	108,813
Other property, plant and equipment*	3,160,110	2,076,099	(3,491)	(228,123)	(1,538,181)	31,873	(1,178,242)	2,320,045
	<u>52,074,005</u>	<u>7,501,951</u>	<u>(383,288)</u>	<u>(228,126)</u>	<u>(4,168,596)</u>	<u>210,739</u>	<u>(4,685,356)</u>	<u>50,321,329</u>

**DENKO INDUSTRIAL CORPORATION BERHAD**

(Incorporated in Malaysia)

Company No: 190155-M

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017****8. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

<b>The Group</b>	At 1.4.2015 RM	Reclassification RM	Additions (Note 29) RM	Disposal RM	Write Off RM	Impairment Losses RM	Translation Differences RM	Depreciation Charges RM	At 31.3.2016 RM
<b>2016</b>									
<i>Net Book Value</i>									
Freehold land	13,910,000	-	-	-	-	-	-	-	13,910,000
Freehold buildings	27,500,000	-	-	-	-	-	-	(887,097)	26,612,903
Plant and machinery	9,326,317	-	1,346,616	-	-	(50,625)	64,199	(2,577,426)	8,109,081
Motor vehicles	262,682	-	417,623	(286,998)	-	-	39	(111,435)	281,911
Other property, plant and equipment*	2,555,641	754,723	800,641	-	(1)	-	3,773	(954,667)	3,160,110
Building under construction	726,581	(754,723)	-	-	-	-	28,142	-	-
	54,281,221	-	2,564,880	(286,998)	(1)	(50,625)	96,153	(4,530,625)	52,074,005

**DENKO INDUSTRIAL CORPORATION BERHAD**

(Incorporated in Malaysia)

Company No: 190155-M

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017****8. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

	At Cost RM	At Valuation RM	Accumulated Impairment Losses RM	Accumulated Depreciation RM	Net Book Value RM
<b>The Group</b>					
<b>2017</b>					
Freehold land	-	13,910,000	-	-	13,910,000
Freehold buildings	-	27,500,000	-	(1,774,194)	25,725,806
Plant and machinery	65,713,725	-	(4,659,462)	(52,797,598)	8,256,665
Motor vehicles	1,527,065	-	(221,424)	(1,196,828)	108,813
Other property, plant and equipment*	22,458,208	-	(1,986,965)	(18,151,198)	2,320,045
	<b>89,698,998</b>	<b>41,410,000</b>	<b>(6,867,851)</b>	<b>(73,919,818)</b>	<b>50,321,329</b>

	At Cost RM	At Valuation RM	Accumulated Impairment Losses RM	Accumulated Depreciation RM	Net Book Value RM
<b>The Group</b>					
<b>2016</b>					
Freehold land	-	13,910,000	-	-	13,910,000
Freehold buildings	-	27,500,000	-	(887,097)	26,612,903
Plant and machinery	62,088,115	-	(2,142,359)	(51,836,675)	8,109,081
Motor vehicles	1,896,701	-	-	(1,614,790)	281,911
Other property, plant and equipment*	21,198,365	-	(385,990)	(17,652,265)	3,160,110
	<b>85,183,181</b>	<b>41,410,000</b>	<b>(2,528,349)</b>	<b>(71,990,827)</b>	<b>52,074,005</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.



# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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

- (a) The details of the Group's freehold land and buildings that carried at fair value are analysed as follows:-

<b>The Group</b>	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
<b>2017</b>				
Freehold land	-	13,910,000	-	13,910,000
Freehold buildings	-	25,725,806	-	25,725,806
	-	39,635,806	-	39,635,806
<b>2016</b>				
Freehold land	-	13,910,000	-	13,910,000
Freehold buildings	-	26,612,903	-	26,612,903
	-	40,522,903	-	40,522,903

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, level 2 and level 3 during the financial year.

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

<b>The Group</b>	Freehold land RM	Freehold buildings RM	Total RM
<b>2017</b>			
Cost	9,106,000	16,549,149	25,655,149
Accumulated depreciation	-	(3,517,688)	(3,517,688)
At 31 March 2017	9,106,000	13,031,461	22,137,461

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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

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

<b>The Group</b>	Freehold land RM	Freehold buildings RM	Total RM
<b>2016</b>			
Cost	9,106,000	16,549,149	25,655,149
Accumulated depreciation	-	(3,186,705)	(3,186,705)
At 31 March 2016	9,106,000	13,362,444	22,468,444

- (c) During the financial year, the Group has carried out a review of the recoverable amount of its production equipment because two subsidiaries had been persistently reporting losses. An impairment loss of RM4,168,596, representing the write-down of the property, plant and equipment, which was recognised in "Other Operating Expenses" line item of the consolidated statements of profit or loss. The recoverable amount of the production equipment was based on its value in use and the pre-tax discount rate used was 6.20%.
- (d) In previous financial year, the Group recognised impairment losses of RM50,625 for plant and equipment, which were idle and no longer in use.
- (e) The following assets at net book value have been pledged to licensed banks as security for banking facilities granted to the Group as disclosed in Notes 16, 21, 23 and 24 to the financial statements:-

	<b>The Group</b>	
	<b>2017</b> RM	<b>2016</b> RM
Freehold land	13,910,000	6,710,000
Freehold buildings	25,725,806	15,387,097
Plant and machinery	3,125,985	-
	<u>42,761,791</u>	<u>22,097,097</u>

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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

- (f) Included in the net book value of the property, plant and equipment of the Group were the following assets acquired under hire purchase terms:-

	The Group	
	2017 RM	2016 RM
Plant and machinery	5,897,904	1,647,907
Motor vehicles	101,529	234,593
Other property, plant and equipment	342,025	422,425
	<u>6,341,458</u>	<u>2,304,925</u>

### 9. INVENTORIES

	The Group	
	2017 RM	2016 RM
Raw materials	6,831,811	5,356,728
Work-in-progress		
- Plastic parts	2,865,344	2,495,978
- Toolings	1,586,836	4,330,801
Packaging materials	1,060,835	409,913
Finished goods	6,109,759	6,266,218
	<u>18,454,585</u>	<u>18,859,638</u>
Recognised in profit or loss:-		
Inventories recognised as cost of sales	92,417,813	77,920,068
Amount written down to net realisable value	44,594	560,101
Inventories written off	788,340	642,824
Reversal of inventories previously written down	(104,764)	-

The reversal of write-down was in respect of the utilisation of raw materials and work-in-progress inventories which were previously written down in their value, and the sales of finished goods above their carrying amounts during the financial year.

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

### 10. TRADE RECEIVABLES

	The Group	
	2017 RM	2016 RM
Trade receivables	29,025,105	22,310,323
Allowance for impairment losses	(1,678,664)	(984,918)
	<u>27,346,441</u>	<u>21,325,405</u>
Allowance for impairment losses:-		
At 1 April 2016/2015	984,918	428,962
Addition during the financial year (Note 26)	852,754	798,965
Reversal during the financial year (Note 26)	(176,418)	(625)
Written off during the financial year	-	(242,384)
Translation differences	17,410	-
At 31 March 2017/2016	<u>1,678,664</u>	<u>984,918</u>

- (a) The Group's normal trade credit terms range from 30 to 90 (2016: 30 to 90) days. Other credit terms are assessed and approved on a case-by-case basis.
- (b) Included in trade receivables of the Group is an amount of RM809,980 (2016: RM Nil) owing by a Company in which a director has a substantial interest in the current financial year.

### 11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Other receivables	1,164,724	1,128,580	131,444	131,444
Goods and services tax recoverable	256,562	215,015	24,353	2,499
Deposits	1,072,056	937,130	1,000	1,000
Prepayments	1,531,671	1,066,992	202,061	127,170
	<u>4,025,013</u>	<u>3,347,717</u>	<u>358,858</u>	<u>262,113</u>
Allowance for impairment losses	(1,111,342)	(170,144)	(131,444)	(131,444)
	<u>2,913,671</u>	<u>3,177,573</u>	<u>227,414</u>	<u>130,669</u>

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

### 11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Allowance for impairment losses:-				
At 1 April 2016/2015	170,144	241,023	131,444	131,444
Addition during the financial year (Note 26)	943,427	-	-	-
Written off during the financial year	(38,700)	(70,879)	-	-
Translation differences	36,471	-	-	-
At 31 March 2017/2016	<u>1,111,342</u>	<u>170,144</u>	<u>131,444</u>	<u>131,444</u>

### 12. AMOUNT OWING BY/(TO) SUBSIDIARIES

	The Company	
	2017 RM	2016 RM
<b>Amount Owing by Subsidiaries</b>		
<u>Current</u>		
Non-trade balances	<u>741,596</u>	<u>2,829,975</u>
<b>Amount Owing to Subsidiaries</b>		
<u>Current</u>		
Non-trade balances	<u>-</u>	<u>(3,359,136)</u>

The non-trade balances represent unsecured payments made on behalf. The amounts owing are repayable on demand.

### 13. NON-CURRENT ASSETS HELD FOR SALES

In previous financial year, Lean Teik Soon Sdn. Bhd., a wholly owned subsidiary of Denko Industrial Corporation Berhad had entered into a Sale and Purchase Agreement 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.

At the end of the previous reporting period, the leasehold land and building had been presented in the consolidated statement of financial position as "Non-current assets held for sale".

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

### 13. NON-CURRENT ASSETS HELD FOR SALES (CONT'D)

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

	The Group	
	2017 RM	2016 RM
Leasehold land	-	2,200,000
Leasehold building	-	3,300,000
Non-current assets held for sale	-	5,500,000

On 3 May 2016, the Group completed the disposal of the abovementioned leasehold land and building.

### 14. SHARE CAPITAL

The movements in the authorised and paid-up share capital of the Company are as follows:-

	The Group/The Company			
	2017 Number Of Shares	2016 Number Of Shares	2017 RM	2016 RM
Ordinary shares				
<b>Authorised</b>	<u>N/A</u>	<u>447,500,000</u>	<u>N/A</u>	<u>179,000,000</u>
<b>Issued and Fully Paid-Up</b>				
At 1 April 2016/2015	104,468,851	104,468,851	41,787,540	41,787,540
Transfer from share premium	-	-	1,566,419	-
At 31 March 2017/2016	<u>104,468,851</u>	<u>104,468,851</u>	<u>43,353,959</u>	<u>41,787,540</u>

N/A Not applicable due to adoption of the Companies Act 2016 as disclosed in item (b) below.

- (a) The holders of ordinary shares are entitled to received dividend as and when declared by the Company, and are entitled to one vote per ordinary share at meetings of the Company.
- (b) On 31 January 2017, the concepts of authorised share capital and par value of share capital were abolished in accordance with the Companies Act 2016. Consequently, the amount standing to the credit of the Company's share premium account became part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Companies Act 2016. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

### 15. RESERVES

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Non-distributable reserves:-				
- Share premium	-	1,566,419	-	1,566,419
- Revaluation reserve	15,090,095	17,959,187	-	-
- Foreign currency translation reserve	549,743	81,054	-	-
	<u>15,639,838</u>	<u>19,606,660</u>	<u>-</u>	<u>1,566,419</u>
Distributable reserve:- (Accumulated losses)/ Retained profits	(13,496,641)	(5,077,186)	(2,375,949)	2,254,231
	<u>2,143,197</u>	<u>14,529,474</u>	<u>(2,375,949)</u>	<u>3,820,650</u>

#### 15.1 Revaluation Reserve

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

#### 15.2 Foreign Exchange Translation Reserve

The foreign exchange translation reserve arose from the translation of the financial statements of a foreign subsidiary.

### 16. LONG-TERM BORROWINGS

	The Group	
	2017 RM	2016 RM
Hire purchase payables (Note 22)	3,636,711	940,471
Term loan (Note 23)	6,834,210	4,592,127
	<u>10,470,921</u>	<u>5,532,598</u>

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

### 17. DEFERRED TAX LIABILITIES

	At 1.4.2016 RM	Recognised in Profit or Loss (Note 27) RM	Exchange Difference RM	At 31.03.2017 RM
<b>The Group</b>				
<b>2017</b>				
<i>Deferred Tax Liabilities</i>				
Accelerated capital allowances	1,794,800	(366,700)	-	1,428,100
Revaluation of land and buildings	3,920,634	(515,134)	-	3,405,500
Unrealised foreign exchange gain	-	112,600	-	112,600
	<u>5,715,434</u>	<u>(769,234)</u>	<u>-</u>	<u>4,946,200</u>
<i>Deferred Tax Assets</i>				
Other temporary differences	(541,034)	501,534	-	(39,500)
Unrealised foreign exchange loss	(143,300)	143,300	-	-
Unused tax losses	(359,855)	388,217	(28,362)	-
	<u>(1,044,189)</u>	<u>1,033,051</u>	<u>(28,362)</u>	<u>(39,500)</u>
	<u>4,671,245</u>	<u>263,817</u>	<u>(28,362)</u>	<u>4,906,700</u>
<b>The Group</b>				
<b>2016</b>				
<i>Deferred Tax Liabilities</i>				
Accelerated capital allowances	2,527,100	(732,300)	-	1,794,800
Revaluation of land and buildings	3,920,634	-	-	3,920,634
Unrealised foreign exchange gain	52,000	(52,000)	-	-
	<u>6,499,734</u>	<u>(784,300)</u>	<u>-</u>	<u>5,715,434</u>
<i>Deferred Tax Assets</i>				
Other temporary differences	(359,200)	(181,834)	-	(541,034)
Unabsorbed capital allowances	-	(143,300)	-	(143,300)
Unused tax losses	-	(362,498)	2,643	(359,855)
	<u>(359,200)</u>	<u>(687,632)</u>	<u>2,643</u>	<u>(1,044,189)</u>
	<u>6,140,534</u>	<u>(1,471,932)</u>	<u>2,643</u>	<u>4,671,245</u>



# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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### 17. DEFERRED TAX LIABILITIES (CONT'D)

At the end of the reporting period, the Group has unutilised reinvestment allowance and unabsorbed tax losses (stated at gross) of approximately RM14,376,000 (2016 – RM14,674,000) and RM 3,623,000 (2016 – RM3,356,000) respectively that are available for offsetting against future taxable profits of the subsidiaries in which the losses arose. No deferred tax assets are recognised in respect of reinvestment allowance as it is not probable that taxable profits of the subsidiary will be available against which the deductible temporary differences can be utilised. The unused tax losses and unabsorbed capital allowances do not expire under current tax legislation. However, the availability of unused tax losses for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to no substantial changes in shareholdings of those subsidiaries under the Income Tax Act 1967 and guidelines issued by the tax authority.

### 18. TRADE PAYABLES

The normal trade credit terms granted to the Group range from 30 to 90 (2016: 30 to 90) days.

### 19. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Other payables	2,651,478	3,773,175	397,660	103,593
Goods and services tax payable	367	-	-	-
Deposit received	-	1,941,000	-	-
Accrued expenses	4,409,473	3,878,970	54,195	46,655
Advances from customers	4,389,574	2,869,308	-	-
	<u>11,450,892</u>	<u>12,462,453</u>	<u>451,855</u>	<u>150,248</u>

### 20. AMOUNT OWING TO DIRECTORS

In previous financial year, the amount owing to directors was unsecured, interest-free and repayable over the next 12 months.

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# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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### 21. SHORT-TERM BORROWINGS

	The Group	
	2017	2016
	RM	RM
Bankers' acceptance	6,296,499	7,320,447
Revolving credit	5,000,000	2,000,000
Hire purchase payables (Note 22)	1,512,754	583,382
Term loan (Note 23)	549,074	344,677
	<u>13,358,327</u>	<u>10,248,506</u>

- (a) Bankers' acceptance is drawn for a period up to 120 days (2016: 120 days) and bears interest rates ranging from 4.55% to 4.62% (2016: 4.79% to 5.41%) per annum.
- (b) Revolving credit is drawn for a period of 180 days (2016: 180 days) and bears interest rates ranging from 5.51% to 5.73% (2016: 5.63%) per annum.
- (c) Bankers' acceptance, revolving credit and term loans are secured by:-
- (i) first and second legal charges over the freehold land, leasehold land and buildings of the Group as disclosed in Note 8 to the financial statements; and
  - (ii) corporate guarantee from the Company.
- (d) Bankers' acceptance, revolving credit and term loans are secured by a negative pledge that imposes certain covenants on a subsidiary that has received the borrowings. The significant covenants of the bankers' acceptance, revolving credits and term loans are as follows:-
- (i) A subsidiary's gearing ratio shall not exceed 0.6 times;
  - (ii) advances to related companies shall be capped at RM2,000,000; and
  - (iii) dividend declared by a subsidiary does not exceed 50% of the current year's profit after tax.

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# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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### 22. HIRE PURCHASE PAYABLES (SECURED)

	The Group	
	2017	2016
	RM	RM
Minimum hire purchase payments:		
- not later than 1 year	1,803,380	668,202
- later than 1 year and not later than 5 years	3,989,466	1,007,583
	<hr/>	<hr/>
	5,792,846	1,675,785
Less: Future finance charges	(643,381)	(151,932)
	<hr/>	<hr/>
Present value of hire purchase payables	5,149,465	1,523,853
	<hr/>	<hr/>

	The Group	
	2017	2016
	RM	RM
<u>Current</u> (Note 21)		
Not later than 1 year	1,512,754	583,382
<u>Non-current</u> (Note 16)		
Later than 1 year and not later than 5 years	3,636,711	940,471
	<hr/>	<hr/>
	5,149,465	1,523,853
	<hr/>	<hr/>

- (a) Included in hire purchase payables of the Group is an amount of RM4,971,666 (2016: RM1,325,215) secured by corporate guarantee from the Company.
- (b) The hire purchase payables of the Group at the end of the reporting period bore effective interest rates ranging from 5.23% to 9.34% (2016: 5.23% to 12.66%). The interest rates are fixed at the inception of the hire purchase arrangements.

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# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

### 23. TERM LOANS (SECURED)

	The Group	
	2017	2016
	RM	RM
<u>Current</u> (Note 21)		
Not later than 1 year	549,074	344,677
<u>Non-Current</u> (Note 16)		
Later than 1 year and not later than 2 years	587,144	370,011
Later than 2 years and not later than 5 years	2,017,255	1,479,783
Later than 5 years	4,229,811	2,742,333
	6,834,210	4,592,127
	<u>7,383,284</u>	<u>4,936,804</u>

(a) The term loans are secured in same manner as disclosed in Note 21 to the financial statements.

(b) The interest rate profile of the term loans is summarised below:-

	Effective Interest Rate	2017	2016
	%	RM	RM
Floating rate term loans	6.40 - 7.17	<u>7,383,284</u>	<u>4,936,804</u>

### 24. BANK OVERDRAFTS (SECURED)

(a) The bank overdrafts of the Group are secured by:-

(i) first party legal charge over the freehold land and buildings as disclosed in Note 8(e) to the financial statements; and

(ii) corporate guarantee from the Company.

(b) The bank overdrafts of the Group at the end of the reporting period bore floating interest rate of 7.65% per annum.

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

### 25. REVENUE

	The Group		The Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Sale of goods	101,602,276	92,752,795	-	-
Dividend income	-	-	2,800,000	-
	<u>101,602,276</u>	<u>92,752,795</u>	<u>2,800,000</u>	<u>-</u>

### 26. (LOSS)/PROFIT BEFORE TAX

	The Group		The Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
(Loss)/Profit before tax is arrived at after charging:-				
Auditors' remuneration				
- statutory audit fees				
- current financial year	110,317	115,973	26,000	23,000
- overprovision in the previous financial year	(2,000)	-	-	-
- non-statutory audit fees	5,800	5,500	4,000	4,000
Bad debts written off	19,168	-	-	-
Depreciation of property, plant and equipment (Note 8)	4,685,356	4,530,625	-	-
Directors' remuneration (Note 31(a))	1,036,794	1,962,078	271,242	285,355
Impairment loss on:				
- investments in subsidiaries (Note 7)	-	-	6,641,934	-
- property, plant and equipment (Note 8)	4,168,596	50,625	-	-
- trade receivables (Note 10)	852,754	798,965	-	-
- other receivables (Note 11)	943,427	-	-	-
Interest expense on financial liabilities not at fair value through profit or loss:				
- bankers' acceptance	390,020	362,968	-	-
- bank overdraft	28,379	96,478	-	-
- hire purchases	256,378	136,294	-	-
- revolving credit	144,243	126,160	-	-
- term loans	323,726	205,960	-	-
- others	-	969	-	-
	<u>-</u>	<u>969</u>	<u>-</u>	<u>-</u>

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

### 26. (LOSS)/PROFIT BEFORE TAX (CONT'D)

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
(Loss)/Profit before tax is arrived at after charging (Cont'd):-				
Inventories written down to net realisable value (Note 9)	44,594	560,101	-	-
Inventories written off (Note 9)	788,340	642,824	-	-
Loss on foreign exchange:				
- realised	8,258	16,634	4,016	-
- unrealised	-	594,232	-	-
Property, plant and equipment written off (Note 8)	228,126	1	-	-
Rental expenses on:				
- equipment	43,033	23,020	-	-
- premises	802,782	648,553	-	-
Staff costs (including other key management personnel as disclosed in Note 31)	26,210,183	24,518,570	-	-
and after crediting:-				
Dividend income from a subsidiary	-	-	2,800,000	-
Gain on disposal of property, plant and equipment	925,050	30,474	-	-
Gain on foreign exchange:				
- realised	89,484	256,682	-	-
- unrealised	558,251	-	-	-
Interest income	-	10,092	-	-
Rental income from premises	272	610,678	-	-
Reversal of impairment loss on trade receivables (Note 10)	176,418	625	-	-
Reversal of inventory written off (Note 9)	104,764	-	-	-

**DENKO INDUSTRIAL CORPORATION BERHAD**

(Incorporated in Malaysia)

Company No: 190155-M

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017****27. INCOME TAX EXPENSE/(INCOME)**

	<b>The Group</b>		<b>The Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Income tax:				
- current tax	50,000	500,000	-	-
- under/(over) provision in the previous financial year	67,996	(21,830)	-	(166,262)
	<u>117,996</u>	<u>478,170</u>	<u>-</u>	<u>(166,262)</u>
Deferred tax (Note 17):				
- origination and reversal of temporary differences	252,917	(965,832)	-	-
- under/(over)provision in the previous financial year	10,900	(506,100)	-	-
	<u>263,817</u>	<u>(1,471,932)</u>	<u>-</u>	<u>-</u>
	<u>381,813</u>	<u>(993,762)</u>	<u>-</u>	<u>(166,262)</u>

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**DENKO INDUSTRIAL CORPORATION BERHAD**

(Incorporated in Malaysia)

Company No: 190155-M

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017****27. INCOME TAX EXPENSE/(INCOME) (CONT'D)**

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

	<b>The Group</b>		<b>The Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
(Loss)/Profit before tax	<u>(10,906,734)</u>	<u>1,992,097</u>	<u>(4,630,180)</u>	<u>(486,380)</u>
Tax at the statutory tax rate of 24%	(2,617,616)	478,103	(1,111,243)	(116,731)
Tax effects of:-				
Non-deductible expenses	3,325,553	243,816	1,783,243	116,731
Non-taxable income	(939,619)	-	(672,000)	-
Utilisation of deferred tax assets previously not recognised	(272,947)	(1,330,957)	-	-
Deferred tax assets not recognised in current financial year	877,653	153,942	-	-
Effect of differential in tax rates of a subsidiary	(70,107)	(10,736)	-	-
Over/(Under)provision of income tax expense in the previous financial year	67,996	(21,830)	-	(166,262)
Over/(Under)provision of deferred tax in the previous financial year	10,900	(506,100)	-	-
Income tax expense/(income) for the financial year	<u>381,813</u>	<u>(993,762)</u>	<u>-</u>	<u>(166,262)</u>



# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

### 28. (LOSS)/EARNINGS PER SHARE

	The Group	
	2017	2016
	RM	RM
<b>Basic</b>		
(Loss)/Profit attributable to owners of the Company (RM)	(11,288,547)	2,985,859
Weighted average number of ordinary shares in issue	104,468,851	104,468,851
Basic (loss)/earnings per share (Sen)	(10.81)	2.86

The Company has not issued any diluted potential ordinary shares and hence, the diluted earnings per share is equal to basic earnings per share.

### 29. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	The Group	
	2017	2016
	RM	RM
Cost of property, plant and equipment purchased (Note 8)	7,501,951	2,564,880
Amount financed through hire purchase	(4,619,843)	(449,365)
Cash disbursed for purchase of property, plant and equipment	2,882,108	2,115,515

### 30. CASH AND CASH EQUIVALENTS

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

	The Group		The Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Cash and bank balances	1,921,419	4,606,695	14,156	23,505
Bank overdraft (Note 24)	(589,982)	-	-	-
	1,331,437	4,606,695	14,156	23,505
Less: Bank balance restricted for usage	-	(870,000)	-	-
	1,331,437	3,736,695	14,156	23,505

In the previous financial year, the bank balance amounted to RM870,000 was earmarked by bank for issuance of guarantees in favour of a third party.

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

### 31. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel of the Group and of the Company include executive directors and non-executive directors of the Company and certain members of senior management of the Group and of the Company.

(a) The key management personnel compensation during the financial year are as follows:-

	The Group		The Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
<b>Directors</b>				
<u>Directors of the Company</u>				
<i>Executive Directors</i>				
Short-term employee benefits:				
- salaries, bonus and other benefits	553,832	789,034	-	-
Defined contribution benefits	211,720	66,339	-	-
	<u>765,552</u>	<u>855,373</u>	<u>-</u>	<u>-</u>
<i>Non-executive Directors</i>				
- fees	236,742	253,355	236,742	253,355
- other benefits	34,500	32,000	34,500	32,000
	<u>271,242</u>	<u>285,355</u>	<u>271,242</u>	<u>285,355</u>
	<u>1,036,794</u>	<u>1,140,728</u>	<u>271,242</u>	<u>285,355</u>
<u>Directors of the Subsidiaries</u>				
<i>Executive Directors</i>				
Short-term employee benefits:				
- salaries, bonus and other benefits	-	790,000	-	-
Defined contribution benefits	-	31,350	-	-
	<u>-</u>	<u>821,350</u>	<u>-</u>	<u>-</u>
Total directors' remuneration (Note 26)	<u>1,036,794</u>	<u>1,962,078</u>	<u>271,242</u>	<u>285,355</u>

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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### 31. KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)

- (a) The key management personnel compensation during the financial year are as follows (Cont'd):-

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Other Key Management Personnel</b>				
Short-term employee benefits	4,543,969	4,292,895	-	-
Defined contribution benefits	418,446	461,546	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total compensation for other key management personnel (Note 26)	4,962,415	4,754,441	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

- (b) The number of the Company's directors with total remuneration falling in bands of RM50,000 are as follows:-

	The Company	
	2017	2016
	Number of Directors	
<b>Executive Directors</b>		
RM100,001 - RM150,000	1	-
RM200,001 - RM250,000	-	1
RM600,001 - RM650,000	-	1
RM650,001 - RM700,000	1	-
<b>Non-executive Directors</b>		
Below RM50,000	8	6
RM50,000 - RM100,000	1	1
	<hr/>	<hr/>
	11	9
	<hr/>	<hr/>

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# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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### 32. RELATED PARTY DISCLOSURES

#### (a) Identities of Related Parties

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

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, holding company, key management personnel and entities within the same group of companies.

#### (b) Significant Related Party Transactions and Balances

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	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Company in which a director has substantial interest</b>				
Loss on disposal of property, plant and equipment	-	11,525	-	-
Sales of plastic parts	540,988	-	-	-

The significant outstanding balances of the related parties (including the allowance for impairment loss made) together with their terms and conditions are disclosed in the respective notes to the financial statements.

### 33. 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 2 main reportable segments as follows:-

- Plastic and tooling – involved in manufacture and sales of precision plastic injection moulded parts, secondary process, sub-assembly, full assembly of finished products, and tooling fabrication
- Food trading – wholesaler/retailer of foodstuff and consumer goods
- Others – investment holding

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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

- (a) The Group Executive Committee assesses the performance of the reportable segments based on their profit before interest expense and tax. The accounting policies of the reportable segments are the same as the Group's accounting policies.
- (b) Each reportable segment assets is measured based on all assets of the segment other than tax-related assets.
- (c) Each reportable segment liabilities is measured based on all liabilities of the segment other than borrowings and tax-related liabilities
- (d) Assets, liabilities and expenses which are common and cannot be meaningfully allocated to the reportable segments are presented under unallocated items. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters) and head office expenses.

Transfer prices between operating segments are at arm's length basis in a manner similar to transactions with third parties. The effects of such inter-segment transaction are eliminated on consolidation.

#### 33.1 BUSINESS SEGMENTS

	Plastic and tooling RM	Food trading RM	Others RM	Group RM
<b>2017</b>				
<b>Revenue</b>				
External revenue	95,596,515	6,005,761	-	101,602,276
Inter-segment revenue	-	9,152	2,800,000	2,809,152
	<u>95,596,515</u>	<u>6,014,913</u>	<u>2,800,000</u>	<u>104,411,428</u>
Consolidation adjustments				<u>(2,809,152)</u>
Consolidated revenue				<u>101,602,276</u>
<b>Results</b>				
Segment (loss)/profit before interest and tax	(7,741,056)	(1,217,846)	2,785,611	(6,173,291)
Finance costs				(1,145,197)
Unallocated expenses				(7,430,180)
Consolidation adjustments				<u>3,841,934</u>
Consolidated loss before tax				<u>(10,906,734)</u>

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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

#### 33.1 BUSINESS SEGMENTS (CONT'D)

	Plastic and tooling RM	Food trading RM	Others RM	Group RM
<b>2017</b>				
Segment (loss)/profit before interest and tax includes the following:-				
Depreciation of property, plant and equipment	(4,497,953)	(187,403)	-	(4,685,356)
Gain on foreign exchange				
- realised	89,484	-	-	89,484
- unrealised	558,251	-	-	558,251
(Loss)/Gain on disposal of property, plant and equipment	(190,216)	1,115,266	-	925,050
Interest expense	(1,137,394)	(5,352)	-	(1,142,746)
Inventories written down	-	(44,594)	-	(44,594)
Inventories written off	-	(788,340)	-	(788,340)
Impairment of				
- trade receivables	(536,673)	(316,081)	-	(852,754)
- other receivables	(844,146)	(99,281)	-	(943,427)
- property, plant and equipment	(3,955,714)	(212,882)	-	(4,168,596)
Property, plant and equipment written off	(5,095)	(223,031)	-	(228,126)
Rental expense				
- equipment	-	(43,033)	-	(43,033)
- premises	(587,382)	(215,400)	-	(802,782)
Reversal of impairment of trade receivables	-	176,418	-	176,418
Reversal of inventories previously written down	104,764	-	-	104,764

**DENKO INDUSTRIAL CORPORATION BERHAD**

(Incorporated in Malaysia)

Company No: 190155-M

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017****33. OPERATING SEGMENTS (CONT'D)**

## 33.1 BUSINESS SEGMENTS (CONT'D)

	Plastic and tooling RM	Food trading RM	Others RM	Group RM
<b>2017</b>				
<b>Assets</b>				
Segment assets	97,634,940	4,977,909	43,026,214	145,639,063
Unallocated assets				
- other receivables, deposits and prepayments				227,414
- cash and bank balances				14,156
Consolidation adjustments				(44,676,338)
Consolidated total assets				<u>101,204,295</u>
 Additions to non-current assets other than financial instruments is:				
- Property, plant and equipment	7,415,491	86,460	-	7,501,951
<b>Liabilities</b>				
Segment liabilities	55,297,034	4,156,564	29,898	59,483,496
Unallocated liabilities				
- other payables and accruals				451,855
Consolidation adjustments				(4,228,212)
Consolidated total liabilities				<u>55,707,139</u>

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**DENKO INDUSTRIAL CORPORATION BERHAD**

(Incorporated in Malaysia)

Company No: 190155-M

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017****33. OPERATING SEGMENTS (CONT'D)**

## 33.1 BUSINESS SEGMENTS (CONT'D)

	Plastic and tooling RM	Food trading RM	Others RM	Group RM
<b>2016</b>				
<b>Revenue</b>				
External revenue	87,419,709	5,333,086	-	92,752,795
Inter-segment revenue	-	49,738	-	49,738
Total revenue	87,419,709	5,382,824	-	92,802,533
Consolidation adjustments				(49,738)
Consolidated revenue				92,752,795
<b>Results</b>				
Segment profit/(loss) before interest and tax	6,036,132	(2,755,709)	(14,999)	3,265,424
Finance costs				(944,496)
Unallocated expenses				(486,380)
Consolidation adjustments				157,549
Consolidated profit before tax				1,992,097
Segment profit before interest and tax includes the following:-				
Depreciation of property, plant and equipment	(4,341,217)	(189,408)	-	(4,530,625)
Gain on foreign exchange - realised	256,682	-	-	256,682
(Loss)/Gain on disposal of property, plant and equipment equipment	(11,522)	41,996	-	30,474
Interest expense	(853,070)	(75,759)	-	(928,829)
Interest income	116	9,976	-	10,092
Inventories written down	(241,373)	(318,728)	-	(560,101)
Inventories written off	-	(642,824)	-	(642,824)
Impairment of - trade receivables	-	(798,965)	-	(798,965)
- property, plant and equipment	(50,625)	-	-	(50,625)
Loss on foreign exchange - realised	-	(16,634)	-	(16,634)
- unrealised	(594,232)	-	-	(594,232)



**DENKO INDUSTRIAL CORPORATION BERHAD**

(Incorporated in Malaysia)

Company No: 190155-M

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017****33. OPERATING SEGMENTS (CONT'D)**

## 33.1 BUSINESS SEGMENTS (CONT'D)

	Plastic and tooling RM	Food trading RM	Others RM	Group RM
<b>2016</b>				
<b>Results (Cont'd)</b>				
Segment profit before interest and tax includes the following (Cont'd):-				
Rental expense				
- equipment	-	(23,020)	-	(23,020)
- premises	(520,053)	(128,500)	-	(648,553)
Rental income	610,678	-	-	610,678
<b>Assets</b>				
Segment assets	104,194,383	11,223,018	53,904,192	169,321,593
Unallocated assets				
- other receivables, deposits and prepayments				130,669
- cash and bank balances				23,505
Consolidation adjustments				(63,793,099)
Consolidated total assets				<u>105,682,668</u>
Additions to non-current assets other than financial instruments is:				
- Property, plant and equipment	2,432,513	132,367	-	2,564,880
<b>Liabilities</b>				
Segment liabilities	50,617,001	6,376,644	5,522,310	62,515,955
Unallocated liabilities				
- other payables and accruals				150,248
- amount owing to directors				955,208
Consolidation adjustments				(14,255,757)
Consolidated total liabilities				<u>49,365,654</u>

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

### 33. OPERATING SEGMENT (CONT'D)

#### 33.2 GEOGRAPHICAL INFORMATION

Revenue is based on the country in which the customers are located.

Non-current assets are determined according to the country where these assets are located. The amounts of non-current assets do not include financial instruments.

Group	Revenue		Non-current Assets	
	2017 RM	2016 RM	2017 RM	2016 RM
Asia-pacific	20,445,919	13,646,602	-	3,563,761
Malaysia	78,903,440	75,054,340	50,321,329	48,510,244
Others	2,252,917	4,051,853	-	-
	<u>101,602,276</u>	<u>92,752,795</u>	<u>50,321,329</u>	<u>52,074,005</u>

#### 33.3 MAJOR CUSTOMERS

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

	Revenue		Segment
	2017 RM	2016 RM	
Customer #1	20,967,072	21,893,987	Plastic and tooling
Customer #2	-	12,935,166	Plastic and tooling
Customer #3	-	11,560,739	Plastic and tooling
Customer #4	16,209,661	-	Plastic and tooling
	<u>37,176,733</u>	<u>46,389,892</u>	

### 34. CAPITAL COMMITMENT

Authorised and Contracted for	The Group	
	2017 RM	2016 RM
Purchase of property, plant and equipment	<u>280,000</u>	<u>543,463</u>

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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### 35. 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.

#### 35.1 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 the respective functional currencies of entities within the Group. The currencies giving rise to this risk are primarily United States Dollar ("USD") 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. The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes.

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:-

##### *Foreign Currency Exposure*

<b>The Group</b>	<b>USD RM</b>	<b>SGD RM</b>
<b>2017</b>		
<u>Financial Assets</u>		
Trade receivables	9,385,935	18,737
Cash and bank balances	260,196	59,338
	<u>9,646,131</u>	<u>78,075</u>
<u>Financial Liabilities</u>		
Trade payables	5,386,435	223,081
Other payables	5,432	39,923
	<u>5,391,867</u>	<u>263,004</u>
Currency Exposure	<u>4,254,264</u>	<u>(184,929)</u>

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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

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

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

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

##### *Foreign Currency Exposure (Cont'd)*

<b>The Group</b>	USD RM	SGD RM
<b>2016</b>		
<u>Financial Assets</u>		
Trade receivables	7,546,469	21,525
Cash and bank balances	330,850	64,775
	<u>7,877,319</u>	<u>86,300</u>
<u>Financial Liabilities</u>		
Trade payables	2,671,702	136,529
Other payables	22,059	169,751
	<u>2,693,761</u>	<u>306,280</u>
Currency Exposure	<u>5,183,558</u>	<u>(219,980)</u>

##### *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:-

	<b>The Group</b>	
	<b>2017</b> RM	<b>2016</b> RM
<b>Effects on Profit After Tax</b>		
USD/RM - strengthened by 16% (2016: 23%)	468,187	840,022
- weakened by 16% (2016: 23%)	(468,187)	(840,022)
SGD/RM - strengthened by 11% (2016: 15%)	(15,235)	(25,570)
- weakened by 11% (2016: 15%)	15,235	25,570
USD/IDR - strengthened by 5% (2016: 4%)	315,929	11,112
- weakened by 5% (2016: 4%)	<u>(315,929)</u>	<u>(11,112)</u>

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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

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

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

###### (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 long-term borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio mix of fixed and floating rate borrowings.

The Group's fixed rate receivables and borrowings are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined MFRS7 since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

The Group's exposure to interest rate risk that based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed in Notes 16, 21, 23 and 24 to the financial statements.

##### *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:-

	<b>The Group</b>	
	<b>2017</b>	<b>2016</b>
	RM	RM
<b>Effects on Profit After Tax</b>		
Increase of 25 basis points (2016: 25 bp)	(30,606)	(21,417)
Decrease of 25 basis points (2016: 25 bp)	30,606	21,417

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

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

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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

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

##### (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 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 uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 6 months, which are deemed to have higher credit risk, are monitored individually.

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 (where applicable). Impairment is estimated by management based on prior experience and the current economic environment.

The Company provides financial guarantee to financial institutions for credit facilities granted to a subsidiary. The Company monitors the results of the subsidiary regularly and repayments made by the subsidiary.

##### (i) Credit Risk Concentration Profile

The Group's major concentration of credit risk relates to the amounts owing by 2 (2016: 4) customers which constituted approximately 35% (2016: 57%) of its trade receivables (including related parties) at the end of the reporting period.

In addition, the Group also determines concentration of credit risk by monitoring the geographical region of its trade receivables on an ongoing basis. The credit risk concentration profile of trade receivables (including related parties) at the end of the reporting period is as follows:-

	The Group	
	2017	2016
	RM	RM
Asia-pacific	6,762,882	3,541,395
Malaysia	20,414,690	16,875,900
Others	168,869	908,110
Total	<u>27,346,441</u>	<u>21,325,405</u>

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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

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

##### (b) Credit Risk (Cont'd)

###### (ii) Exposure to Credit Risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position of the Group and of the Company after deducting any allowance for impairment losses (where applicable).

In addition, the Company's maximum exposure to credit risk also includes corporate guarantees provided to its subsidiary, representing the outstanding banking facilities of the subsidiary as at the end of the reporting period. These corporate guarantees have not been recognised in the Company's financial statements since their fair value on initial recognition were not material. As at the end of the reporting period, there was no indication that the subsidiary would default on repayment.

###### (iii) Ageing Analysis

The ageing analysis of trade receivables (including amount owing by related parties) is as follows:-

<b>The Group</b>	Gross Amount RM	Individual Impairment RM	Translation Differences RM	Carrying Amount RM
<b>2017</b>				
Not past due	20,180,182	-	-	20,180,182
Past due:				
- less than 3 months	6,090,512	-	-	6,090,512
- 3 to 6 months	925,471	(12,028)	(202)	913,241
- more than 6 months	1,565,901	(1,468,600)	(13,337)	83,964
- more than 1 year	263,039	(180,626)	(3,871)	78,542
	<u>29,025,105</u>	<u>(1,661,254)</u>	<u>(17,410)</u>	<u>27,346,441</u>

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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

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

##### (b) Credit Risk (Cont'd)

##### (iii) Ageing Analysis (Cont'd)

The ageing analysis of trade receivables (including amount owing by related parties) is as follows (Cont'd):-

<b>The Group</b>	<b>Gross Amount RM</b>	<b>Individual Impairment RM</b>	<b>Carrying Amount RM</b>
<b>2016</b>			
Not past due	14,282,724	-	14,282,724
Past due:			
- less than 3 months	5,363,665	-	5,363,665
- 3 to 6 months	821,779	-	821,779
- more than 6 months	844,326	(353,593)	490,733
- more than 1 year	997,829	(631,325)	366,504
	<u>22,310,323</u>	<u>(984,918)</u>	<u>21,325,405</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.

The Group believes that no additional impairment allowance is necessary in respect of trade receivables that are past due but not impaired because they are companies with good collection track record and no recent history of default.

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# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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

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

##### (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.

##### *Maturity Analysis*

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):-

<b>The Group</b>	Contractual Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM	Over 5 Years RM
<b>2017</b>						
<u>Non-derivative Financial Liabilities</u>						
Trade payables		14,911,298	14,911,298	14,911,298	-	-
Other payables and accruals		11,450,525	11,450,525	11,450,525	-	-
Bankers' acceptance	4.55 - 4.62	6,296,499	6,296,499	6,296,499	-	-
Revolving credit	5.51 - 5.73	5,000,000	5,000,000	5,000,000	-	-
Hire purchase payables	5.23 - 9.34	5,149,465	5,792,846	1,803,380	3,989,466	-
Term loans	6.40 - 7.17	7,383,284	9,749,866	1,056,732	4,226,928	4,466,206
Bank overdraft	7.65	589,982	589,982	589,982	-	-
		50,781,053	53,791,016	41,108,416	8,216,394	4,466,206

## DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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

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

##### (c) Liquidity Risk (Cont'd)

###### *Maturity Analysis (Cont'd)*

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) (Cont'd):-

<b>The Group</b>	Contractual Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM	Over 5 Years RM
<b>2016</b>						
<u>Non-derivative Financial Liabilities</u>						
Trade payables		11,460,134	11,460,134	11,460,134	-	-
Other payables and accruals		12,462,453	12,462,453	12,462,453	-	-
Amount owing to directors		4,807,551	4,807,551	4,807,551	-	-
Bankers' acceptance	4.79 - 5.41	7,320,447	7,320,447	7,320,447	-	-
Revolving credit	5.63	2,000,000	2,000,000	2,000,000	-	-
Hire purchase payables	5.23 - 12.66	1,523,853	1,675,785	668,202	1,007,583	-
Term loan	7.35	4,936,804	6,957,398	707,532	3,028,562	3,221,304
		44,511,242	46,683,768	39,426,319	4,036,145	3,221,304

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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

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

##### (c) Liquidity Risk (Cont'd)

###### *Maturity Analysis (Cont'd)*

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) (Cont'd):-

<b>The Company</b>	<b>Carrying Amount RM</b>	<b>Contractual Undiscounted Cash Flows RM</b>	<b>Within 1 Year RM</b>
<b>2017</b>			
<u>Non-derivative Financial Liabilities</u>			
Other payables and accruals	451,855	451,855	451,855
Financial guarantee contracts in relation to corporate guarantee given to subsidiaries	*	27,229,708	27,229,708
	<u>451,855</u>	<u>27,681,563</u>	<u>27,681,563</u>
<b>2016</b>			
<u>Non-derivative Financial Liabilities</u>			
Other payables and accruals	150,248	150,248	150,248
Amount owing to directors	955,208	955,208	955,208
Amount owing to subsidiaries	3,359,136	3,359,136	3,359,136
Financial guarantee contracts in relation to corporate guarantee given to subsidiaries	*	17,733,566	17,733,566
	<u>4,464,592</u>	<u>22,198,158</u>	<u>22,198,158</u>

\* The contractual undiscounted cash flows represent the outstanding credit facilities of the subsidiaries at the end of the reporting period. The financial guarantees have not been recognised in since their fair value on initial recognition were not material.

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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

#### 35.2 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 its businesses and maximise shareholders 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 net debts divided by total equity. The Group includes within net debt, loans and borrowings from financial institutions less cash and cash equivalents. The debt-to-equity ratio of the Group at the end of the reporting period was as follows:-

	The Group	
	2017 RM	2016 RM
Bankers' acceptance (Note 21)	6,296,499	7,320,447
Revolving credit (Note 21)	5,000,000	2,000,000
Hire purchase payables (Note 22)	5,149,465	1,523,853
Term loans (Note 23)	7,383,284	4,936,804
Bank overdraft (Note 24)	589,982	-
	<hr/>	<hr/>
	24,419,230	15,781,104
Less: Cash and bank balances	(1,921,419)	(4,606,695)
	<hr/>	<hr/>
Net debt	22,497,811	11,174,409
	<hr/>	<hr/>
Total equity	45,497,156	56,317,014
	<hr/>	<hr/>
Debt-to-equity ratio	49.45%	19.84%
	<hr/>	<hr/>

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

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**DENKO INDUSTRIAL CORPORATION BERHAD**

(Incorporated in Malaysia)

Company No: 190155-M

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017****35. FINANCIAL INSTRUMENTS (CONT'D)**

## 35.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	<b>The Group</b>		<b>The Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Financial Assets</b>				
<u>Loans and Receivables</u>				
<u>Financial Assets</u>				
Trade receivables (Note 10)	27,346,441	21,325,405	-	-
Other receivables and deposits (Note 11)	1,125,438	1,895,566	1,000	1,000
Amount owing by subsidiaries (Note 12)	-	-	741,596	2,829,975
Cash and bank balances	1,921,419	4,606,695	14,156	23,505
	<u>30,393,298</u>	<u>27,827,666</u>	<u>756,752</u>	<u>2,854,480</u>
<b>Financial Liabilities</b>				
<u>Other Financial Liabilities</u>				
Trade payables (Note 18)	14,911,298	11,460,134	-	-
Other payables and accruals (Note 19)	11,450,525	12,462,453	451,855	150,248
Amount owing to directors (Note 20)	-	4,807,551	-	955,208
Amount owing to subsidiaries (Note 12)	-	-	-	3,359,136
Bankers' acceptances (Note 21)	6,296,499	7,320,447	-	-
Revolving credit (Note 21)	5,000,000	2,000,000	-	-
Hire purchase payables (Note 22)	5,149,465	1,523,853	-	-
Term loans (Note 23)	7,383,284	4,936,804	-	-
Bank overdraft (Note 24)	589,982	-	-	-
	<u>50,781,053</u>	<u>44,511,242</u>	<u>451,855</u>	<u>4,464,592</u>

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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

#### 35.4 FAIR VALUE INFORMATION

The fair values of the financial assets and financial liabilities of the Group that maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments.

As the Group does not have any financial instruments carried at fair value, the following table sets out only the fair value profile of financial instruments that are not carried at fair value at the end of the reporting period:-

The Group	Fair Value of Financial Instruments not Carried at Fair Value			Total Fair Value RM	Carrying Amount RM
	Level 1 RM	Level 2 RM	Level 3 RM		
<b>2017</b>					
<u>Financial Liabilities</u>					
Hire purchase payables	-	5,215,145	-	5,215,145	5,149,465
Term loans	-	7,383,284	-	7,383,284	7,383,284
<b>2016</b>					
<u>Financial Liabilities</u>					
Hire purchase payables	-	1,630,207	-	1,630,207	1,523,853
Term loans	-	4,936,804	-	4,936,804	4,936,804

#### Fair Value of Financial Instruments not Carried at Fair Value

- (a) The fair values of the Company's term loans that carry floating interest rates approximately their carrying amounts as they are repriced to market interest rates on or near the reporting date.
- (b) The fair values of hire purchase payables and term loan are determined by discounting the relevant cash flows using current market 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:-

	The Group	
	2017 %	2016 %
Hire purchase payables	4.10 - 8.69	2.39 - 12.66
Term loans	6.40 - 7.17	7.35

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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### 36. SUPPLEMENTARY INFORMATION – DISCLOSURE OF REALISED AND UNREALISED (LOSSES)/PROFITS

The breakdown of the (accumulated losses)/retained profits of the Group and of the Company at the end of the reporting period into realised and unrealised (losses)/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	
	2017 RM	2016 RM	2017 RM	2016 RM
Total (accumulated losses)/ retained profits:				
- realised	8,484,389	32,986,819	(2,375,949)	2,254,231
- unrealised	(3,744,821)	(5,423,026)	-	-
	<u>4,739,568</u>	<u>27,563,793</u>	<u>(2,375,949)</u>	<u>2,254,231</u>
Less: Consolidation adjustments	(18,236,209)	(32,640,979)	-	-
At 31 March	<u>(13,496,641)</u>	<u>(5,077,186)</u>	<u>(2,375,949)</u>	<u>2,254,231</u>

# DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

## ANALYSIS OF SECURITIES

### ORDINARY SHARE AS AT 30 JUNE 2017

Issued and Paid-Up Capital : RM41,787,540.40  
Class of Shares : Ordinary Shares  
Voting Rights : One Vote Per Ordinary Share

### DISTRIBUTION OF SHAREHOLDING AS AT 30 JUNE 2017

Size of Holdings	No. of Holders	%	No. of Shares	%
1 - 99	770	12.814	33,630	0.032
100 - 1,000	3,952	65.768	1,569,201	1.502
1,001 - 10,000	919	15.293	3,225,299	3.087
10,001 - 100,000	292	4.859	10,236,275	9.798
100,001 – 5,223,441 (*)	75	1.248	34,843,596	33.353
5,223,442 and above (**)	1	0.016	54,560.850	52.226
<b>TOTAL</b>	<b>6,009</b>	<b>100.00</b>	<b>104,468,851</b>	<b>100.00</b>

REMARKS : \* Less than 5% of issued Shares

\*\* 5% and above of issued Shares

### DIRECTORS' SHAREHOLDINGS AS AT 30 JUNE 2017

DIRECTOR	No. of Shares Held			
	Direct Interest	%	Indirect Interest	%
FOO CHEE JUAN	-	-	54,560,850 *	52.226
GRACE FOO HUI TING	-	-	-	-
KOH WIN TON	-	-	-	-
WONG CHIN CHIN	-	-	-	-

Note : \* Deemed interested in the shares held by Oregon Technology Sdn. Bhd. ("Oregon") by virtue of his interest in Oregon.

### SUBSTANTIAL SHAREHOLDERS AS AT 30 JUNE 2017

SUBSTANTIAL SHAREHOLDERS	No. of Shares Held			
	Direct Interest	%	Indirect Interest	%
OREGON TECHNOLOGY SDN BHD	54,560,850	52.226	-	-
FOO CHEE JUAN	-	-	54,560,850 *	52.226

Note : \* Deemed interested in the shares held by Oregon Technology Sdn. Bhd. ("Oregon") by virtue of his interest in Oregon.



## DENKO INDUSTRIAL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No: 190155-M

### TOP THIRTY SHAREHOLDERS AS AT 30 JUNE 2017

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

No.	Shareholders	Number of Shares Held	%
1.	OREGON TECHNOLOGY SDN BHD	54,560,850	52.226
2.	AMSEC NOMINEES (ASING) SDN BHD KGI SECURITIES (SINGAPORE) PTE. LTD. FOR LIM CHOON HOCK (205851)	4,329,500	4.144
3.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (AFFIN HWNG SM CF)	3,191,100	3.054
4.	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KUAN TECK	1,755,000	1.679
5.	TAN SIEW HEOH	1,577,800	1.510
6.	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEO CHIN SWEE (DEALER 023)	1,260,000	1.206
7.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR FOO LONG LOKE	1,215,200	1.163
8.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG WAI KONG (7003764)	960,000	0.918
9.	KENNY TAN KENG SENG	956,200	0.915
10.	ONG HAN MING	795,500	0.761
11.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAP CHOON CHOON (E-TSA)	775,900	0.742
12.	CHIN KOK SANG	750,000	0.717
13.	CHAN MUN CHUNG	731,300	0.700
14.	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NAA HOLDINGS SDN BHD	702,396	0.672

**DENKO INDUSTRIAL CORPORATION BERHAD**

(Incorporated in Malaysia)

Company No: 190155-M

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15.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG YENG CHI	700,000	0.670
16.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEY WEE SIONG (E-SGM)	655,600	0.627
17.	CHAN MUN HON	650,000	0.622
18.	TAN CHEONG YEE	550,000	0.526
19.	ZAINUL ABIDEEN BIN FAZLE ABBAS	541,000	0.517
20.	CHAW KAM SHIANG	500,000	0.478
21.	OOI YINN SEEN	498,200	0.476
22.	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ONG LEE CHUAN	498,000	0.476
23.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEE TIAM HOCK	466,300	0.446
24.	AFFIN HWANG NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR DBS VICKERS SECURITIES (SINGAPORE) PTE LTD (CLIENTS)	461,200	0.441
25.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR FOO LONG LOKE (MY1890)	460,000	0.440
26.	TEOH KOCK SENG	431,700	0.413
27.	WONG YENG CHI	430,000	0.411
28.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOW KIM CHING @ KOK KIM SEONG (002)	380,000	0.363
29.	SEOW GEK HONG	359,000	0.343
30.	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NEW CHIOU SHYA (DEALER 023)	350,000	0.335
<b>Total</b>		<b>81,491,746</b>	<b>78.005</b>

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**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  Mukim of Tebrau, District of Johor Bahru, <b>JOHOR</b>	Grant in Perpetuity	Land	2.4 acres	20	17,990	31.03.2015	
16, Jalan Hasil Dua, 81200 Tampoi Johor Bahru, <b>JOHOR</b>		a) 2 Storey Office cum Factory	a) 7,286m <sup>2</sup>	<u>Total: 12,616m<sup>2</sup></u>			
		b) 5 Storey Factory	b) 5,330m <sup>2</sup>				
H.S. (D) 187269 P.T.D. 62921  Mukim of Tebrau, District of Johor Bahru, <b>JOHOR</b>	Freehold	Land	1.0 acre	21	5,409	31.03.2015	
18, Jalan Hasil Satu, 81200 Tampoi, Johor Bahru, <b>JOHOR</b>		2 Storey Office cum Factory	4,100m <sup>2</sup>				

**DENKO INDUSTRIAL CORPORATION BERHAD**

(Incorporated in Malaysia)

Company No: 190155-M

**LIST OF PROPERTIES (CONT'D)**

<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) 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>	18	16,237	31.03.2015
20, Jalan Hasil Dua, 81200 Tampoi, Johor Bahru, <b>JOHOR</b>						



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

**NOTICE OF ANNUAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** THAT THE TWENTY-EIGHTH (28<sup>TH</sup>) ANNUAL GENERAL MEETING OF **DENKO INDUSTRIAL CORPORATION BERHAD**, WILL BE HELD AT THE CONFERENCE ROOM, NO. 16 JALAN HASIL DUA, 81200 TAMPOI, JOHOR BAHRU, JOHOR ON WEDNESDAY, 23 AUGUST 2017 AT 2:30 PM FOR THE FOLLOWING PURPOSES:

**A G E N D A**

**Ordinary Business**

1. To receive the Audited Financial Statements for the financial year ended 31 March, 2017 and the Reports of the Directors and Auditors thereon. *Please refer to Explanatory Note 8 (a) (i)*
2. To approve the Directors' fees for the financial year ended 31 March 2017. *Resolution 1*
3. To approve the Directors' fees for the financial year ending 31 March 2018. *Resolution 2*
4. To re-elect the following retiring Directors in accordance to Article 109 of the Company's Articles of Association:-
  - (i) Dato' Sri Foo Chee Juan; *Resolution 3*
  - (ii) Mr. Koh Win Ton *Resolution 4*
  - (iii) Ms. Wong Chin Chin *Resolution 5*
  - (iv) Ms. Grace Foo Hui Ting *Resolution 6*
5. To re-appoint Messrs Crowe Horwath as Auditors of the Company and to authorise the Directors to fix their remuneration. *Resolution 7*

**Special Business**

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

6. **ORDINARY RESOLUTION**  
**- AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO SECTIONS 75 and 76 OF THE COMPANIES ACT, 2016** *Resolution 8*

"That pursuant to Sections 75 and 76 of the Companies Act, 2016 and subject to the approvals of the relevant government/regulatory authorities, 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."

**- PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH ATA INDUSTRIAL (M) SDN BHD AND JABCO FILTER SYSTEM SDN BHD ("PROPOSED SHAREHOLDERS' MANDATE")**

"THAT approval be and is hereby given for the Company and / or its subsidiaries ("Group") to enter into recurrent transactions of a revenue or trading nature with ATA Industrial (M) Sdn Bhd ("ATA") and Jabco Filter System Sdn Bhd ("Jabco") as set out in Section 4.3 of the Circular to shareholders dated 31 July 2017, which are subject to the approval of the Proposed Shareholders' Mandate, provided that such recurrent transactions are necessary for the day-to-day operations and are carried out in the ordinary course of business and at arms-length basis on normal commercial terms which are consistent with the Group's normal business practices and policies and on terms not more favourable to the related parties than those generally available to the public and on terms not to the detriment of the minority shareholders,

AND THAT such approval shall be in force until:

- (i) the conclusion of the next Annual General Meeting of the Company ("AGM") at which time it will lapse, unless by a resolution passed at that meeting, the authority is renewed;
- (ii) the expiration of the period within which the next AGM is required to be held under Section 340(2) of the Companies Act, 2016 (but must not extend to such extension as may be allowed under Section 340(4) of the Companies Act, 2016); or
- (iii) revoked or varied by ordinary resolution passed by the shareholders in a general meeting,

whichever is the earlier AND THAT the Directors of the Company be and are hereby authorised to do all such acts and things (including, without limitation, to execute all such documents) in the interest of the Company to give effect to the aforesaid shareholders' mandate,

AND THAT in making the appropriate disclosure of the aggregate value of the recurrent transactions conducted pursuant to the shareholders' mandate in the Company's annual report, the Company must provide a breakdown of the aggregate value of the recurrent transactions made during the financial year, amongst others, based on the following information:

- i. the type of the recurrent transactions entered into; and
- ii. the names of the related parties involved in each type of the recurrent transaction and their relationship with the Group.

8. To transact any other ordinary business of which due notice shall have been given.

**BY ORDER OF THE BOARD,**

**YONG MAY LI (f) (LS0000295)**  
**WONG CHEE YIN (f) (MAICSA 7023530)**  
**SANTHI A/P SAMINATHAN (f) (MIA 37094)**

Company Secretaries  
Johor Bahru  
Dated: 31 July 2017

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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 15 August 2017. 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. 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 notarially 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. Pursuant to Paragraph 8.29(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of AGM shall be put to vote by poll.
8. Explanatory Note:
  - (a) Ordinary Business
    - (i) **Item 1 of Agenda**

*This item is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act, 2016 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. 8**

**– Authority To Issue And Allot Shares Pursuant To Sections 75 And 76 Of The Companies Act, 2016**

*The proposed Resolution No. 8, 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 August 2016 and which will lapse at the conclusion of the 28<sup>th</sup> Annual General Meeting of the Company.*

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8. *Explanatory Note (Cont'd):*

(b) *Special Business (Cont'd)*

**(ii) Resolution 9**

**- Proposed Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature**

*The proposed Resolution No. 9, if passed, will allow the Group to enter into recurrent related party transactions of a revenue or trading nature with ATA and Jabco in the ordinary course of business and the necessity to convene separate general meetings from time to time to seek shareholders' approval as and when such recurrent related transactions occur would not arise. Besides facilitating a smoother and more efficient conduct of business, this would substantially reduce administrative time, inconvenience, expenses associated with the convening of such meetings and would place the Group in a better position to leverage and take advantage of business opportunities as and when they may arise, without compromising the corporate objectives of the Group. The shareholders' mandate is subject to renewal on an annual basis.*



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

The Twenty-Eighth (28th) Annual General Meeting of Denko Industrial Corporation Berhad will be held at the Company's Conference Room of No.16, Jalan Hasil Dua, 81200, Tampoi, Johor Bahru, Johor on Wednesday, 23 August 2017 at 2:30 p.m.

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

There is no person standing for election as Director of the Company at this Annual General Meeting except for the following Directors who are seeking for re-election at the Twenty-Eighth (28th) Annual General Meeting of the Company as follows:

<u>Name of Director</u>	<u>Article</u>
Dato' Sri Foo Chee Juan	109
Mr. Koh Win Ton	109
Ms. Wong Chin Chin	109
Ms. Grace Foo Hui Ting	109

Details of the director who is standing for re-election and his shareholdings are set out in the Director's Profile on pages 7 to 8 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 page 31 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>
26 May 2016	2:25 p.m.	Conference Room at No. 20, Jalan Hasil Dua, 81200 Tampoi, Johor Bahru, Johor.
22 August 2016	1:30 p.m.	Conference Room at No. 20, Jalan Hasil Dua, 81200 Tampoi, Johor Bahru, Johor.
14 November 2016	12:30 p.m.	Conference Room at No. 20, Jalan Hasil Dua, 81200 Tampoi, Johor Bahru, Johor.
3 February 2017	2:15 p.m.	Ruyi & Lyn Restaurant, Bangsar Shopping Centre, Kuala Lumpur
20 February 2017	11:45 a.m.	Conference Room at No. 20, Jalan Hasil Dua, 81200 Tampoi, Johor Bahru, Johor.
21 March 2017	10:50 a.m.	Conference Room at No. 20, Jalan Hasil Dua, 81200 Tampoi, Johor Bahru, Johor.
21 March 2017	11:00 a.m.	Conference Room at No. 20, Jalan Hasil Dua, 81200 Tampoi, Johor Bahru, Johor.

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# 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-Eighth (28<sup>th</sup>) Annual General Meeting of the Company to be held at THE CONFERENCE ROOM, NO. 16 JALAN HASIL DUA, 81200 TAMPOI, JOHOR BAHRU, JOHOR on WEDNESDAY, 23 AUGUST 2017 at 2:30 p.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		
RESOLUTION 8		
RESOLUTION 9		

(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 \_\_\_\_\_, 2017

\_\_\_\_\_  
Signature of shareholder(s)

Contact No. :

No. of Shares Held	
CDS Account No.	

### Notes:

- 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 15 August 2017. 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.
- 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. 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.
- 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.
- Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- The 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.

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Fold this flap for sealing

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AFFIX  
STAMP

THE COMPANY SECRETARY  
**DENKO INDUSTRIAL CORPORATION BERHAD (190155-M)**  
Suite 1301, 13<sup>th</sup> Floor  
City Plaza, Jalan Tebrau  
80300 Johor Bahru  
Johor Darul Tak'zim

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