**SMPC CORPORATION BHD.**
**Company No. 79082-V**
(Incorporated In Malaysia)

# REPORTS AND FINANCIAL STATEMENTS 31 MARCH 2015

## CONTENTS

**SMPC CORPORATION BHD.**
**Company No. 79082-V**
(Incorporated In Malaysia)

## CORPORATE INFORMATION

| | |
|---|---|
| **Directors** | Ooi Chieng Sim<br>(Chairman/Executive Director)<br>Ng Chin Nam<br>(Executive Director)<br>Mohd Shahril Fitri Bin Hashim<br>(Executive Director)<br>Chow Choon Hoong<br>(Executive Director)<br>Dato' Lee Hean Guan<br>(Non-Independent Non-Executive Director)<br>Dato' Dennis Chuah<br>(Independent Non-Executive Director)<br>Sudesh a/l K.V. Sankaran<br>(Independent Non-Executive Director)<br>Lim Ghim Chai<br>(Independent Non-Executive Director) |
| **Secretaries** | Chan Yoke Yin<br>Chan Eoi Leng |
| **Audit Committee** | Dato' Dennis Chuah (Chairman)<br>Sudesh a/l K.V. Sankaran<br>Lim Ghim Chai |
| **Registered Office** | 55A Medan Ipoh 1A<br>Medan Ipoh Bistari<br>31400 Ipoh<br>Perak |
| **Business Address** | 2521 Tingkat Perusahaan 6<br>Prai Industrial Estate<br>13600 Prai |

**SMPC CORPORATION BHD.**
**Company No. 79082-V**
(Incorporated In Malaysia)

## CORPORATE INFORMATION

| | |
|---|---|
| **Share Registrar** | Symphony Share Registrars Sdn. Bhd.<br>Level 6 Symphony House<br>Pusat Dagangan Dana 1<br>Jalan PJU 1A/46<br>47301 Petaling Jaya<br>Selangor |
| **Auditors** | Grant Thornton<br>Chartered Accountants |
| **Bankers** | AmBank (M) Berhad<br>AmIslamic Bank Berhad<br>Hong Leong Bank Berhad<br>Malayan Banking Berhad<br>HSBC Bank Malaysia Berhad |
| **Stock Exchange Listing** | Main Market of Bursa Malaysia Securities Berhad<br>Stock name: SMPC<br>Stock code: 7099 |

**SMPC CORPORATION BHD.**
**Company No. 79082-V**
(Incorporated In Malaysia)

# DIRECTORS' REPORT
# FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

The directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended **31 March 2015**.

## PRINCIPAL ACTIVITIES

The principal activities of the Company consist of investment holding, letting of industrial and commercial assets and management consultancy. The principal activities of the subsidiaries are disclosed in Note 6 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

## RESULTS

| | GROUP RM | COMPANY RM |
|---|---|---|
| Profit after tax for the year | 3,998,503 | 1,563,718 |
| Attributable to: | | |
| Owners of the parent | 4,000,395 | 1,563,718 |
| Non-controlling interests | (1,892) | - |
| | 3,998,503 | 1,563,718 |

In the opinion of the directors, except for those disclosed in the financial statements, the results of the operations of the Group and of the Company for the financial year ended **31 March 2015** have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

## DIVIDENDS

Since the end of the previous financial year, the Company distributed a share dividend on the basis of one treasury share for every twenty ordinary shares held in respect of the financial year ended 31 March 2015.

The directors do not recommend any final dividend payment for the financial year.

## RESERVES AND PROVISIONS

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

## SHARE CAPITAL AND DEBENTURE

During the financial year, the Company had increased its issued and paid-up ordinary share capital from RM54,704,859 to RM77,978,009 by:

(i) issuance of 1,850,000 ordinary shares of RM1 each arising from the conversion of 1,850,000 10-year 0% Irredeemable Convertible Unsecured Loan Stocks ("ICULS") at nominal value of RM0.10 each by surrendering for cancellation one ICULS of RM0.10 each and paying the difference between the nominal value of ICULS and conversion price of RM1 each; and

(ii) issuance of 21,423,150 new ordinary shares of RM1 each pursuant to its two-call rights issue at an issue price of RM1 per share (of which the first call of RM0.90 was payable in cash on application and the second call of RM0.10 was capitalised from the Company's share premium account) with 10,711,565 free detachable Warrants C ("Rights Issue with Warrants").

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

Other than the foregoing, the Company did not issue any other share or debenture and did not grant any option to anyone to take up unissued shares of the Company.

## TREASURY SHARES

The shareholders of the Company, by a special resolution passed in a general meeting held on 26 September 2014, approved the Company's plan to repurchase its own shares.

During the financial year ended 31 March 2015, the Company repurchased 5,455,500 of its issued share capital from the open market. The average price paid for the shares repurchased was RM0.74 per share including transaction costs, and the repurchase transactions were financed by internally generated funds. The shares repurchased are held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

On 6 November 2014, the Company declared and approved a share dividend in respect of financial year ended 31 March 2015 via distribution of 3,511,712 treasury shares on the basis of one treasury share for every twenty ordinary shares held. The share dividend was distributed on 5 January 2015.

As at 31 March 2015, the Company held a total of 4,378,456 treasury shares out of its 77,978,009 issued ordinary shares. The treasury shares are held at a carrying amount of RM3,182,418 and further relevant details are disclosed in Note 13.2 to the financial statements.

## 10-YEAR 0% IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("ICULS") AND WARRANTS

The salient features of the ICULS and Warrants are disclosed in Notes 12 and 13.3 to the financial statements respectively.

Details of ICULS and Warrants issued to directors are disclosed in the section on directors' interest in this report.

## EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

The Company's ESOS is governed by the By-Laws approved by the shareholders at an Extraordinary General Meeting held on 28 September 2012. The ESOS came into effect on 19 November 2012 and will be in force for duration of three years expiring on 18 October 2015.

The details of options over unissued ordinary shares granted to eligible employees and directors of the Group during the financial year are as follows:

| | | Number of Share Options | | | | | |
|---|---|---|---|---|---|---|---|
| Grant date | Exercise price RM | Balance at 1.4.14 | Granted and accepted | Adjustment * | Exercised | Lapsed | Balance at 31.3.15 |
| 9.10.13 | 1.00 | 2,392,500 | - | 147,615 | - | (330,990) | 2,209,125 |
| 14.10.14 | 1.00 | - | 481,500 | - | - | (47,500) | 434,000 |

The salient features of the ESOS are disclosed in Note 33 to the financial statements.

The Company has been granted exemption by the Companies Commission of Malaysia ("SSM") from having to disclose the names of option holders, other than directors, who have been granted options to subscribe for less than 50,000 ordinary shares of RM1 each. The additional options granted during the year have also been granted exemption by SSM for those who have been granted options to subscribe for less than 75,000 ordinary shares of RM1 each. The names of option holders granted options to subscribe for 50,000/75,000 or more ordinary shares of RM1 each during the financial year are as follows:

| | Number of Share Options | | | | | |
|---|---|---|---|---|---|---|
| Name | Balance at 1.4.14 | Granted and accepted | Adjustment * | Exercised | Lapsed | Balance at 31.3.15 |
| Ramakrishnan a/l Thangasamy Chettiar | 90,000 | - | - | - | (90,000) | - |
| Siva Raman a/l S. Ramasamy Pattar | 75,000 | - | 3,853 | - | - | 78,853 |
| Mahendra Kumar a/l S. Balakrishnan | 75,000 | - | 3,853 | - | - | 78,853 |
| Mahendra Kumar a/l S. Balakrishnan | 75,000 | - | 3,853 | - | - | 78,853 |
| Mohan a/l Balakrishnan | - | 75,000 | 3,853 | - | - | 78,853 |

Details of options granted to directors are disclosed in the section on directors' interests in this report.

* Adjustment to the number of share options pursuant to the Company's Rights Issue with Warrants.

## DIRECTORS

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

**Ooi Chieng Sim**
**Ng Chin Nam**
**Mohd Shahril Fitri Bin Hashim**
**Dato' Lee Hean Guan**

**Sudesh a/l K.V. Sankaran**
**Dato' Dennis Chuah**
**Chow Choon Hoong (appointed on 29.6.15)**
**Lim Ghim Chai (appointed on 29.6.15)**
**Maniam a/l Rajakeresnen (appointed on 29.8.14 and resigned on 31.3.15)**

## DIRECTORS' INTERESTS

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

| | | \|------- Number of ordinary shares of RM1 each -------\| | | | | |
|---|---|---|---|---|---|---|
| | | Balance at 1.4.14 | Bought | Share Dividend [1] | Sold | Balance at 31.3.15 |
| | **The Company** | | | | | |
| | **Direct Interest:** | | | | | |
| | Ooi Chieng Sim | 1,435,416 | 1,500,000 | 146,770 | - | 3,082,186 |
| | Ng Chin Nam | 36,833 | 36,833 | 3,683 | - | 77,349 |
| | Dato' Lee Hean Guan | 584,003 | 584,003 | 58,400 | - | 1,226,406 |
| | **Deemed Interest:** | | | | | |
| 2 | Ooi Chieng Sim | 10,400,000 | 3,450,000 | 692,500 | - | 14,542,500 |
| 3 | Dato' Lee Hean Guan | 914,678 | - | 43,541 | (43,853) | 914,366 |
| | **Other Interest:** | | | | | |
| 4 | Ng Chin Nam | 3,250 | - | 162 | - | 3,412 |
| 4 | Dato' Lee Hean Guan | 870,133 | - | 43,506 | - | 913,639 |

| | | \|- Number of 10-year 0% ICULS of RM0.10 nominal value each -\| | | | |
|---|---|---|---|---|---|
| | | Balance at 1.4.14 | Bought | Sold | Balance at 31.3.15 |
| | **The Company** | | | | |
| | **Direct Interest:** | | | | |
| | Ng Chin Nam | 320,000 | - | - | 320,000 |
| | Dato' Lee Hean Guan | 968,100 | - | - | 968,100 |
| | **Deemed Interest:** | | | | |
| 2 | Ooi Chieng Sim | 40,000,000 | - | - | 40,000,000 |
| 3 | Dato' Lee Hean Guan | 303,600 | - | (303,600) | - |
| | **Other Interest:** | | | | |
| 4 | Dato' Lee Hean Guan | 6,024,000 | - | - | 6,024,000 |

| | Number of Warrants B | | | | |
|---|---|---|---|---|---|
| | Balance at 1.4.14 | Adjustment [5] | Bought | Sold | Balance at 31.3.15 |
| **The Company** | | | | | |
| **Direct Interest:** | | | | | |
| Ng Chin Nam | 25,000 | 1,284 | - | - | 26,284 |
| Dato' Lee Hean Guan | 276,810 | 14,223 | - | - | 291,033 |
| **Deemed Interest:** | | | | | |
| 2 Ooi Chieng Sim | 68 | 299,646 | - | - | 299,714 |
| 3 Dato' Lee Hean Guan | 30,360 | - | - | (30,360) | - |
| **Other Interest:** | | | | | |
| 4 Dato' Lee Hean Guan | 602,400 | 30,953 | - | - | 633,353 |

| | Number of Warrants C | | | |
|---|---|---|---|---|
| | Balance at 1.4.14 | Bought | Exercised | Balance at 31.3.15 |
| **The Company** | | | | |
| **Direct Interest:** | | | | |
| Ooi Chieng Sim | - | 750,000 | - | 750,000 |
| Ng Chin Nam | - | 18,416 | - | 18,416 |
| Dato' Lee Hean Guan | - | 292,001 | - | 292,001 |
| **Deemed Interest:** | | | | |
| 2 Ooi Chieng Sim | - | 1,725,000 | - | 1,725,000 |

| | Number of options over ordinary shares of RM1 each | | | | |
|---|---|---|---|---|---|
| | Balance at 1.4.14 | Granted and accepted | Adjustment [5] | Exercised | Balance at 31.3.15 |
| Ng Chin Nam | 140,000 | - | 7,193 | - | 147,193 |
| Mohd Shahril Fitri Bin Hashim | 150,000 | - | 7,707 | - | 157,707 |
| Sudesh a/l K.V. Sankaran | 50,000 | - | 2,569 | - | 52,569 |

Notes:

1 Share dividend distribution on the basis of one treasury share for every twenty ordinary shares held on 5 January 2015.

2 By virtue of his interest in Hock Lok Siew Realty Sdn. Bhd. ("HLSR") and Skylitech Resources Sdn. Bhd. ("SRSB"), he is deemed to have interest in the shares of the Company that are held by HLSR and SRSB.

3 By virtue of his interest in Hean Brothers Holdings Sdn. Bhd. ("HBHSB") and Lagenda Perdana Sdn. Bhd. ("LPSB"), he is deemed to have interest in the shares of the Company that are held by HBHSB and LPSB.

4 By virtue of the spouse's interest.

5 Adjustment pursuant to the Company's Rights Issue with Warrants.

By virtue of his interest in the shares of the Company, **Mr. Ooi Chieng Sim** is also deemed interested in the shares of all the subsidiaries, to the extent that the Company has interests.

Other than the above, none of the other directors have any interest in shares in the Company or its related corporations during the financial year.

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors shown in the financial statements) by reason of a contract made by the Company or a related corporation with a director or with a firm of which the director is a member or with a company in which the director has a substantial financial interest, other than those related party transactions disclosed in the notes to the financial statements.

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the objects of enabling directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## OTHER STATUTORY INFORMATION

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

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

(ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

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

(i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, and

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

(iii) that would render any amount stated in the financial statements of the Group and of the Company misleading, and

(iv) 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.

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

(i) 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 other than those disclosed in the notes to the financial statements, and

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

No contingent liability 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 as and when they fall due.

**AUDITORS**

The auditors, **Grant Thornton,** have expressed their willingness to continue in office.

Signed in accordance with a resolution of the directors:

| | |
|---|---|
| ........................................ | ........................................ |
| **Ooi Chieng Sim** | **Ng Chin Nam** |

**Penang,**

**Date: 31 July 2015**

**SMPC CORPORATION BHD.**
**Company No. 79082-V**
(Incorporated In Malaysia)

## DIRECTORS' STATEMENT

In the opinion of the directors, the financial statements set out on pages 16 to 99 are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at **31 March 2015** and of their financial performance and cash flows for the financial year then ended.

In the opinion of the directors, the supplementary information set out on page 100 has been compiled in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed in accordance with a resolution of the directors:

..................................................
**Ooi Chieng Sim**

..................................................
**Ng Chin Nam**

**Date: 31 July 2015**

## STATUTORY DECLARATION

I, **Ng Chin Nam**, the director primarily responsible for the financial management of **SMPC Corporation Bhd.** do solemnly and sincerely declare that the financial statements set out on pages 16 to 99 and the supplementary information set out on page 100 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by )
the abovenamed at Penang, this **31st** )
day of **July 2015.** )

..................................................
**Ng Chin Nam**

**Before me,**

PESURUHJAYA SUMPAH
No: P 125
Nama: GOH SUAN BEE
MALAYSIA

..................................................
**Commissioner for Oaths**

20 Lebuh King
10200 Pulau Pinang

Grant Thornton

An instinct for growth™

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SMPC CORPORATION BHD.**
**Company No. 79082-V**
(Incorporated In Malaysia)

**Grant Thornton** (AF:0042)
**51-8-A, Menara BHL Bank**
**Jalan Sultan Ahmad Shah**
**10050 Penang, Malaysia**

**T +6 (04) 228 7828**
**F +6 (04) 227 9828**
**www.gt.com.my**

## Report on the Financial Statements

We have audited the financial statements of **SMPC Corporation Bhd.**, which comprise the statements of financial position as at **31 March 2015** of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 16 to 99.

## Directors' Responsibility for the Financial Statements

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

## Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

**Independent Auditors' Report To The Members Of**
**SMPC Corporation Bhd. (cont'd)**
**Company No. 79082-V**
(Incorporated In Malaysia)

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

## Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at **31 March 2015** and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

## Report on Other Legal and Regulatory Requirements

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act,

(b) We have considered the accounts and the auditors' report of the subsidiary of which we have not acted as auditors, which are indicated in Note 6 to the financial statements,

(c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes, and

(d) The auditors' reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Grant Thornton
An instinct for growth™

**Independent Auditors' Report To The Members Of SMPC Corporation Bhd. (cont'd)**
**Company No. 79082-V**
(Incorporated In Malaysia)

**Other Reporting Responsibilities**

The supplementary information set out on page 100 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 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Grant Thornton

**Grant Thornton**
**No. AF: 0042**
**Chartered Accountants**

Yap Soon Hin

**Yap Soon Hin**
**No. 947/03/17 (J)**
**Chartered Accountant**

**Date: 31 July 2015**

**Penang**

Company No. 79082-V

**SMPC CORPORATION BHD.**
**Company No. 79082-V**
(Incorporated In Malaysia)

## STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2015

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | **2015** | 2014 | **2015** | 2014 |
| | **NOTE** | **RM** | RM | **RM** | RM |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 4 | **70,254,040** | 67,848,850 | **1,698,975** | 477,683 |
| Investment properties | 5 | **37,740,114** | 36,211,800 | **24,727,698** | 24,727,698 |
| Investment in subsidiaries | 6 | **-** | - | **35,364,293** | 24,228,855 |
| Other investments | 7 | **7,609,902** | 6,682,428 | **-** | - |
| | | **115,604,056** | 110,743,078 | **61,790,966** | 49,434,236 |
| **Current assets** | | | | | |
| Inventories | 8 | **11,495,694** | 13,445,014 | **-** | - |
| Trade and other receivables | 9 | **38,591,082** | 37,302,620 | **85,633,264** | 79,992,903 |
| Current tax assets | | **466,735** | - | **-** | - |
| Fixed deposits with licensed banks | 10 | **537,656** | 506,183 | **537,656** | 506,183 |
| Cash and bank balances | | **3,406,526** | 4,038,026 | **53,082** | 308,104 |
| | | **54,497,693** | 55,291,843 | **86,224,002** | 80,807,190 |
| **TOTAL ASSETS** | | **170,101,749** | 166,034,921 | **148,014,968** | 130,241,426 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity attributable to owners of the parent** | | | | | |
| Share capital | 11 | **77,978,009** | 54,704,859 | **77,978,009** | 54,704,859 |
| Irredeemable Convertible Unsecured Loan Stocks | 12 | **22,064,297** | 22,249,297 | **22,064,297** | 22,249,297 |
| Other reserves | 13 | **30,416,672** | 33,371,404 | **35,254,893** | 40,562,742 |
| | | **130,458,978** | 110,325,560 | **135,297,199** | 117,516,898 |
| **Non-controlling interests** | | **(125,433)** | 7,613,713 | **-** | - |
| **Total equity** | | **130,333,545** | 117,939,273 | **135,297,199** | 117,516,898 |
| **Non-current liabilities** | | | | | |
| Trade and other payables | 14 | **467,069** | 1,304,211 | **-** | 377,402 |
| Borrowings | 15 | **10,815,843** | 10,373,431 | **8,735,450** | 9,304,197 |
| Deferred tax liabilities | 16 | **3,470,195** | 3,991,207 | **1,398,207** | 1,339,768 |
| | | **14,753,107** | 15,668,849 | **10,133,657** | 11,021,367 |
| **Current liabilities** | | | | | |
| Trade and other payables | 14 | **21,357,238** | 15,999,482 | **952,923** | 661,887 |
| Borrowings | 15 | **3,177,770** | 15,333,298 | **1,364,782** | 1,015,521 |
| Current tax liabilities | | **480,089** | 1,094,019 | **266,407** | 25,753 |
| | | **25,015,097** | 32,426,799 | **2,584,112** | 1,703,161 |
| **Total liabilities** | | **39,768,204** | 48,095,648 | **12,717,769** | 12,724,528 |
| **TOTAL EQUITY AND LIABILITIES** | | **170,101,749** | 166,034,921 | **148,014,968** | 130,241,426 |

The notes set out on pages 23 to 99 form an integral part of these financial statements.

Company No. 79082-V

**SMPC CORPORATION BHD.**
**Company No. 79082-V**
(Incorporated In Malaysia)

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | **2015** | 2014 | **2015** | 2014 |
| | **NOTE** | **RM** | RM | **RM** | RM |
| Revenue | 17 | **141,209,278** | 143,601,686 | **5,566,780** | 21,539,977 |
| Other income | 18 | **3,225,171** | 3,226,666 | **37,519** | 1,513,891 |
| Changes in inventories of work in progress, trading inventories and finished goods | | **(1,489,625)** | (46,794) | - | - |
| Raw materials and consumables used | | **(47,023,673)** | (53,557,836) | - | - |
| Trading goods purchased | | **(48,217,350)** | (54,312,693) | - | - |
| Employee benefits expense | 19 | **(9,553,418)** | (11,525,555) | **(745,357)** | (1,395,010) |
| Depreciation | | **(3,423,478)** | (3,469,100) | **(181,762)** | (133,836) |
| Other operating expenses | | **(29,190,457)** | (17,289,350) | **(1,782,331)** | (1,081,392) |
| **Operating profit** | | **5,536,448** | 6,627,024 | **2,894,849** | 20,443,630 |
| Finance costs | 21 | **(1,539,481)** | (2,006,974) | **(753,907)** | (846,345) |
| **Profit before tax** | 22 | **3,996,967** | 4,620,050 | **2,140,942** | 19,597,285 |
| Tax income/(expense) | 23 | **1,536** | (1,632,889) | **(577,224)** | (227,439) |
| **Profit for the year** | | **3,998,503** | 2,987,161 | **1,563,718** | 19,369,846 |
| **Other comprehensive income, net of tax** | | | | | |
| **Items that will be reclassified subsequently to profit or loss:** | | | | | |
| Foreign currency translation differences for foreign operation | | - | (214,551) | - | - |
| Realisation of foreign translation reserve upon disposal of a foreign subsidiary | | - | 700,410 | - | - |
| Fair value adjustment on available-for-sale financial assets | | **84,582** | 818,303 | - | - |
| **Other comprehensive income for the year** | | **84,582** | 1,304,162 | - | - |
| **Total comprehensive income for the year** | | **4,083,085** | 4,291,323 | **1,563,718** | 19,369,846 |
| **Profit/(Loss) attributable to:** | | | | | |
| Owners of the parent | | **4,000,395** | 2,925,420 | **1,563,718** | 19,369,846 |
| Non-controlling interests | | **(1,892)** | 61,741 | - | - |
| | | **3,998,503** | 2,987,161 | **1,563,718** | 19,369,846 |
| **Total comprehensive income/(loss) attributable to:** | | | | | |
| Owners of the parent | | **4,085,319** | 4,285,365 | **1,563,718** | 19,369,846 |
| Non-controlling interests | | **(2,234)** | 5,958 | - | - |
| | | **4,083,085** | 4,291,323 | **1,563,718** | 19,369,846 |
| **Earnings per share attributable to owners of the parent (sen)** | | | | | |
| - Basic | 24.1 | **7.29** | 6.15 | | |
| - Diluted | 24.2 | **7.29** | 5.89 | | |

The notes set out on pages 23 to 99 form an integral part of these financial statements.

**SMPC CORPORATION BHD.**
Company No. 79082-V
(Incorporated In Malaysia)

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

| | | Attributable to Owners of the Parent | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Non-distributable | | | | | | | | Distributable | | | | |
| | NOTE | Share Capital RM | ICULS RM | Share Premium RM | Treasury Shares RM | Warrants Reserve RM | Discount on Shares RM | Fair Value Reserve RM | Exchange Translation Reserve RM | Capital Reserve RM | ESOS Reserve RM | Retained Profits RM | Total RM | Non-controlling Interests RM | Total Equity RM |
| **2015** | | | | | | | | | | | | | | | |
| Balance at beginning | | 54,704,859 | 22,249,297 | 18,063,045 | (2,572,935) | 3,186,005 | (3,105,465) | 578,808 | - | - | 301,606 | 16,920,340 | 110,325,560 | 7,613,713 | 117,939,273 |
| Other comprehensive income: | | | | | | | | | | | | | | | |
| Fair value of available-for-sale financial assets | | - | - | - | - | - | - | 84,582 | - | - | - | - | 84,582 | - | 84,582 |
| Profit for the year | | - | - | - | - | - | - | - | - | | - | 4,000,395 | 4,000,395 | (1,892) | 3,998,503 |
| Total comprehensive income | | - | - | - | - | - | - | 84,582 | - | - | - | 4,000,395 | 4,084,977 | (1,892) | 4,083,085 |
| *Transactions with owners:* | | | | | | | | | | | | | | | |
| Issuance of shares pursuant to: | 11 | | | | | | | | | | | | | | |
| - Conversion of ICULS | | 1,850,000 | (185,000) | - | - | - | - | - | - | - | - | - | 1,665,000 | - | 1,665,000 |
| - Rights issue with warrants | | 21,423,150 | - | (2,142,315) | - | 2,593,329 | (2,593,329) | - | - | - | - | - | 19,280,835 | - | 19,280,835 |
| Purchase of treasury shares | 13.2 | - | - | - | (4,045,236) | - | - | - | - | - | - | - | (4,045,236) | - | (4,045,236) |
| Pursuant to ESOS granted: | 13.6 | | | | | | | | | | | | | | |
| - Share-based-payment compensation | | - | - | - | - | - | - | - | - | - | 108,071 | - | 108,071 | - | 108,071 |
| - Transfer of reserves | | - | - | - | | - | - | - | - | - | (84,294) | 84,294 | - | - | - |
| Settlement of rights issue expenses | | - | - | (697,483) | - | - | - | - | - | - | - | | (697,483) | - | (697,483) |
| Share dividend | 25 | - | - | (3,435,753) | 3,435,753 | - | - | - | - | - | - | - | - | - | - |
| Premium paid on acquisition of a subsidiary | | - | - | - | - | - | - | - | - | (262,746) | - | - | (262,746) | (7,737,254) | (8,000,000) |
| Total transactions with owners | | 23,273,150 | (185,000) | (6,275,551) | (609,483) | 2,593,329 | (2,593,329) | - | - | (262,746) | 23,777 | 84,294 | 16,048,441 | (7,737,254) | 8,311,187 |
| Balance at end | | 77,978,009 | 22,064,297 | 11,787,494 | (3,182,418) | 5,779,334 | (5,698,794) | 663,390 | - | (262,746) | 325,383 | 21,005,029 | 130,458,978 | (125,433) | 130,333,545 |
| **2014** | | | | | | | | | | | | | | | |
| Balance at beginning | | 48,489,059 | 22,832,377 | 21,445,955 | - | 3,186,005 | (3,105,465) | (239,495) | (541,642) | - | - | 15,838,202 | 107,904,996 | 8,516,471 | 116,421,467 |
| Foreign currency translation differences | | - | - | - | - | - | - | - | (158,768) | - | - | - | (158,768) | (55,783) | (214,551) |
| Realisation of foreign currency translation differences upon disposal | | - | - | - | - | - | - | - | 700,410 | - | - | - | 700,410 | - | 700,410 |
| Fair value of available-for-sale financial assets | | - | - | - | - | - | - | 818,303 | - | - | - | - | 818,303 | - | 818,303 |
| Total other comprehensive income | | - | - | - | - | - | - | 818,303 | 541,642 | - | - | - | 1,359,945 | (55,783) | 1,304,162 |
| Profit for the year | | - | - | - | - | - | - | - | - | - | - | 2,925,420 | 2,925,420 | 61,741 | 2,987,161 |
| Total comprehensive income | | - | - | - | - | - | - | 818,303 | 541,642 | - | - | 2,925,420 | 4,285,365 | 5,958 | 4,291,323 |
| *Transactions with owners:* | | | | | | | | | | | | | | | |
| Issuance of shares pursuant to: | 11 | | | | | | | | | | | | | | |
| - ESOS | | 385,000 | - | - | - | - | - | - | - | - | - | - | 385,000 | - | 385,000 |
| - Conversion of ICULS | | 5,830,800 | (583,080) | - | - | - | - | - | - | - | - | - | 5,247,720 | - | 5,247,720 |
| Purchase of treasury shares | 13.2 | - | - | - | (6,000,120) | - | - | - | - | - | - | - | (6,000,120) | - | (6,000,120) |
| Pursuant to ESOS granted: | 13.6 | | | | | | | | | | | | | | |
| - Share-based-payment compensation | | - | - | - | - | - | - | - | - | - | 368,076 | - | 368,076 | - | 368,076 |
| - Transfer of reserves | | - | - | 44,275 | - | - | - | - | - | - | (66,470) | 22,195 | - | - | - |
| Dividend | 25 | - | - | - | - | - | - | - | - | - | - | (1,865,477) | (1,865,477) | - | (1,865,477) |
| Share dividend | 25 | - | - | (3,427,185) | 3,427,185 | - | - | - | - | - | - | | - | - | - |
| Disposal of a subsidiary | | - | - | - | - | - | - | - | - | - | - | - | - | (908,716) | (908,716) |
| Total transactions with owners | | 6,215,800 | (583,080) | (3,382,910) | (2,572,935) | - | - | - | - | - | 301,606 | (1,843,282) | (1,864,801) | (908,716) | (2,773,517) |
| Balance at end | | 54,704,859 | 22,249,297 | 18,063,045 | (2,572,935) | 3,186,005 | (3,105,465) | 578,808 | - | - | 301,606 | 16,920,340 | 110,325,560 | 7,613,713 | 117,939,273 |

The notes set out on pages 23 to 99 form an integral part of these financial statements.

**SMPC CORPORATION BHD.**
**Company No. 79082-V**
(Incorporated In Malaysia)

## STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

| | | |-------- | Non-distributable | | | | | --------| Distributable | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | NOTE | Share Capital RM | ICULS RM | Share Premium RM | Treasury Shares RM | Warrants Reserve RM | Discount on Shares RM | Capital Reserve RM | ESOS Reserve RM | Retained Profits RM | Total Equity RM |
| **2015** | | | | | | | | | | | |
| Balance at beginning | | 54,704,859 | 22,249,297 | 18,063,045 | (2,572,935) | 3,186,005 | (3,105,465) | 7,445,000 | 42,970 | 17,504,122 | 117,516,898 |
| Total comprehensive income for the year | | - | - | - | - | - | - | - | - | 1,563,718 | 1,563,718 |
| *Transactions with owners:* | | | | | | | | | | | |
| Issuance of shares pursuant to: | 11 | | | | | | | | | | |
| - Conversion of ICULS | | 1,850,000 | (185,000) | - | - | - | - | - | - | - | 1,665,000 |
| - Rights issue with warrants | | 21,423,150 | - | (2,142,315) | - | 2,593,329 | (2,593,329) | - | - | - | 19,280,835 |
| Purchase of treasury shares | 13.2 | - | - | - | (4,045,236) | - | - | - | - | - | (4,045,236) |
| Pursuant to ESOS granted: | 13.6 | | | | | | | | | | |
| - Share-based-payment compensation | | - | - | - | - | - | - | - | 13,467 | - | 13,467 |
| Settlement of rights issue expenses | | - | - | (697,483) | - | - | - | - | - | - | (697,483) |
| Share dividend | 25 | - | - | (3,435,753) | 3,435,753 | - | - | - | - | - | - |
| Total transactions with owners | | 23,273,150 | (185,000) | (6,275,551) | (609,483) | 2,593,329 | (2,593,329) | - | 13,467 | - | 16,216,583 |
| Balance at end | | 77,978,009 | 22,064,297 | 11,787,494 | (3,182,418) | 5,779,334 | (5,698,794) | 7,445,000 | 56,437 | 19,067,840 | 135,297,199 |
| **2014** | | | | | | | | | | | |
| Balance at beginning | | 48,489,059 | 22,832,377 | 21,445,955 | - | 3,186,005 | (3,105,465) | 7,445,000 | - | (22,442) | 100,270,489 |
| Total comprehensive income for the year | | - | - | - | - | - | - | - | - | 19,369,846 | 19,369,846 |
| *Transactions with owners:* | | | | | | | | | | | |
| Issuance of shares pursuant to: | 11 | | | | | | | | | | |
| - ESOS | | 385,000 | - | - | - | - | - | - | - | - | 385,000 |
| - Conversion of ICULS | | 5,830,800 | (583,080) | - | - | - | - | - | - | - | 5,247,720 |
| Purchase of treasury shares | 13.2 | - | - | - | (6,000,120) | - | - | - | - | - | (6,000,120) |
| Pursuant to ESOS granted: | 13.6 | | | | | | | | | | |
| - Share-based-payment compensation | | - | - | - | - | - | - | - | 109,440 | - | 109,440 |
| - Transfer of reserves | | - | - | 44,275 | - | - | - | - | (66,470) | 22,195 | - |
| Dividends | 25 | - | - | - | - | - | - | - | - | (1,865,477) | (1,865,477) |
| Share dividend | 25 | - | - | (3,427,185) | 3,427,185 | - | - | - | - | - | - |
| Total transactions with owners | | 6,215,800 | (583,080) | (3,382,910) | (2,572,935) | - | - | - | 42,970 | (1,843,282) | (2,123,437) |
| Balance at end | | 54,704,859 | 22,249,297 | 18,063,045 | (2,572,935) | 3,186,005 | (3,105,465) | 7,445,000 | 42,970 | 17,504,122 | 117,516,898 |

The notes set out on pages 23 to 99 form an integral part of these financial statements.

**SMPC CORPORATION BHD.**
**Company No. 79082-V**
(Incorporated In Malaysia)

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **RM** | RM | **RM** | RM |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Profit before tax | **3,996,967** | 4,620,050 | **2,140,942** | 19,597,285 |
| Adjustments for: | | | | |
| Bad debts | **-** | 2,023,938 | **-** | 56,565 |
| Change in fair value of investment properties | **-** | (776,976) | **-** | (225,802) |
| Depreciation | **3,423,478** | 3,469,100 | **181,762** | 133,836 |
| Dividend income | **(97,433)** | (97,433) | **(2,000,000)** | (18,000,000) |
| Equity-settled share-based payment transaction | **108,071** | 368,076 | **13,467** | 109,440 |
| Gain on disposal of investment in a subsidiary | **-** | (55,630) | **-** | (1,000,000) |
| Gain on disposal of investment in quoted debenture | **(1,734,223)** | - | **-** | - |
| Gain on disposal of property, plant and equipment | **(1,793)** | (1,297,540) | **(199)** | (232,879) |
| Impairment loss on investment in a subsidiary | **-** | - | **638,000** | - |
| Impairment loss on other investments | **18,960** | - | **-** | - |
| Impairment loss on receivables | **526,630** | 396,945 | **-** | - |
| Interest expense | **1,539,481** | 2,006,974 | **753,907** | 846,345 |
| Interest income | **(221,821)** | (320,609) | **(37,230)** | - |
| Inventories written down | **250,787** | 175,032 | **-** | - |
| Inventories written off | **306,659** | - | **-** | - |
| Property, plant and equipment written off | **132,208** | 106,904 | **-** | - |
| Unrealised gain on foreign exchange | **(157,747)** | (9,695) | **-** | - |
| Operating profit before working capital changes | **8,090,224** | 10,609,136 | **1,690,649** | 1,284,790 |
| Decrease/(Increase) in inventories | **1,391,874** | (2,201,747) | **-** | - |
| (Increase)/Decrease in receivables | **(6,354,351)** | (5,586,648) | **837,514** | (6,367,857) |
| Increase/(Decrease) in payables | **5,350,451** | (1,091,119) | **291,036** | (148,380) |
| (Decrease)/Increase in retirement benefit obligations | **(830,314)** | 6,912 | **(377,402)** | (30,870) |
| Cash generated from/(used in) operations | **7,647,884** | 1,736,534 | **2,441,797** | (5,262,317) |
| Income tax paid | **(1,600,141)** | (537,243) | **(278,131)** | (12,500) |
| Income tax refunded | **-** | 158,937 | **-** | 23,203 |
| Interest paid | **(1,539,481)** | (1,363,368) | **(753,907)** | (846,345) |
| Net cash from/(used in) operating activities | **4,508,262** | (5,140) | **1,409,759** | (6,097,959) |

The notes set out on pages 23 to 99 form an integral part of these financial statements.

Company No. 79082-V

**SMPC CORPORATION BHD.**
**Company No. 79082-V**
(Incorporated In Malaysia)

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

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | **2015** | 2014 | **2015** | 2014 |
| | | **RM** | RM | **RM** | RM |
| | Net cash from/(used in) operating activities | **4,508,262** | (5,140) | **1,409,759** | (6,097,959) |
| | **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| (i) | Cash flows on disposal of subsidiaries | - | 2,929,636 | - | - |
| | Dividends received | **97,433** | 97,433 | **2,000,000** | 18,000,000 |
| | Interest received | **190,348** | 320,609 | **5,757** | - |
| | Proceeds from disposal of investment in subsidiaries | - | - | - | 3,000,100 |
| | Proceeds from disposal of other investments | **3,234,233** | - | - | - |
| | Proceeds from disposal of property, plant and equipment | **73,800** | 1,559,469 | **200** | 303,200 |
| | Purchase of equity investments | **(2,361,862)** | - | - | - |
| | Purchase of investment properties | **(1,400,000)** | (1,011,800) | - | - |
| (ii) | Purchase of property, plant and equipment | **(2,933,325)** | (3,095,043) | **(487,105)** | (70,148) |
| | Purchase of shares from non-controlling interests of a subsidiary | **(4,000,000)** | - | **(4,000,000)** | - |
| | Subsequent expenditure on investment properties | **(128,314)** | (5,518,922) | - | (3,558,380) |
| | Net cash (used in)/from investing activities | **(7,227,687)** | (4,718,618) | **(2,481,148)** | 17,674,772 |
| | **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| | Dividends paid | - | (1,865,477) | - | (1,865,477) |
| | Net change in subsidiaries' balances | - | - | **(14,948,796)** | (8,329,331) |
| | Proceeds from rights issue with warrants | **19,280,835** | - | **19,280,835** | - |
| | Proceeds from issuance of shares pursuant to conversion of ICULS, net of transaction costs | **1,665,000** | 5,247,720 | **1,665,000** | 5,247,720 |
| | Proceeds from issuance of shares pursuant to ESOS | - | 385,000 | - | 385,000 |
| | Drawdown/(Repayment) of bankers acceptance | **161,000** | (327,000) | - | - |
| | Repayment of finance lease | **(1,116,003)** | (224,801) | **(160,374)** | (32,060) |
| | Repayment of term loans | **(13,795,346)** | (1,363,964) | **(975,062)** | (852,192) |
| | Repurchase of treasury shares | **(4,045,236)** | (6,000,120) | **(4,045,236)** | (6,000,120) |
| | Net cash from/(used in) financing activities | **2,150,250** | (4,148,642) | **816,367** | (11,446,460) |
| | **NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS** | **(569,175)** | (8,872,400) | **(255,022)** | 130,353 |
| | **CASH AND CASH EQUIVALENTS AT BEGINNING** | **3,561,645** | 12,434,045 | **308,104** | 177,751 |
| | **CASH AND CASH EQUIVALENTS AT END** | **2,992,470** | 3,561,645 | **53,082** | 308,104 |

The notes set out on pages 23 to 99 form an integral part of these financial statements.

**SMPC CORPORATION BHD.**
**Company No. 79082-V**
(Incorporated In Malaysia)

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **RM** | RM | **RM** | RM |
| **Represented by:** | | | | |
| Cash and bank balances | **3,406,526** | 4,038,026 | **53,082** | 308,104 |
| Bank overdrafts | **(414,056)** | (476,381) | **-** | - |
| | **2,992,470** | 3,561,645 | **53,082** | 308,104 |
| **(i) Cash flows on disposal of subsidiaries** | | | | |
| Property, plant and equipment | - | 6,309,651 | - | - |
| Inventories | - | 7,766 | - | - |
| Receivables | - | 1,059,644 | - | - |
| Cash and bank balances | - | 70,464 | - | - |
| Borrowings | - | (692,460) | - | - |
| Deferred tax liabilities | - | (560,358) | - | - |
| Retirement benefit obligations | - | (22,522) | - | - |
| Payables | - | (3,019,409) | - | - |
| Non-controlling interests | - | (908,716) | - | - |
| Share of net assets disposed | - | 2,244,060 | - | - |
| Realisation of foreign exchange reserve | - | 700,410 | - | - |
| Gain on disposal | - | 55,630 | - | - |
| Total disposal consideration | - | 3,000,100 | - | - |
| Less: Cash and bank balances | - | (70,464) | - | - |
| Cash flows from disposal of subsidiaries | - | 2,929,636 | - | - |
| **(ii) Purchase of property, plant and equipment** | | | | |
| Total acquisition cost | **6,032,883** | 5,194,193 | **1,403,055** | 375,148 |
| Acquired under finance lease | **(3,099,558)** | (2,099,150) | **(915,950)** | (305,000) |
| Total cash acquisition | **2,933,325** | 3,095,043 | **487,105** | 70,148 |

The notes set out on pages 23 to 99 form an integral part of these financial statements.

**SMPC CORPORATION BHD.**
**Company No. 79082-V**
(Incorporated In Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015

## 1. CORPORATE INFORMATION

### General

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

The registered office of the Company is located at 55A Medan Ipoh 1A, Medan Ipoh Bistari, 31400 Ipoh, Perak.

The principal place of business of the Company is located at 2521, Tingkat Perusahaan 6, Prai Industrial Estate, 13600 Prai.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 31 July 2015.

### Principal Activities

The principal activities of the Company consist of investment holding, letting of industrial and commercial assets and management consultancy.

The principal activities of the subsidiaries are disclosed in Note 6 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

## 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with applicable Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia.

## 2.2 Basis of Measurement

The financial statements of the Group and of the Company are prepared under the historical cost convention unless otherwise indicated in the summary of accounting policies as set out in Note 3.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group and the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial market 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.

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Input that are based on observable market data, either directly or indirectly.
- Level 3 - Input that are not based on observable market data.

## 2.3 Functional and Presentation Currency

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

## 2.4 Adoption of Amendments/Improvements to MFRS and IC Interpretations ("IC Int")

The accounting policies adopted by the Group and by the Company are consistent with those of the previous financial year except for the adoption of the following Standards that are mandatory for the current financial year:

**Effective for annual periods beginning on or after 1 January 2014**
Amendments to MFRS 10, 12 and 127 *Investment Entities*
Amendments to MFRS 132 *Offsetting Financial Assets and Financial Liabilities*
Amendments to MFRS 136 *Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to MFRS 139 *Novation of Derivatives and Continuation of Hedge Accounting*
IC Int 21 *Levies*

Initial application of the above standards did not have any material impact to the financial statements of the Group and of the Company.

## 2.5 Standards Issued But Not Yet Effective

The Group and the Company have not applied the following Standards that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Company:

**Effective for annual periods beginning on or after 1 July 2014**
Amendments to MFRS 119 *Defined Benefit Plans: Employee Contributions*
Amendments to MFRS *Annual improvements to MFRS 2010-2012 Cycle*
Amendments to MFRS *Annual improvements to MFRS 2011-2013 Cycle*

**Effective for annual periods beginning on or after 1 January 2016**
MFRS 14 *Regulatory Deferral Accounts*
Amendments to MFRS 10, MFRS 12 and MFRS 128 *Investment Entities: Applying the Consolidation Exception*
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
Amendments to MFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*
Amendments to MFRS 101 *Disclosure Initiative*

**Effective for annual periods beginning on or after 1 January 2016 (cont'd)**
Amendments to MFRS 116 and MFRS 138 *Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to MFRS 116 and MFRS 141 *Agriculture: Bearer Plants*
Amendments to MFRS 127 *Equity Method in Separate Financial Statements*
Amendments to MFRS *Annual Improvements to MFRS 2012–2014 Cycle*

**Effective for annual periods beginning on or after 1 January 2017**
MFRS 15 *Revenue from Contracts with Customers*

**Effective for annual periods beginning on or after 1 January 2018**
MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014)
Amendments to MFRS 7 *Mandatory Date of MFRS 9 and Transition Disclosures*

The initial application of the above standards is not expected to have any material impacts to the financial statements of the Group and of the Company upon adoption except as mentioned below:

**MFRS 15 *Revenue from Contracts with Customers***

MFRS 15 replaces the guidance in MFRS 111 *Construction Contracts*, MFRS 118 *Revenue*, IC Int 13 *Customer Loyalty Programmes*, IC Int 15 *Agreements for Construction of Real Estate*, IC Int 18 *Transfers of Assets from Customers* and IC Int 131 *Revenue – Barter Transactions Involving Advertising Services*. Upon adoption of MFRS 15, it is expected that the timing of revenue recognition might be different as compared with the current practices.

The adoption of MFRS 15 will result in a change in accounting policy. The Group is currently assessing the financial impact of adopting MFRS 15.

## 2.6 Significant Accounting Estimates and Judgements

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

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

### 2.6.1 Judgements made in applying accounting policies

The following are the judgements made by management in the process of applying the Group's accounting policies that have significant effect on the amounts recognised in the financial statements.

**Classification between investment properties and property, plant and equipment**

The Group and the Company have developed certain criteria based on MFRS 140 in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation or for administrative purposes. If these portions could be sold separately (or lease out separately under finance lease), the Group would account for the portion separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

### 2.6.2 Key sources of estimation uncertainty

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

(i) **Useful lives of depreciable assets**

The cost of plant and equipment is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of the plant and equipment to be within 3 to 50 years. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets. Therefore, future depreciation charges could be revised.

(ii) **Impairment of non-financial assets**

The Group and the Company perform an impairment review as and when there are impairment indicators to ensure that the carrying value of the non-financial assets does not exceed its recoverable amount. The recoverable amount represents the present value of the estimated future cash flows expected to arise from operations. Therefore, in arriving at the recoverable amount, management exercise judgement in estimating the future cash flows, growth rate and discount rate.

(iii) **Impairment of investment in subsidiaries**

The Company carries out impairment test based on the estimate of the higher of value-in-use or the fair value less cost to sell of the cash-generating unit ("CGU") to which the investment in the subsidiaries belong to. Estimating the recoverable amount requires the Company to make an estimate of the expected future cash flows from the CGU and also to determine a suitable discount rate in order to calculate the present value of those cash flows.

(iv) **Inventories**

The management reviews for damaged, obsolete and slow-moving inventories. This review requires judgement and estimates. Possible changes in these estimates could result in revision to the valuation of inventories.

(v) **Impairment of loans and receivables**

The Group and the Company assess at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience of assets with similar credit risk characteristics.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies adopted by the Group and by the Company are consistent with those adopted in the previous financial years unless otherwise indicated below.

### 3.1 Basis of Consolidation

#### (i) Subsidiaries

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

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights arc 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.

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

Upon disposal of investment in a subsidiary, the difference between the net disposal proceeds and its carrying amount is recognised in profit or loss.

#### (ii) Business combination

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

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

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

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

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

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

(iii) **Acquisitions of non-controlling interests**

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserve.

(iv) **Loss of control**

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

(v) **Non-controlling interests**

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vi) **Transactions eliminated on consolidation**

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

3.2 **Property, Plant and Equipment**

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses during the financial year in which they are incurred.

Property, plant and equipment are depreciated on the straight line method to write off the cost of each asset to its residual value over its estimated useful life, at the following annual rates:

| | |
|---|---|
| Leasehold land | Amortised over lease period of 99 years |
| Buildings | 2% |
| Plant and machinery | 5% to 15% |
| Fittings, equipment, motor vehicles and renovation | 2% to 33% |

Freehold land is not depreciated as it has an infinite life.

Depreciation on capital expenditure in progress commences when the assets are ready for their intended use.

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

Upon the disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

### 3.3 Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value.

Fair value is arrived at using market-based approach undertaken by external independent qualified valuers.

Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group and the Company hold it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year in which they arise.

### 3.4 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

**Finance lease**

Leases in terms of which the Group or the Company assume substantially all the risks and rewards of ownership, which include hire purchase arrangement, are classified as finance lease. 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.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group or the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

**Operating leases**

Leases, where the Group and the Company do not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

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

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

### 3.5 Impairment of Non-Financial Assets

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

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU").

The recoverable amount of an asset of CGU is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised in profit or loss if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

### 3.6 Financial Instruments

#### 3.6.1 Initial recognition and measurement

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

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

#### 3.6.2 Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

**Financial assets**

(a) **Loans and receivables**

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

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the end of the reporting period which are classified as non-current.

(b) **Available-for-sale financial assets**

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

(c) **Held-to-maturity investments**

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity. The Group's investment in loan stocks is designated into this category with a maturity period of five years.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using effective interest method, except for short-term receivables when the recognition of interest would be immaterial. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the end of the reporting period which are classified as current.

All financial assets are subject to review for impairment.

**Financial liabilities**

All financial liabilities are subsequently measured at amortised cost.

Financial liabilities are classified as current liabilities, except for those having maturity dates later than 12 months after the end of the reporting period which are classified as non-current.

### 3.6.3 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in statement of comprehensive income over the period of the guarantee. If the debtor fails to make payment relating to 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 reporting date and the amount initially recognised less cumulative amortisation.

### 3.6.4 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### 3.6.5 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 the 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.

### 3.7 Impairment of Financial Assets

All financial assets (except for financial assets categorised as fair value through profit or loss and investment 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. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

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

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

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

### 3.8 Inventories

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

- Trading materials: purchase costs on a weighted average basis for building materials, hardware items and scrap materials.
- Raw materials: purchase costs on a first-in, first-out and weighted average basis.
- Finished goods and work-in-progress: cost of raw materials, direct labour, other direct costs and appropriate proportions of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average basis.

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

### 3.9 Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits and short-term highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

### 3.10 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

### 3.11 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

### 3.12 Income Recognition

**Sale of goods**
Revenue is recognised net of discounts and upon transfer of significant risks and rewards of ownership to the buyer.

**Rental income**
Rental income is recognised on a straight-line basis over the term of the lease.

**Dividend income**
Dividend income is recognised when the right to receive payment is established.

**Interest income**
Interest income is recognised on time proportion basis using the applicable effective interest rate.

**Management consultancy fees**
Management consultancy fees are recognised on an accrual basis when services are rendered.

### 3.13 Employee Benefits

**Short term benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

**Defined contribution plans**

Defined contribution plans are post-employment benefit plans under which the Group and the Company pay fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

**Employee share options schemes**

Employees of the Group received remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the subsidiaries' best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised at the beginning and end of the period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon market or non-vesting condition, which are tested as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. The employee share option reserve is transferred to retained profits/accumulated losses upon expiry of the share options.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

**Defined benefit plans**

The Company and certain subsidiaries have an unfunded non-contributory defined contribution plan for eligible employees. Benefits are determined based on the length of service and last drawn wages and are payable to employees upon retirement.

The Schemes are described as follows:

(i) **Scheme I**

The Company's and certain subsidiaries' obligation under Scheme 1, calculated using the Projected Unit Credit Method, is determined internally based on certain actuarial assumptions where the amount of benefits that employees have earned in return for their service in the current and prior years is estimated. Based on this assumption, the directors are of the opinion that the present value of the benefits will not be materially different from the amount of provision made in the financial statements.

(ii) **Scheme II**

Provision for retirement benefits is computed at half a month's salary for each year of service for the first seven years of service. On the seventh year of service, the subsidiary makes a contribution of the provision to EPF and thereafter provides for retirement benefits annually based on a certain percentage of annual salaries of the employees.

**Termination benefits**

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group and the Company recognise termination benefits as a liability and an expense when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal of providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the end of the reporting period are discounted to present value.

### 3.14 Income Tax

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

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

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

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

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

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available to set off against the unutilised tax incentive.

### 3.15 Foreign Currency Transactions

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

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

Non-monetary assets and liabilities measured at historical cost in a foreign currency at the end of the reporting period are translated to the functional currency at the exchange rate at the date of the transaction except for those measured at fair value shall be translated at the exchange rate at the date when the fair value was determined.

Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are recognised in profit or loss.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains or losses are recognised directly in other comprehensive income.

**Foreign Operations**

The assets and liabilities of foreign operations are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to RM at approximate average exchange rates at the dates of the transactions.

Exchange differences are recognised in other comprehensive income and accumulated in the foreign translation reserve ("FTR") in equity. However, if the operations is a non-wholly owned subsidiary, then the relevant proportionate share of the exchange difference is allocated to the non-controlling interest. When a foreign operation is disposed of such that control, the significant influence or joint control is lost, the cumulative amount in the FTR related to the foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests, When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the FTR in equity.

## 3.16 Irredeemable Convertible Unsecured Loan Stocks ("ICULS")

ICULS which were issued after the effective date of MFRS 132: Financial Instruments: Disclosure and Presentation are regarded as compound instruments, consisting of an equity component and a liability component.

ICULS which have a 0% coupon rate are considered to have only the equity component, as there is no obligation for payment of interest, principal or for re-purchase.

## 3.17 Warrants

Warrants are classified as equity instruments and its value is allocated based on the Black-Scholes model upon issuance. The issuance of the ordinary shares upon exercise of warrants is treated as new subscription of ordinary shares for the consideration equivalent to the exercise price of the warrants.

Upon exercise of warrants, the proceeds are credited to share capital and share premium. The warrants reserve in relation to the unexercised warrants at the expiry of the warrants will be reversed.

## 3.18 Share Capital, Share Issuance Expenses and Dividends

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Share capital represents the nominal value of shares that have been issued.

Dividends on ordinary shares are accounted for in shareholder's equity as an appropriation of unappropriated profits and recognised as a liability in the period in which they are declared.

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

## 3.19 Treasury Shares

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

### 3.20 Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including 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, which in this case are the Executive Directors of the Company, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

### 3.21 Contingencies

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