

## 9. ACCOUNTANTS' REPORT



05 NOV 2018

**The Board of Directors**  
**DPI Holdings Berhad**  
B-25-2, Block B,  
Jaya One, No. 72A,  
Jalan Universiti,  
46200 Petaling Jaya,  
Selangor.

**Dear Sirs**

**Crowe Malaysia** AF1018  
(FKA Crowe Horwath)

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### **REPORTING ACCOUNTANTS' OPINION ON THE FINANCIAL INFORMATION CONTAINED IN THE ACCOUNTANTS' REPORT OF DPI HOLDINGS BERHAD ("THE COMPANY" OR "DPI HOLDINGS")**

#### **OPINION**

We have audited the financial information of the Company and its subsidiaries (collectively known as "the Group"), which comprises the combined statements of financial position as at 31 May 2016 and 2017 and consolidated statements of financial position as at 31 May 2018 and the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for each of the financial years ended ("FYE") 31 May 2016 and 2017 and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the financial year ended 31 May 2018, and notes to the combined and consolidated financial statements, including a summary of significant accounting policies as set out on pages 4 to 67.

This historical financial information has been prepared for inclusion in the prospectus of DPI Holdings in connection with the listing of and quotation for the entire issued share capital of DPI Holdings on the ACE Market of Bursa Malaysia Securities Berhad ("the Prospectus"). This report is required by the Prospectus Guidelines issued by the Securities Commission Malaysia (the "Guidelines") and is given for the purpose of complying with Chapter 10.03 of the Guidelines and for no other purpose.

In our opinion, the financial information gives a true and fair view of the financial position of the Group as at 31 May 2016, 2017 and 2018 and of their financial performance and their cash flows for each of the FYE 31 May 2016, 2017 and 2018 in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

#### **BASIS FOR OPINION**

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Reporting Accountants' Responsibilities for the Audit of the Financial Information section of our report.

## **9. ACCOUNTANTS' REPORT (Cont'd)**



### **INDEPENDENCE AND OTHER ETHICAL RESPONSIBILITIES**

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

### **DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL INFORMATION**

The Directors of the Group are responsible for the preparation of the financial information of the Group that gives a true and fair view in accordance with MFRS and IFRS. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group that are free from material misstatement, whether due to fraud or error.

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

### **REPORTING ACCOUNTANTS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL INFORMATION**

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

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

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

**9. ACCOUNTANTS' REPORT (Cont'd)**



**REPORTING ACCOUNTANTS' RESPONSIBILITIES FOR THE AUDIT OF FINANCIAL INFORMATION (CONT'D)**

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial information of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial information of the Group, including the disclosures, and whether the financial information of the Group represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

**OTHER MATTER**

The significant events during the financial year ended 31 May 2018 have been disclosed in Note 34 to this report. The significant event occurring after the end of the financial year ended 31 May 2018 has been disclosed in Note 35 to this report.

**RESTRICTION ON DISTRIBUTION AND USE**

We understand that this report will be used solely for the purpose of inclusion in the Prospectus of DPI Holdings in connection with the listing of and quotation for the entire issued share capital of DPI Holdings on the ACE Market of Bursa Malaysia Securities Berhad. As such, this letter should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

A handwritten signature in black ink, appearing to read "Crowe Malaysia".

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

Kuala Lumpur

A handwritten signature in black ink, appearing to read "Chan Kuan Chee".

**Chan Kuan Chee**  
Approval No: 02271/10/2019 J  
Chartered Accountant

**9. ACCOUNTANTS' REPORT (Cont'd)**

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Crowe Malaysia AF1018  
(FKA Crowe Horwath)**DPI HOLDINGS BERHAD****COMBINED AND CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	Note	<----- Audited ----->		
		<-----FYE 31 May----->		
		2016 RM'000	2017 RM'000	2018 RM'000
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	4	6,916	6,326	5,724
Investment properties	5	7,265	7,239	-
		14,181	13,565	5,724
<b>CURRENT ASSETS</b>				
Inventories	6	5,070	6,922	8,974
Trade receivables	7	8,228	8,715	8,453
Other receivables, deposits and prepayments	8	179	226	967
Amount owing by related parties	9	7,729	519	15
Current tax assets		278	49	288
Fixed deposits with licensed banks	10	-	4,500	5,081
Cash and bank balances		7,495	9,225	12,946
		28,979	30,156	36,724
<b>TOTAL ASSETS</b>		43,160	43,721	42,448

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Crowe Malaysia AF1018  
(FKA Crowe Horwath)**DPI HOLDINGS BERHAD****COMBINED AND CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)**

		<----- Audited ----->		
		<-----FYE 31 May----->		
	Note	2016 RM'000	2017 RM'000	2018 RM'000
<b>EQUITY</b>				
Share capital	11	7,320	7,320	36,017
Merger deficit	12	-	-	(28,698)
Retained profits		19,245	18,078	27,248
<b>TOTAL EQUITY</b>		26,565	25,398	34,567
<b>NON-CURRENT LIABILITY</b>				
Deferred tax liabilities	13	105	105	165
<b>CURRENT LIABILITIES</b>				
Trade payables	14	7,391	7,196	6,317
Other payables and accruals	15	782	1,007	1,379
Amount owing to a director	16	7,785	9,774	-
Amount owing to related parties	9	20	24	-
Term loans	17	*	-	-
Current tax liabilities		512	217	20
<b>TOTAL CURRENT LIABILITIES</b>		16,490	18,218	7,716
<b>TOTAL LIABILITIES</b>		16,595	18,323	7,881
<b>TOTAL EQUITY AND LIABILITIES</b>		43,160	43,721	42,448

\* - less than RM1,000

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**9. ACCOUNTANTS' REPORT (Cont'd)**

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Crowe Malaysia AF1018  
(FKA Crowe Horwath)**DPI HOLDINGS BERHAD****COMBINED AND CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

		<----- Audited ----->		
		<-----FYE 31 May----->		
	Note	2016 RM'000	2017 RM'000	2018 RM'000
Revenue	18	46,923	49,360	50,294
Cost of sales		(32,632)	(32,321)	(33,269)
Gross profit		14,291	17,039	17,025
Other income	19	576	843	9,193
		14,867	17,882	26,218
Selling and distribution expenses		(896)	(960)	(1,206)
Administrative expenses	20	(4,025)	(4,352)	(5,035)
Other expenses	21	(25)	(489)	(1,353)
		(4,946)	(5,801)	(7,594)
Profit from operations		9,921	12,081	18,624
Finance costs		(121)	-	-
Profit before taxation		9,800	12,081	18,624
Income tax expense	22	(2,380)	(2,793)	(3,464)
Profit after taxation		7,420	9,288	15,160
Other comprehensive income		-	-	-
Total comprehensive income for the financial years		7,420	9,288	15,160
Profit after taxation/Total comprehensive income for the financial years attributable to:-				
Owners of the Company		7,420	9,288	15,160
<b>Earnings per share</b>				
Basic (sen)	23	2.06	2.58	4.21
Diluted (sen)	23	2.06	2.58	4.21

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(FKA Crowe Horwath)**DPI HOLDINGS BERHAD****COMBINED AND CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Note	Share Capital RM'000	Merger Deficit RM'000	Retained Profits RM'000	Total Equity RM'000
Balance at 1 June 2015		7,320	-	14,248	21,568
Profit after taxation/Total comprehensive income for the financial year		-	-	7,420	7,420
Distribution to owners of the Company: - Dividends	24	-	-	(2,423)	(2,423)
Balance at 31 May 2016/1 June 2016		7,320	-	19,245	26,565
Profit after taxation/Total comprehensive income for the financial year		-	-	9,288	9,288
Distribution to owners of the Company: - Dividends	24	-	-	(10,455)	(10,455)
Balance at 31 May 2017/1 June 2017		7,320	-	18,078	25,398
Profit after taxation/Total comprehensive income for the financial year		-	-	15,160	15,160
Contributions by and distribution to owners of the Company:-					
- Issuance of ordinary shares		36,017	-	-	36,017
- Adjustment on acquisition of subsidiaries		(7,320)	(28,698)	-	(36,018)
- Dividends	24	-	-	(5,990)	(5,990)
Total transactions with owners		28,697	(28,698)	(5,990)	(5,991)
Balance at 31 May 2018		36,017	(28,698)	27,248	34,567

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Crowe Malaysia AF1018  
(FKA Crowe Horwath)**DPI HOLDINGS BERHAD****COMBINED AND CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Note	<----- Audited ----->		
		<-----FYE 31 May----->		
		2016	2017	2018
		RM'000	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation		9,800	12,081	18,624
Adjustments for:				
Allowance for impairment loss on property		-	453	-
Allowance for impairment loss on trade receivables		-	-	4
Bad debts written off		-	21	74
Depreciation of investment properties		27	26	-
Depreciation of property, plant and equipment		407	432	396
Interest expense		121	-	-
Inventories written down		-	-	100
Inventories written off		-	-	9
Interest income		-	(90)	(216)
Listing expenses		-	-	1,092
Gain on disposal of investment properties		-	-	(7,886)
Gain on disposal of property, plant and equipment		(41)	(23)	(985)
Unrealised (gain)/loss on foreign exchange		(246)	(191)	183
		<u>10,068</u>	<u>12,709</u>	<u>11,395</u>
Operating profit before working capital changes				
Decrease/(Increase) in inventories		2,561	(1,852)	(2,160)
Increase in trade and other receivables		(117)	(555)	(174)
(Increase)/Decrease in amount owing by related parties		(614)	5,953	504
(Decrease)/Increase in trade and other payables		(236)	30	(584)
Decrease in amount owing to related parties		(10)	(1)	-
		<u>11,652</u>	<u>16,284</u>	<u>8,981</u>
<b>CASH FROM OPERATIONS</b>				
Tax paid		(2,561)	(2,859)	(3,799)
Tax refunded		43	-	35
Interest paid		(121)	-	-
		<u>9,013</u>	<u>13,425</u>	<u>5,217</u>
<b>NET CASH FROM OPERATING ACTIVITIES</b>				

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(FKA Crowe Horwath)**DPI HOLDINGS BERHAD****COMBINED AND CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)**

		<----- Audited ----->		
		<-----FYE 31 May----->		
	Note	2016 RM'000	2017 RM'000	2018 RM'000
<b>CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES</b>				
Interest received		-	90	216
(Advances to)/Repayment from related parties		(658)	151	*
Purchase of property, plant and equipment		(155)	(295)	(109)
Proceeds from disposal of investment properties		-	-	1,225
Proceeds from disposal of property, plant and equipment		41	23	-
(Increase)/Decrease in fixed deposits with licensed banks		-	(4,500)	4,500
<b>NET CASH (FOR)/FROM INVESTING ACTIVITIES</b>		<b>(772)</b>	<b>(4,531)</b>	<b>5,832</b>
<b>CASH FLOWS FOR FINANCING ACTIVITIES</b>				
Repayment to a director		(142)	(6,767)	(564)
(Repayment to)/Advances from related parties		(7)	6	(25)
Dividends paid		(1,614)	(594)	-
Proceeds from issuance of ordinary shares		-	-	*
Payment of listing expenses		-	-	(1,475)
Repayment of term loans		(744)	*	-
Net repayment of bankers' acceptances		(5,051)	-	-
<b>NET CASH FOR FINANCING ACTIVITIES</b>		<b>(7,558)</b>	<b>(7,355)</b>	<b>(2,064)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>683</b>	<b>1,539</b>	<b>8,985</b>
<b>EFFECTS OF FOREIGN EXCHANGE TRANSLATION</b>		<b>246</b>	<b>191</b>	<b>(183)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>		<b>6,566</b>	<b>7,495</b>	<b>9,225</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR</b>	<b>25</b>	<b>7,495</b>	<b>9,225</b>	<b>18,027</b>

\* - less than RM1,000

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(FKA Crowe Horwath)**DPI HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS****1. GENERAL INFORMATION**

DPI Holdings was incorporated in Malaysia on 5 October 2017 as a private limited company and is principally engaged in the business of investment holding.

DPI Holdings was incorporated with a total paid-up share capital of RM20 comprising 20 ordinary shares.

On 5 February 2018, the Company was converted from a private limited company to a public company limited by shares.

DPI Holdings was incorporated for the purpose of acquiring the existing operating entities pursuant to the listing exercise as disclosed in Note 34(d) to the Accountants' Report.

The Company increased its issued and paid-up share capital from RM20 to RM36,017,078 by an issuance of 360,170,980 new ordinary shares for acquisition of DPI Sdn. Bhd., DPI Chemicals Sdn. Bhd., DPI Resources Sdn. Bhd. and Dimethyl Ether Sdn. Bhd. ("its subsidiaries") for a total consideration of RM36,017,058.

The information of the entities within the combined and consolidated financial statements is as follows:

- (a) DPI Sdn. Bhd. was incorporated on 16 October 1975 in Malaysia as a private limited company and principally engaged in the business of development, manufacturing and distribution of aerosol products.
- (b) DPI Chemicals Sdn. Bhd. was incorporated on 9 January 1991 in Malaysia as a private limited company and principally engaged in the business of distribution of aerosol products and trading of solvents and thinners.
- (c) DPI Resources Sdn. Bhd. was incorporated on 31 May 2004 in Malaysia as a private limited company. The Company was dormant since FYE 2017.
- (d) Dimethyl Ether Sdn. Bhd. was incorporated on 27 July 1996 in Malaysia as a private limited company. The Company was dormant since the date of incorporation.

**Notes:-**

<i>DPI Sdn. Bhd.</i>	- DPI
<i>DPI Chemicals Sdn. Bhd.</i>	- DPIC
<i>DPI Resources Sdn. Bhd.</i>	- DPIR
<i>Dimethyl Ether Sdn. Bhd.</i>	- DESB

(The Company and its subsidiaries collectively defined as "the Group")

**2. BASIS OF PREPARATION****FYE 31 May 2016 and 2017**

The Group has not been established as at the end of the FYE 31 May 2017 and hence, there are no consolidated financial statements of the Group for FYE 31 May 2016 and 2017. The combined financial statements for the FYE 31 May 2016 and 2017 are prepared based on the financial statements of DPI, DPIC, DPIR and DESB.

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(FKA Crowe Horwath)**DPI HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****2. BASIS OF PREPARATION (CONT'D)**

Entities under common control are entities which are ultimately controlled by the same parties and that control is not transitory. Control exists when the same parties have, as a result of contractual agreements, ultimate collective power to govern the financial and operating policies of each of the combining entities so as to obtain benefits from their activities, and that ultimate collective power is not transitory. The financial statements of commonly controlled entities are included in the combined financial statements from the day that control commences until the date that control ceases.

The combined financial statements of DPI Holdings for the relevant period were prepared in a manner similar to the "pooling-of-interest" method, as if the entities within the Group were operating as a single economic enterprise from the beginning of the earliest comparative period covered by the relevant period. Such manner of presentation reflects the economic substance of the combining entities, which were under common control throughout the relevant period.

The identifiable assets of all commonly controlled entities are accounted for at their historical costs. The accounting policies of common controlled entities have been changed where necessary to align them with the policies adopted by the Group.

All material intra-group transactions and balances have been eliminated on combination.

**FYE 31 May 2018**

During the FYE 31 May 2018, DPI Holdings was established upon the acquisition of its subsidiaries, DPI, DPIC, DPIR and DESB and hence, the consolidated financial statements of the Group are prepared for the FYE 31 May 2018.

The basis of consolidation is disclosed in Note 3.2 to the financial statements.

The combined and consolidated financial statements of the Group are prepared under the historical cost convention and modified to include other basis of valuation as disclosed in other sections under significant accounting policies, and in compliance with MFRS, IFRS and Prospectus Guidelines issued by the Securities Commission Malaysia.

- 2.1 During the current financial period, the Group has adopted the following new accounting standards and/or interpretations (including the consequential amendments, if any):-

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

Amendments to MFRS 107: Disclosure Initiative

Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses

Annual Improvements to MFRS Standards 2014 – 2016 Cycles: Amendments to MFRS 12:  
Clarification of the Scope of the Standard

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

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(FKA Crowe Horwath)**DPI HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****2. BASIS OF PREPARATION (CONT'D)**

- 2.2 The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the FYE 31 May 2018:-

<b>MFRSs and/or IC Interpretations (Including The Consequential Amendments)</b>	<b>Effective Date</b>
MFRS 9 Financial Instruments (IFRS 9 as issued by International Accounting Standards Board ("IASB") in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Interpretation 23 Uncertainty Over Income Tax Treatments	1 January 2019
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018
Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'	1 January 2018
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to MFRS 140 – Transfers of Investment Property	1 January 2018
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Annual Improvements to MFRS Standards 2014 – 2016 Cycles:	
• Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters	
• Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value	1 January 2018
Annual Improvements to MFRS Standards 2015 – 2017 Cycles	1 January 2019

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(FKA Crowe Horwath)**DPI HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****2. BASIS OF PREPARATION (CONT'D)**

- 2.2 The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application. Nevertheless, we highlight the following:-

**MFRS 9 Financial Instruments**

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces the guidance in MFRS 139 on the classification and measurement of financial assets and financial liabilities, impairment of financial assets and on hedge accounting.

The initial application of MFRS 9 is not expected to have any material impact to the financial statements of the Group for the current financial year and prior periods as the Group will apply the standard retrospectively from 1 June 2018 with the practical expedients permitted under the standard, and that the comparatives (i.e. current period financial information) will not be restated.

**Classification and Measurement**

The Group does not expect a significant impact on its statements of financial position on applying the classification and measurement requirements of MFRS 9.

Loans and receivables financial assets are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of these instruments and concluded that they meet the criteria to be measured at amortised cost under MFRS 9. Therefore, the Group does not expect the standard to affect the measurement of its debt financial assets

In addition, the Group expects to continue measuring at fair value all financial assets currently held at fair value.

Based on the assessments undertaken to date, the Group has determined the impact of its initial application of MFRS 9 as follows:-

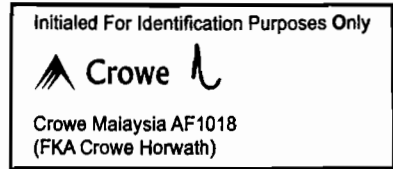
**Impairment of Financial Assets**

MFRS 9 replaces the 'incurred loss' model in MFRS 139 with an 'expected credit loss' ("ECL") model. The new impairment model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised. It involves a 3-stage approach under which financial assets move through the stages as their credit quality changes.

The new impairment model applies to financial assets measured at amortised cost.

In addition, the Group will apply the simplified approach prescribed by MFRS 9 and record lifetime ECLs on trade receivables.

**9. ACCOUNTANTS' REPORT (Cont'd)**



**DPI HOLDINGS BERHAD**

**NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**2. BASIS OF PREPARATION (CONT'D)**

- 2.2 Based on the assessments undertaken to date, the Group has determined the impact of its initial application of MFRS 9 as follows (Cont'd):-

Financial Impact

The Group has determined that, based on its assessment on the past credit history of the counterparties with which the Group transacted with, the Group will record an increase in allowance for impairment on trade receivables by approximately RM190,000 at 1 June 2018. In addition, the Group will also record impairment losses on fixed deposits with licensed banks and bank balances by approximately RM53,000 on that date upon its initial application of MFRS 9.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a single comprehensive model for revenue recognition and will supersede the current revenue recognition guidance and other related interpretations when it becomes effective. Under MFRS 15, an entity shall recognise revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the distinct promised goods or services underlying the particular performance obligation is transferred to the customers. The amendments to MFRS 15 further clarify the concept of 'distinct' for the purposes of this accounting standard. In addition, extensive disclosures are also required by MFRS 15 about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

Based on the assessments undertaken to date, the Group has determined that the impact on its financial statements upon the initial application of MFRS 15 is insignificant as the timing and amount of revenue to be recognised for the sale of aerosol products, thinners and solvents under the new standard are unlikely to be materially different from its current practice. However, the Group is required to disclose additional information about its contracts with customers in the financial statements.

The analysis above are based on the assessments undertaken to date and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future.

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**9. ACCOUNTANTS' REPORT (Cont'd)**

Initialed For Identification Purposes Only

Crowe Malaysia AF1018  
(FKA Crowe Horwath)**DPI HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES****3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS***Key Sources of Estimation Uncertainty*

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:-

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

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipate that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of property, plant and equipment as at the reporting date is disclosed in Note 4 to the financial statements.

**(b) Impairment of Property, Plant and Equipment**

The Group determines whether its property, plant and equipment is impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to change such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as valuation reports and discounted cash flows. For discounted cash flows, significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates. The carrying amount of property, plant and equipment as at the reporting date is disclosed in Note 4 to the financial statements

**(c) Write-down of Inventories**

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of inventories as at the reporting date is disclosed in Note 6 to the financial statements.

**9. ACCOUNTANTS' REPORT (Cont'd)**

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An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loan and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgment to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables. The carrying amount of trade and other receivables as at the reporting date is disclosed in Notes 7 and 8 to the financial statements.

**(e) Income Taxes**

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognise tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the year in which such determination is made. The carrying amount of current tax assets as at the reporting date is RM288,000 (2016 – RM278,000, 2017 RM49,000) and current tax liabilities as at the reporting date is RM20,000 (2016 – RM512,000, 2017 – RM217,000).

*Critical Judgements Made in Applying Accounting Policies*

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below:-

**(a) Classification between Investment Properties and Owner-occupied Properties**

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.



**9. ACCOUNTANTS' REPORT (Cont'd)**

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Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below (Cont'd):-

**(b) Classification of Leasehold Land**

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

**(c) Contingent Liabilities**

The recognition and measurement for contingent liabilities is based on management's view of the expected outcome on contingencies after consulting legal counsel for litigation cases and experts, for matters in the ordinary course of business. Furthermore, the directors are of the view that the chances of the financial institutions to call upon the corporate guarantees issued by the Group are remote.

**3.2 BASIS OF CONSOLIDATION**

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

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

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

The acquisitions of DPI, DPIC, DPIR and DESB by the Company have been accounted for as a business combination amongst entities under common control. Accordingly, the financial statements of the Group have been consolidated using the merger method of accounting.

**9. ACCOUNTANTS' REPORT (Cont'd)**

Initiated For Identification Purposes Only

Crowe Malaysia AF1018  
(FKA Crowe Horwath)**DPI HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.2 BASIS OF CONSOLIDATION (CONT'D)**

Under the merger method of accounting, the results of the subsidiaries are presented as if the merger had been effected throughout the current and previous financial years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting debit or credit difference is classified as a non-distributable reserve.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiary to ensure consistency of accounting policies with those of the Group.

**(a) Business Combinations**

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

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

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

**(b) Merger Accounting for Common Control Business Combinations**

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory.

Subsidiaries acquired which have met the criteria for pooling of interest are accounted for using merger accounting principles. Under the merger method of accounting, the results of the subsidiaries are presented as if the merger had been effected throughout the current financial year.

The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. No amount is recognised in respect of goodwill and excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets and liabilities and contingent liabilities over cost at the time of the common control business combination to the extent of the continuation of the controlling party and parties' interests.

**9. ACCOUNTANTS' REPORT (Cont'd)**

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Crowe Malaysia AF1018  
(FKA Crowe Horwath)**DPI HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.2 BASIS OF CONSOLIDATION (CONT'D)****(b) Merger Accounting for Common Control Business Combinations (Cont'd)**

When the merger method is used, the cost of investment in the Company's books is recorded at the nominal value of shares issued. The difference between the carrying value of the investment and the nominal value of the shares of the subsidiaries is treated as a merger deficit or merger reserve as applicable. The results of the subsidiaries being merged are included for the full financial year.

**(c) Non-Controlling Interests**

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

**(d) Changes in Ownership Interests in Subsidiaries Without Change of Control**

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

**(e) Loss of Control**

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

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

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

**9. ACCOUNTANTS' REPORT (Cont'd)**

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Crowe Malaysia AF1018  
(FKA Crowe Horwath)**DPI HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.3 FUNCTIONAL AND FOREIGN CURRENCIES****(a) Functional and Presentation Currency**

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

The combined and consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency and has been rounded to the nearest thousand, unless otherwise stated.

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

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

**3.4 FINANCIAL INSTRUMENTS**

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

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

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

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

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

**9. ACCOUNTANTS' REPORT (Cont'd)**

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Crowe Malaysia AF1018  
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On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

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

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

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

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

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

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

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

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

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

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

**9. ACCOUNTANTS' REPORT (Cont'd)**

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

**(ii) Other Financial Liabilities**

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

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

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

**(c) Equity Instruments**

Ordinary shares are classified as equity, net of directly attributable transaction costs.

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

**(d) Derecognition**

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

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

**9. ACCOUNTANTS' REPORT (Cont'd)**

Initialed For Identification Purposes Only

Crowe Malaysia AF1018  
(FKA Crowe Horwath)**DPI HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.5 PROPERTY, PLANT AND EQUIPMENT**

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

Subsequent to initial recognition, all property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

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

Leasehold land	Over the lease period
Factory buildings	2%
Machinery, factory and laboratory equipment	10%
Renovation, office equipment, electrical, furniture and fittings	10% - 20%
Motor vehicles	20%

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

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

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

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

Cost of capital work-in-progress includes direct cost, related expenditure and interest cost on borrowings taken to finance the acquisition of the assets to the date that the assets are completed and put into use.

**9. ACCOUNTANTS' REPORT (Cont'd)**

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Crowe Malaysia AF1018  
(FKA Crowe Horwath)**DPI HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.6 INVESTMENT PROPERTIES**

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is charged to profit or loss on a straight-line method over the estimated useful lives of the investment properties. The estimated useful lives of the investment properties are:

Leasehold land	Over the lease period
Freehold buildings	2%

Freehold land is not depreciated.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

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

Transfers are made to or from investment property only when there is a change in use. All transfers do not change the carrying amount of the property reclassified.

**3.7 IMPAIRMENT****(a) Impairment of Financial Assets**

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

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



**9. ACCOUNTANTS' REPORT (Cont'd)**

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

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

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value in use, which is measured by reference to discounted future cash flow using a pre-tax discount rate. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss immediately.

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

**3.8 LEASED ASSETS****(a) Finance Assets**

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

**9. ACCOUNTANTS' REPORT (Cont'd)**

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**DPI HOLDINGS BERHAD**

**NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

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

**3.8 LEASED ASSETS (CONT'D)**

**(a) Finance Assets (Cont'd)**

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

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

**(b) Operating Lease**

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

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

**3.9 INVENTORIES**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out method and comprises the purchase price and incidentals incurred in bringing inventories to their present location and condition. The cost of conversion includes cost directly related to the units of production, and a proportion of fixed production overheads based on normal capacity of the production facilities.

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

**3.10 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

**9. ACCOUNTANTS' REPORT (Cont'd)**

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Crowe Malaysia AF1018  
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Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are recognised in profit or loss, in the period in which the associated services are rendered by employees of the Group.

**(b) Defined Contribution Plans**

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

**3.12 INCOME TAXES****(a) Current Tax**

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

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

**(b) Deferred Tax**

Deferred tax are recognised using the liability method for temporary differences other than those that arise from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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

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

**9. ACCOUNTANTS' REPORT (Cont'd)**

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(FKA Crowe Horwath)

**DPI HOLDINGS BERHAD**

**NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

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

**3.12 INCOME TAXES (CONT'D)**

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

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

**3.13 CONTINGENT LIABILITIES**

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

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

**3.14 OPERATING SEGMENTS**

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

**3.15 EARNINGS PER ORDINARY SHARE**

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

Diluted earnings per ordinary share is determined by adjusting the combined and consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding.

**9. ACCOUNTANTS' REPORT (Cont'd)**

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(FKA Crowe Horwath)**DPI HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.16 BORROWING COSTS**

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

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

**3.17 FAIR VALUE MEASUREMENTS**

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

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

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

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

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

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

**3.18 REVENUE AND OTHER INCOME**

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

**(a) Sales of Goods**

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

**9. ACCOUNTANTS' REPORT (Cont'd)**

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

**(c) Rental Income**

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

**4. PROPERTY, PLANT AND EQUIPMENT**

	Leasehold land RM'000	Factory buildings RM'000	Machinery, factory, and laboratory equipment RM'000	Renovation, office equipment, electrical, furniture and fittings RM'000	Motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
Net book value at 1 June 2015	3,257	3,225	419	155	112	-	7,168
Additions	-	-	7	12	136	-	155
Depreciation charge	(135)	(84)	(84)	(26)	(78)	-	(407)
Net book value at 31 May 2016/ 1 June 2016	3,122	3,141	342	141	170	-	6,916
Additions	-	-	10	25	242	18	295
Depreciation charge	(134)	(85)	(85)	(29)	(99)	-	(432)
Impairment loss	-	(453)	-	-	-	-	(453)
Net book value at 31 May 2017/ 1 June 2017	2,988	2,603	267	137	313	18	6,326
Additions	-	-	10	99	-	-	109
Depreciation charge	(134)	(59)	(70)	(39)	(94)	-	(396)
Disposal	(19)	(296)	-	-	-	-	(315)
Net book value at 31 May 2018	2,835	2,248	207	197	219	18	5,724

**9. ACCOUNTANTS' REPORT (Cont'd)**

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	Leasehold land RM'000	Factory buildings RM'000	Machinery, factory, and laboratory equipment RM'000	Renovation, office equipment, electrical, furniture and fittings RM'000	Motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
<b>At 31.5.2016</b>							
At cost	4,393	4,219	5,385	713	1,336	-	16,046
Accumulated depreciation	(1,271)	(1,078)	(5,043)	(572)	(1,166)	-	(9,130)
Net book value	3,122	3,141	342	141	170	-	6,916
<b>At 31.5.2017</b>							
At cost	4,393	4,219	5,376	709	1,343	18	16,058
Accumulated depreciation	(1,405)	(1,163)	(5,109)	(572)	(1,030)	-	(9,279)
Accumulated impairment loss	-	(453)	-	-	-	-	(453)
Net book value	2,988	2,603	267	137	313	18	6,326
<b>At 31.5.2018</b>							
At cost	4,328	2,955	5,386	808	1,343	18	14,838
Accumulated depreciation	(1,493)	(707)	(5,179)	(611)	(1,124)	-	(9,114)
Net book value	2,835	2,248	207	197	219	18	5,724

The leasehold land and buildings have been pledged to licensed banks as security for banking facilities granted to the Group are as follows:-

	←-----Audited-----→		
	←-----FYE 31 May-----→		
	2016	2017	2018
	RM'000	RM'000	RM'000
Leasehold land and buildings	3,054	1,982	-

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**9. ACCOUNTANTS' REPORT (Cont'd)**

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	<-----Audited----->		
	<-----FYE 31 May----->		
	2016	2017	2018
	RM'000	RM'000	RM'000
Cost:-			
At 1 June	7,594	7,594	7,594
Disposal	-	-	(7,594)
At 31 May	<u>7,594</u>	<u>7,594</u>	<u>-</u>
Accumulated depreciation:-			
At 1 June	(302)	(329)	(355)
Depreciation during the financial years	(27)	(26)	-
Disposal	-	-	355
At 31 May	<u>(329)</u>	<u>(355)</u>	<u>-</u>
	<u>7,265</u>	<u>7,239</u>	<u>-</u>
Represented by:			
Freehold land	6,213	6,213	-
Leasehold land	109	107	-
Freehold buildings	943	919	-
	<u>7,265</u>	<u>7,239</u>	<u>-</u>
Fair value	<u>14,950</u>	<u>14,950</u>	<u>-</u>

**FYE 31 May 2016 and 2017**

The fair values of the investment properties are within level 2 of the fair value hierarchy and are arrived at by using the comparison approach and cost method and are performed by an independent professional valuer. Comparison Approach seeks to compare the subject property with similar properties that were either transacted recently or listed for sale within the same location or other comparable localities. In comparing properties, due consideration is given to factors such as location, accessibility, size, building differences, improvements and amenities, time element and other relevant factors to arrive at the opinion of value. Cost Method is a valuation method, which is based on an estimate of the current market value of land for its existing use, plus the current gross replacement cost of improvements less allowances for physical deterioration and all relevant forms of obsolescence and optimisation.



**9. ACCOUNTANTS' REPORT (Cont'd)**

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	<-----Audited----->		
	<-----FYE 31 May----->		
	2016	2017	2018
	RM'000	RM'000	RM'000
<b>At cost</b>			
Raw material	2,193	3,327	4,667
Work-in-progress	444	697	638
Finished goods	2,433	2,898	3,669
	5,070	6,922	8,974
<u>Recognised in profit or loss:</u>			
Inventories recognised as cost of sales	31,979	32,046	33,160
Inventories written down	-	-	100
Inventories written off	-	-	9
	-	-	9

**7. TRADE RECEIVABLES**

	<-----Audited----->		
	<-----FYE 31 May----->		
	2016	2017	2018
	RM'000	RM'000	RM'000
Trade receivables	8,546	9,033	8,457
Allowance for impairment losses	(318)	(318)	(4)
Net trade receivables	8,228	8,715	8,453
Allowance for impairment losses:-			
At 1 June	(318)	(318)	(318)
Addition during the financial year	-	-	(4)
Written off during the financial year	-	-	318
At 31 May	(318)	(318)	(4)

The Group's normal trade terms range from 7 to 90 (2016 and 2017 – 7 to 120) days. Other credit terms are assessed and approved on a case-by-case basis.

**9. ACCOUNTANTS' REPORT (Cont'd)**

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	←-----Audited-----→		
	←-----FYE 31 May-----→		
	2016	2017	2018
	RM'000	RM'000	RM'000
Other receivables	16	3	1
Deposits	72	74	520
Prepayments	91	149	446
	179	226	967

In the FYE 2018, included in prepayments, amounting to RM383,572 are expenses incurred for the issuance of new shares in conjunction with the Company's listing on the ACE Market of Bursa Malaysia Securities Berhad.

**9. AMOUNTS OWING BY/(TO) RELATED PARTIES**

	←-----Audited-----→		
	←-----FYE 31 May-----→		
	2016	2017	2018
	RM'000	RM'000	RM'000
<b>Amount owing by related parties</b>			
Trade balance	7,063	519	15
Non-trade balance	666	-	-
	7,729	519	15
<b>Amount owing to related parties</b>			
Trade balance	(1)	-	-
Non-trade balance	(19)	(24)	-
	(20)	(24)	-

(a) The trade balance is subject to the normal trade credit term of 60 (2016 and 2017 – 7 to 120) days.

(b) The non-trade balances represent unsecured payments made on behalf. The amounts owing are receivable/repayable on demand and are to be settled in cash.

**9. ACCOUNTANTS' REPORT (Cont'd)**

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The fixed deposits with a licensed bank of the Group at the end of the reporting period bore the following:-

	←-----Audited----->		
	←-----FYE 31 May----->		
	2016	2017	2018
	%	%	%
Effective interest rate	-	4.18 - 4.68	3.10 - 3.55
Maturity period (months)	-	6	1 - 3

**11. SHARE CAPITAL**

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

	Audited			Audited		
	←-----FYE 31 May----->			←-----FYE 31 May----->		
	2016	2017	2018	2016	2017	2018
	←-- Numbers of Shares '000 -->			←-----RM'000----->		
<b>Authorised</b>						
Ordinary shares of RM1.00 each	16,005	N/A	N/A	16,005	N/A	N/A
<b>Issued and Fully Paid-up:</b>						
Ordinary shares with Par Value of RM1 Each (2017 and 2018 – No Par Value)						
At 1 June	7,320	7,320	7,320	7,320	7,320	7,320
Issuance of new shares	-	-	352,851	-	-	28,697
At 31 May	7,320	7,320	360,171	7,320	7,320	36,017

*N/A - Not applicable pursuant to the Companies Act 2016 which came into operation on 31 January 2017 as disclosed in item (ii) below.*

- (i) The holders of ordinary shares are entitled to receive dividend as and when declared by the Company, and are entitled to one vote per ordinary share at meetings of the Company.
- (ii) On 31 January 2017, the concepts of authorised share capital and par value of share capital were abolished in accordance with the Companies Act 2016. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

**9. ACCOUNTANTS' REPORT (Cont'd)**

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- (iii) The Company was incorporated with a total paid-up share capital of RM20 comprising 20 ordinary shares. On 1 March 2018, the Company increased its issued and paid-up share capital from RM20 to RM36,017,078 by way of an issuance of 360,170,980 new ordinary shares for the acquisitions of DPI, DPIC, DPIR and DESB for a total consideration of RM36,017,058.

For the purpose of this report, the total number of shares as at 31 May 2016 and 2017 represent the aggregate number of authorised and issued and fully paid-up shares of all combined entities within the Group.

**12. MERGER DEFICIT**

The merger deficit arose from the difference between the carrying value of the investment and the nominal value of the shares of subsidiaries upon consolidation under the merger accounting principles.

**13. DEFERRED TAX LIABILITIES**

	←----- Audited ----->		
	←----- FYE 31 May ----->		
	2016	2017	2018
	RM'000	RM'000	RM'000
At 1 June	105	105	105
Recognised in profit or loss (Note 22)	-	-	60
At 31 May	105	105	165

Deferred tax liability represents excess of net carrying amount over tax written down value of property, plant and equipment.

**14. TRADE PAYABLES**

The normal trade terms granted to the Group range from 30 to 90 days.

**9. ACCOUNTANTS' REPORT (Cont'd)**

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	<-----Audited----->		
	<-----FYE 31 May----->		
	2016	2017	2018
	RM'000	RM'000	RM'000
Other payables	220	409	741
Accruals	510	552	638
Deposit received	52	46	-
	782	1,007	1,379

**16. AMOUNT OWING TO A DIRECTOR**

The amount owing is non-trade in nature, unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash.

**17. TERM LOANS**

	<-----Audited----->		
	<-----FYE 31 May----->		
	2016	2017	2018
	RM'000	RM'000	RM'000
<u>Current</u>			
Not later than 1 year	*	-	-
<u>Non-Current</u>			
Later than 1 year and not later than 2 years	-	-	-
	*	-	-

				<----- Audited ----->		
				<-----FYE 31 May----->		
				<-----Amount Outstanding ----->		
Term loan	Number of Monthly Instalments	Monthly Instalment Amount RM	Commencement Date of Repayment	2016	2017	2018
				RM'000	RM'000	RM'000
	1	60	15,064	June 2012	*	-
				*	-	-

\* - less than RM1,000

**9. ACCOUNTANTS' REPORT (Cont'd)**

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The term loans outstanding at the end of the reporting period were subjected to the following weighted average effective interest rate per annum:-

	<-----Audited----->		
	<-----FYE 31 May----->		
	2016	2017	2018
	%	%	%
Effective interest rates	4.55	-	-

**FYE 31 May 2016**

The term loans are secured by:-

- (i) a facility agreement for a sum of RM810,000 and RM935,000 as principal instrument;
- (ii) a first party legal charge over the leasehold land and buildings of DPI; and
- (iii) a personal guarantee of a director.

**18. REVENUE**

Revenue of the Group represents the invoiced value of goods sold less trade discounts and returns.

**19. OTHER INCOME**

	<----- Audited ----->		
	<-----FYE 31 May----->		
	2016	2017	2018
	RM'000	RM'000	RM'000
Included are the following items:-			
Gain on disposal of investment properties	-	-	(7,886)
Gain on disposal of property, plant and equipment	(41)	(23)	(985)
Gain on foreign exchange:			
- realised	(125)	(348)	(7)
- unrealised	(246)	(191)	-
Interest income on financial assets not at fair value through profit or loss:			
- fixed deposits with licensed banks	-	(90)	(216)
Rental income	(164)	(191)	(80)

**9. ACCOUNTANTS' REPORT (Cont'd)**

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	<----- Audited ----->		
	<-----FYE 31 May----->		
	2016	2017	2018
	RM'000	RM'000	RM'000
Included are the following items:-			
Auditors' remuneration:			
- current financial year	32	72	110
- underprovision in the previous financial year	1	1	-
Contributions to defined contribution plan:			
- directors of the Company	82	82	87
- others	180	182	211
Depreciation of investment properties	27	26	-
Depreciation of property, plant and equipment	97	119	125
Directors' fees:			
- directors of the Company	52	42	35
Directors' non-fee emoluments	685	685	731
Incorporation expenses	-	-	2
Rental of premises	191	212	246
Salaries, wages, bonus and allowance	1,863	2,117	2,403

**21. OTHER EXPENSES**

	<----- Audited ----->		
	<-----FYE 31 May----->		
	2016	2017	2018
	RM'000	RM'000	RM'000
Included are the following items:-			
Bad debts written off	-	21	74
Impairment loss on property	-	453	-
Impairment loss on trade receivables	-	-	4
Listing expenses	-	-	1,092
Loss on foreign exchange:			
- unrealised	-	-	183

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	<-----Audited----->		
	<-----FYE 31 May----->		
	2016	2017	2018
	RM'000	RM'000	RM'000
Current tax expense:			
- for the financial year	2,350	3,004	3,060
- under/(over)provision in the previous financial years	30	(211)	(201)
	2,380	2,793	2,859
Real property gains tax	-	-	545
	2,380	2,793	3,404
Deferred tax (Note 13):			
- origination and reversal of temporary differences	-	-	(94)
- underprovision in previous financial years	-	-	154
	-	-	60
	2,380	2,793	3,464

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**9. ACCOUNTANTS' REPORT (Cont'd)**

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A reconciliation of income tax expense applicable to the profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group is as follows:-

	←-----Audited-----→		
	←-----FYE 31 May-----→		
	2016	2017	2018
	RM'000	RM'000	RM'000
Profit before taxation	9,800	12,081	18,624
Tax at the applicable statutory tax rate 24%	2,352	2,899	4,470
Tax effects of:-			
Non-deductible expenses	74	140	390
Non-taxable income	(55)	-	(1,894)
Deferred tax assets not recognised for the financial years	4	(5)	-
Differential in tax rates	(25)	(30)	-
Real property gains tax from disposal of assets	-	-	545
Under/(Over)provision of income tax in previous financial years	30	(211)	(201)
Underprovision of deferred taxation in the previous financial years	-	-	154
Income tax expense for the financial years	2,380	2,793	3,464

**DPI****FYE 31 May 2016, 2017 and 2018**

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2016 and 2017 - 24%) of the chargeable income for the financial year.

**DPIC****FYE 31 May 2017 and 2018**

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% of the chargeable income for the financial year.

**FYE 31 May 2016**

The corporate tax rate on the first RM500,000 of chargeable income is 19%. The tax rate applicable to the balance of the chargeable income is 24%.

**DPIR****FYE 31 May 2016**

The corporate tax rate on the first RM500,000 of chargeable income is 19%. The tax rate applicable to the balance of the chargeable income is 24%.

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	<-----Audited----->		
	<-----FYE 31 May----->		
	2016	2017	2018
Profit attributable to owners of the Company (RM'000)	7,420	9,288	15,160
Weightage average number of ordinary shares in issue ('000)	360,171 <sup>(1)</sup>	360,171 <sup>(1)</sup>	360,171
Basic earnings per share (sen)	2.06	2.58	4.21

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

Note:-

(1) The number of shares in issue after acquisition of its subsidiaries, for the FYE 31 May 2016 and 2017.

**24. DIVIDENDS**

	<----- Audited ----->		
	<-----FYE 31 May----->		
	2016	2017	2018
	RM'000	RM'000	RM'000
Interim dividends paid in respect of the following financial years:-			
31 May 2016:			
- first interim single-tier dividend of RM1.50 per ordinary share	2,423	-	-
31 May 2017:			
- first interim single-tier dividend of RM17.52 per ordinary share	-	8,840	-
- first interim single-tier dividend of RM1.00 per ordinary share	-	1,615	-
31 May 2018:			
- first interim single-tier dividend of RM1.00 per ordinary share	-	-	5,200
- first interim single-tier dividend of RM0.40 per ordinary shares	-	-	200
- first interim single-tier dividend of RM0.03 per ordinary shares	-	-	50
- second interim single-tier dividend of RM0.33 per ordinary shares	-	-	540
	2,423	10,455	5,990

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(a) The reconciliations of liabilities arising from financing activities are as follows:-

	Amount owing to a director RM'000	Amount owing to related parties RM'000	Total RM'000
<b>2018</b>			
At 1 June	(9,774)	(24)	(9,798)
<u>Changes in Financing Cash Flows</u>			
Advances	564	-	564
Repayment	-	24	24
	564	24	588
<u>Non-cash changes</u>			
Dividend paid	(5,990)	-	(5,990)
Proceeds from disposal of a property	1,300	-	1,300
Proceeds from disposal of investment properties	13,900	-	13,900
	9,210	-	9,210
At 31 May	-	-	-

Comparative information is not presented by virtue of the exemption given in MFRS 107.

(b) The cash and cash equivalents comprise the following:-

	2016 RM'000	2017 RM'000	2018 RM'000
Cash and bank balances	7,495	9,225	12,946
Fixed deposits with licensed banks	-	4,500	5,081
	7,495	13,725	18,027
Less: Fixed deposits with original maturity of more than 3 months	-	(4,500)	-
	7,495	9,225	18,027

**9. ACCOUNTANTS' REPORT (Cont'd)****DPI HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****26. KEY MANAGEMENT PERSONNEL**

The key management personnel of the Group include executive director and non-executive directors of the Group.

The key management personnel compensation during the financial years are as follows:-

<-----Audited----->		
<-----FYE 31 May----->		
2016	2017	2018
RM'000	RM'000	RM'000

Directors of the Group

Short-term employee benefits:

- fees	52	42	35
- salaries	685	685	731
	737	727	766
Defined contribution benefits	82	82	89
	819	809	855

**27. RELATED PARTY DISCLOSURES****(a) Identities of Related Parties**

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

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

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

	←----- Audited ----->		
	←-----FYE 31 May----->		
	2016 RM'000	2017 RM'000	2018 RM'000
Purchases paid or payable to companies in which a director of the Company has a substantial financial interest	14	2	1
Sales received or receivable from a company in which a director of the Company has a substantial financial interest	(1,558)	(1,625)	(415)
Proceeds from disposal of investment properties to a company in which a director of the Company has a substantial financial interest #	-	-	14,150
Proceeds from disposal of property to a company in which a director of the Company has a substantial financial interest	-	-	1,300
Rental paid or payable to a company in which a director of the Company has a substantial financial interest	-	-	31
Management fees paid or payable to companies in which a director of the Company has a substantial financial interest	23	69	17

# Included in sales proceeds from disposal of investment properties is an amount of RM13,900,000 which was offsetted against the amount owing to a director, as disclosed in Note 29 to the financial statements.

The significant outstanding balances of the related parties together with their terms and conditions are disclosed in the respective notes to the financial statements.

**9. ACCOUNTANTS' REPORT (Cont'd)**



**DPI HOLDINGS BERHAD**

**NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**28. OPERATING SEGMENTS**

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

The Group is organised into 3 main reportable segments as follows:-

- (a) Aerosol products segment – involved in the business of development, manufacturing and distribution of aerosol products.
- (b) Solvents and thinners segment – involved in the business of trading of solvents and thinners.
- (b) Others – dormant.

The management assesses the performance of the reportable segments based on their profit before interest expense and taxation. The accounting policies of the reportable segments are the same as the Group's accounting policies.

Transactions between reportable segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions are eliminated on combination.

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## 28.1 BUSINESS SEGMENTS

<b>Audited FYE 31 May 2016</b>	<b>Aerosol products RM'000</b>	<b>Solvents and thinners RM'000</b>	<b>Others RM'000</b>	<b>Group RM'000</b>
<b>Revenue</b>				
External revenue	37,038	9,885	-	46,923
Inter-segment revenue	19,446	3,046	-	22,492
	<u>56,484</u>	<u>12,931</u>	<u>-</u>	<u>69,415</u>
Combined eliminations				<u>(22,492)</u>
Combined revenue				<u>46,923</u>
<b>Results</b>				
Segment profit before interest and taxation	9,568	355	(2)	9,921
Finance costs	(121)	-	-	(121)
Combined profit before taxation	<u>9,447</u>	<u>355</u>	<u>(2)</u>	<u>9,800</u>
Segment profit before interest and taxation includes the following:-				
Interest expense	121	-	-	121
Depreciation of investment properties	25	2	-	27
Depreciation of property, plant equipment	335	72	-	407
Gain on disposal on property, plant and equipment	-	(41)	-	(41)
Unrealised gain on foreign exchange	(246)	-	-	(246)

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## 28.1 BUSINESS SEGMENTS (CONT'D)

<b>Audited FYE 31 May 2016</b>	<b>Aerosol products RM'000</b>	<b>Solvents and thinners RM'000</b>	<b>Others RM'000</b>	<b>Group RM'000</b>
<b>Assets</b>				
Segment assets	40,304	7,031	*	47,335
Combined adjustments/ eliminations				(4,175)
Combined total assets				<u>43,160</u>
Additions to non-current assets other than financial instruments:-				
- Property, plant and equipment	7	148	-	155
<b>Liabilities</b>				
Segment liabilities	17,546	2,979	36	20,561
Combined adjustments/ eliminations				(3,966)
Combined total liabilities				<u>16,595</u>

\* - less than RM1,000

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<b>Audited FYE 31 May 2017</b>	<b>Aerosol products RM'000</b>	<b>Solvents and thinners RM'000</b>	<b>Others RM'000</b>	<b>Group RM'000</b>
<b>Revenue</b>				
External revenue	39,698	9,662	-	49,360
Inter-segment revenue	5,441	3,392	-	8,833
	<u>45,139</u>	<u>13,054</u>	<u>-</u>	<u>58,193</u>
Combined eliminations				<u>(8,833)</u>
Combined revenue				<u>49,360</u>
<b>Results</b>				
Segment profit before interest and taxation	<u>12,012</u>	<u>115</u>	<u>(46)</u>	<u>12,081</u>
Segment profit before interest and taxation includes the following:-				
Interest income	(90)	-	-	(90)
Depreciation of investment properties	18	2	6	26
Depreciation of property, plant equipment	329	103	-	432
Impairment loss on property	453	-	-	453
Gain on disposal on property, plant and equipment	-	(23)	-	(23)
Unrealised gain on foreign exchange	(191)	-	-	(191)

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## 28.1 BUSINESS SEGMENTS (CONT'D)

<b>Audited FYE 31 May 2017</b>	<b>Aerosol products RM'000</b>	<b>Solvents and thinners RM'000</b>	<b>Others RM'000</b>	<b>Group RM'000</b>
<b>Assets</b>				
Segment assets	37,456	5,721	732	43,909
Combined adjustments/ eliminations				(188)
Combined total assets				<u>43,721</u>
Additions to non-current assets other than financial instruments:-				
- Property, plant and equipment	89	206	-	295
<b>Liabilities</b>				
Segment liabilities/Combined total liabilities	15,487	2,783	53	<u>18,323</u>

\* - less than RM1,000

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## 28.1 BUSINESS SEGMENTS (CONT'D)

<b>Audited FYE 31 May 2018</b>	<b>Aerosol products RM'000</b>	<b>Solvents and thinners RM'000</b>	<b>Others RM'000</b>	<b>Group RM'000</b>
<b>Revenue</b>				
External revenue	40,773	9,521	-	50,294
Inter-segment revenue	5,742	3,392	-	9,134
	<u>46,515</u>	<u>12,913</u>	<u>-</u>	<u>59,428</u>
Consolidated eliminations				<u>(9,134)</u>
Consolidated revenue				<u>50,294</u>
<b>Results</b>				
Segment profit before interest and taxation	19,411	228	(1,015)	18,624
Segment profit before interest and taxation includes the following:-				
Interest income	(216)	-	-	(216)
Depreciation of property, plant equipment	291	104	-	395
Gain on disposal on investment properties	(6,796)	(868)	(222)	(7,886)
Gain on disposal on property, plant and equipment	(985)	-	-	(985)
Unrealised loss on foreign exchange	183	-	-	183

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## 28.1 BUSINESS SEGMENTS (CONT'D)

<b>Audited FYE 31 May 2018</b>	<b>Aerosol products RM'000</b>	<b>Solvents and thinners RM'000</b>	<b>Others RM'000</b>	<b>Group RM'000</b>
<b>Assets</b>				
Segment assets	38,995	4,846	37,129	80,970
Consolidated adjustments/ eliminations				(38,522)
Consolidated total assets				<u>42,448</u>
 Additions to non-current assets other than financial instruments:-				
- Property, plant and equipment	39	70	-	109
 <b>Liabilities</b>				
Segment liabilities/Consolidated total liabilities	4,747	3,087	47	<u>7,881</u>

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

	<-----Audited----->		
	<-----FYE 31 May----->		
	2016	2017	2018
	RM'000	RM'000	RM'000
<b>Group</b>			
- Malaysia	39,289	40,912	41,109
- Outside Malaysia	7,634	8,448	9,185
	46,923	49,360	50,294

No information is presented on the basis of geographical information for non-current assets as the Group operates primarily in Malaysia during the financial year.

**28.3 MAJOR CUSTOMERS**

There is no single customer that contributed 10% or more to the Group's revenue.

**29. FOREIGN EXCHANGE RATE**

The principal closing foreign exchange rates used (expressed on the basis of one unit of foreign currency to Ringgit Malaysia equivalent) for the translation of the foreign currency balances at the end of the reporting period are as follows:-

	<-----Audited----->		
	<-----FYE 31 May----->		
	2016	2017	2018
	RM	RM	RM
United States Dollar	4.129	4.280	3.979
Japanese Yen	0.037	0.039	0.037
New Zealand Dollar	N/A	N/A	2.784
Singapore Dollar	2.992	N/A	N/A

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The Group leases a warehouse under non-cancellable operating leases. The lease periods is 3 years from 1 November 2017 with an option to renew after that date.

The future minimum lease payments under the non-cancellable operating leases are as follows:-

	<-----Audited----->		
	<-----FYE 31 May----->		
	2016	2017	2018
	RM'000	RM'000	RM'000
Not more than 1 year	-	-	192
Later than 1 year and not later than 5 years	-	-	272
	-	-	464

**31. CONTINGENT LIABILITIES**

No provisions are recognised on the following matters as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement:-

	<-----Audited----->		
	<-----FYE 31 May----->		
	2016	2017	2018
	RM'000	RM'000	RM'000
Corporate guarantee given to a licensed bank for credit facilities granted to a related party in which a director of the Group has substantial financial interest	4,700	4,700	-

**32. CAPITAL COMMITMENTS**

	<-----Audited----->		
	<-----FYE 31 May----->		
	2016	2017	2018
	RM'000	RM'000	RM'000
Approved and not contracted for:- Plant and equipment	-	-	23,540
Approved and contracted for:- Purchase of property and equipment	-	-	2,216
	-	-	25,756

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**NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**33. FINANCIAL INSTRUMENTS**

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

**33.1 FINANCIAL RISK MANAGEMENT POLICIES**

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

**(a) Market Risk**

**(i) Foreign Currency Risk**

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currencies of entities within the Group. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Japanese Yen ("JPY"), Singapore Dollar ("SGD") and New Zealand Dollar ("NZD"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

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

*Foreign Currency Exposure*

	<-----Audited----->		
	<-----FYE 31 May----->		
2016	USD RM'000	JPY RM'000	SGD RM'000
<u>Financial Assets</u>			
Trade receivables	1,314	-	-
Other receivables and deposits	6	-	-
Amount owing by related parties	-	-	16
Cash and bank balances	3,078	-	-
	4,398	-	16
<u>Financial Liability</u>			
Trade payables	(317)	(674)	(3)
Currency exposure	4,081	(674)	13
	4,081	(674)	13
<-----Audited----->			
<-----FYE 31 May----->			
2017	USD RM'000	JPY RM'000	
<u>Financial Assets</u>			
Trade receivables		1,600	-
Cash and bank balances		893	-
		2,493	-
<u>Financial Liabilities</u>			
Trade payables		(136)	(241)
Other payables and accruals		(17)	-
Currency exposure		2,340	(241)



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	<-----Audited----->		
	<-----FYE 31 May----->		
	USD	JPY	NZD
	RM'000	RM'000	RM'000
<b>2018</b>			
<u>Financial Assets</u>			
Trade receivables	755	-	162
Cash and bank balances	4,531	-	-
	5,286	-	162
<u>Financial Liability</u>			
Trade payables	-	(347)	-
Currency exposure	5,286	(347)	162

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

	<-----Audited----->		
	<-----FYE 31 May----->		
	2016	2017	2018
	RM'000	RM'000	RM'000
<b>Effects on Profit After Taxation</b>			
<b>USD/RM</b>			
– strengthened by 10%	+ 310	+ 178	+ 402
– weakened by 10%	- 310	- 178	- 402
<b>JPY/RM</b>			
– strengthened by 10%	- 51	- 18	- 26
– weakened by 10%	+ 51	+ 18	+ 26
<b>SGD/RM</b>			
– strengthened by 10%	+ 1	-	-
– weakened by 10%	- 1	-	-
<b>NZD/RM</b>			
– strengthened by 10%	-	-	+ 12
– weakened by 10%	-	-	- 12

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Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from its interest-bearing borrowings. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio mix of fixed and floating rate borrowings.

The Group's fixed deposits with licensed banks are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined in MFRS 7 since neither their carrying amounts nor the future cash flows will fluctuate because of a change in market interest rates.

The Group's exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed in Notes 10 and 17 to the combined and consolidated financial statements.

*Interest Rate Risk Sensitivity Analysis*

Any reasonably possible change in the interest rates of floating rate term loans at the end of the reporting period does not have material impact on the profit after taxation and other comprehensive income of the Group and hence, no sensitivity analysis is presented.

**(iii) Equity Price Risk**

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

**(b) Credit Risk**

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

The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 90 (2016 and 2017 – 120) days, which are deemed to have higher credit risk, are monitored individually.

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**NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**33. FINANCIAL INSTRUMENTS (CONT'D)**

**33.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)**

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

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

**(i) Credit Risk Concentration Profile**

The Group does not have any major concentration of credit risk related to any individual customer or counterparty.

**(ii) Exposure to credit risk**

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

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The ageing analysis of the Group's trade receivables (including related parties) at the end of the reporting period is as follows:-

	<-----Audited----->			
	<-----FYE 31 May----->			
	Gross Amount	Individual Impairment	Collective Impairment	Carrying Value
	RM'000	RM'000	RM'000	RM'000
<b>2016</b>				
Not past due	6,235	-	-	6,235
Past due:				
- less than 3 months	2,578	-	-	2,578
- 3 to 6 months	592	-	-	592
- more than 6 months	6,204	(318)	-	5,886
	15,609	(318)	-	15,291
<b>2017</b>				
Not past due	6,858	-	-	6,858
Past due:				
- less than 3 months	2,201	-	-	2,201
- 3 to 6 months	80	-	-	80
- more than 6 months	413	(318)	-	95
	9,552	(318)	-	9,234

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The ageing analysis of the Group's trade receivables (including related parties) at the end of the reporting period is as follows (Cont'd):-

	<-----Audited----->			
	<-----FYE 31 May----->			
	Gross Amount RM'000	Individual Impairment RM'000	Collective Impairment RM'000	Carrying Value RM'000
<b>2018</b>				
Not past due	4,813	-	-	4,813
Past due:				
- less than 3 months	3,492	-	-	3,492
- 3 to 6 months	156	-	-	156
- more than 6 months	329	(322)	-	7
	8,790	(322)	-	8,468

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

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

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

*Maturity Analysis*

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

2016	Contractual Interest Rate %	Carrying Amount RM'000	Audited ----->			
			Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 - 5 Years RM'000	Over 5 Years RM'000
<u>Non-derivative Financial Liabilities</u>						
Trade payables	-	7,391	7,391	7,391	-	-
Other payables and accruals	-	782	782	782	-	-
Amount owing to a director	-	7,785	7,785	7,785	-	-
Amount owing to related parties	-	20	20	20	-	-
Term loans	4.55	*	-	-	-	-
		15,978	15,978	15,978	-	-

\* - less than RM1,000

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**9. ACCOUNTANTS' REPORT (Cont'd)**

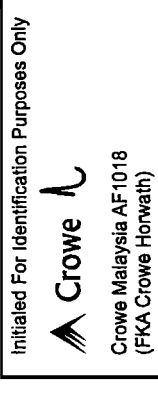
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Crowe Malaysia AF1018  
(FKA Crowe Horwath)**DPI HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****33. FINANCIAL INSTRUMENTS (CONT'D)****33.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)****(c) Liquidity Risk (Cont'd)***Maturity Analysis (Cont'd)*

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

2017	Contractual Interest Rate %	Audited				
		Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 – 5 Years RM'000	Over 5 Years RM'000
<u>Non-derivative Financial Liabilities</u>						
Trade payables	-	7,196	7,196	7,196	-	-
Other payables and accruals	-	1,007	1,007	1,007	-	-
Amount owing to a director	-	9,774	9,774	9,774	-	-
Amount owing to related parties	-	24	24	24	-	-
		18,001	18,001	18,001	-	-



**9. ACCOUNTANTS' REPORT (Cont'd)****DPI HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****33. FINANCIAL INSTRUMENTS (CONT'D)****33.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)****(c) Liquidity Risk (Cont'd)***Maturity Analysis (Cont'd)*

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

2018	Contractual Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Audited		
				Within 1 Year RM'000	1 – 5 Years RM'000	Over 5 Years RM'000
<u>Non-derivative Financial Liabilities</u>						
Trade payables	-	6,317	6,317	6,317	-	-
Other payables and accruals	-	1,379	1,379	1,379	-	-
		7,696	7,696	7,696	-	-

**9. ACCOUNTANTS' REPORT (Cont'd)**

Initialed For Identification Purposes Only

Crowe Malaysia AF1018  
(FKA Crowe Horwath)**DPI HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****33. FINANCIAL INSTRUMENTS (CONT'D)****33.2 CAPITAL RISK MANAGEMENT**

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

The Group manages its capital based on debt-to-equity ratio. As the Group has insignificant external borrowings, the debt-to-equity ratio is not presented as it may not provide a meaningful indicator of the risk of borrowings.

**33.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS**

	←----- Audited -----→		
	←----- FYE 31 May -----→		
	2016	2017	2018
	RM'000	RM'000	RM'000
<b>Financial Asset</b>			
<u>Loans and receivables financial assets</u>			
Trade receivables	8,228	8,715	8,453
Other receivables and deposits	88	77	521
Amount owing by related parties	7,729	519	15
Fixed deposits with licensed banks	-	4,500	5,081
Cash and bank balances	7,495	9,225	12,946
	<b>23,540</b>	<b>23,036</b>	<b>27,016</b>
<b>Financial Liability</b>			
<u>Other financial liabilities</u>			
Trade payables	7,391	7,196	6,317
Other payables and accruals	782	1,007	1,379
Amount owing to a director	7,785	9,774	-
Amount owing to related parties	20	24	-
Term loans	*	-	-
	<b>15,978</b>	<b>18,001</b>	<b>7,696</b>

\* - less than RM1,000

**9. ACCOUNTANTS' REPORT (Cont'd)**

Initialed For Identification Purposes Only



Crowe Malaysia AF1018  
(FKA Crowe Horwath)

**DPI HOLDINGS BERHAD**

**NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**33. FINANCIAL INSTRUMENTS (CONT'D)**

**33.4 FAIR VALUE INFORMATION**

At the end of the reporting period, there were no financial instruments carried at fair values in the statements of financial position.

The fair values of the financial assets and financial liabilities of the Group which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

**34. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

During the financial year:-

- (a) On 25 October 2017, the Group entered into a Sale and Purchase Agreement ("SPA") with a third party to purchase properties for a total purchase consideration of RM2,150,000;
- (b) On 6 November 2017, the Group entered into a SPA with a related party, PCA Properties Sdn. Bhd. to dispose a piece of property and investment properties for a total sale consideration of RM15,450,000;
- (c) On 19 November 2017, the Group entered into a SPA with a third party to dispose of a piece of property for a cash consideration of RM975,000;
- (d) In conjunction with, and as an integral part of the Listing, the Company has undertaken the acquisitions of DPI, DPIC, DPIR and DESB ("Acquisitions"). The Company had on 15 November 2017 entered into 4 conditional Share SPAs and supplemented by supplemental conditional Share SPAs dated 14 February 2018 in relation to the Acquisitions for a total consideration of RM36,017,058; and
- (e) On 1 March 2018, the Group has approved an expansion plan which amounted to RM23,540,000 with the intention to increase its production capacity of its aerosol business.

**35. SIGNIFICANT EVENT OCCURRING AFTER THE REPORTING PERIOD**

On 1 November 2018, the Company obtained approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad.

**9. ACCOUNTANTS' REPORT (Cont'd)**

Initialed For Identification Purposes Only



Crowe Malaysia AF1018  
(FKA Crowe Horwath)

**DPI HOLDINGS BERHAD**

**STATEMENT BY DIRECTORS**

We, Choy Mui Seng @ Chai Mui Seng and Chai Chun Vui, being two of the directors of DPI Holdings Berhad, state in the opinion of the directors, the financial statements set out on pages 4 to 67 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and Prospectus Guidelines – Equity Issued by the Securities Commission Malaysia so as to give a true and fair view of the financial position of the Group as of 31 May 2016, 2017 and 2018 and of their financial performance and cash flows for the financial years ended on that date.

Signed in accordance with a resolution of the directors dated **05 NOV 2018**

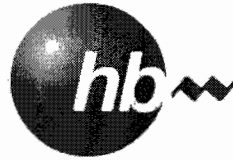
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**Choy Mui Seng @ Chai Mui Seng**

A handwritten signature in black ink, featuring a series of connected, flowing loops.

**Chai Chun Vui**

## 10. VALUATION CERTIFICATES



**HENRY BUTCHER MALAYSIA**

International Asset Consultants

Our Ref.: V/JB09-17/1575(A)/AZ/PTN

Date: November 01, 2018

**M/S DPI HOLDINGS BERHAD**  
K69, Jalan Perindustrian 6,  
Kawasan Perindustrian Tanjung Agas,  
84000 Kesang, Johor.

Dear Sirs

**CERTIFICATE OF VALUATION ON A FACTORY BUILDING KNOWN AS NO. K69, JALAN PERINDUSTRIAN 6, KAWASAN PERINDUSTRIAN TANJUNG AGAS, 84000 KESANG, JOHOR HELD UNDER LOT NO. PTD 4973, TITLE NO. HSD 2578, MUKIM OF KESANG, DISTRICT OF TANGKAK AND STATE OF JOHOR (“SUBJECT PROPERTY”).**

We were instructed by M/S DPI HOLDINGS BERHAD (“DPI Holdings”) to conduct a valuation of the Subject Property. The full details of the valuation are included in our Valuation Report bearing reference no. V/JB09-17/1575(A)/AZ/PTN dated January 08, 2018.

This certificate has been prepared for inclusion in the Prospectus of DPI Holdings in conjunction with the listing of DPI Holdings on the ACE Market of Bursa Malaysia Securities Berhad.

The Subject Property was inspected and referenced on December 20, 2017. The relevant date of valuation for this valuation exercise coincides with the date of inspection, i.e. December 20, 2017.

The valuation had been carried out in accordance with the Asset Valuation Guidelines issued by the Securities Commission Malaysia and the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia.

The basis of valuation is the Market Value which is defined by the Malaysian Valuation Standards to be “estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion”.

The brief description of the Subject Property and our opinion of the current Market Value are as follows: -

**HENRY BUTCHER MALAYSIA (JOHOR) Sdn Bhd** (199150-H)

No. 52, 52-A-B, Jalan Padi 1, Bandar Baru UDA, 81200 Johor Bahru, Johor, Malaysia

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Valuation | Real Estate Agency | Investment Advisory | International Marketing | Market Research | Development Consultancy  
Project Marketing | Asset Management | Retail Planning & Consultancy | Auctions | Plant & Machinery | Art Consultancy



V(1)0068/1

**10. VALUATION CERTIFICATES (Cont'd)****PROPERTY DESCRIPTION**

Property Type	A parcel of industrial land with a factory building
Address of the Subject Property	K69, Jalan Perindustrian 6, Kawasan Perindustrian Tanjung Agas, 84000 Kesang, Johor
Location	<p>The Subject Property is located along Jalan Perindustrian 6 within Kawasan Perindustrian Tanjung Agas and is sited approximately 2 kilometres north of Muar Town and 26 kilometres south-east of Tangkak Town.</p> <p>The Subject Property is accessible from Muar Town via Jalan Kesang and thereafter by the internal metalled service roads of Kawasan Perindustrian Tanjung Agas for a total distance of about 2 kilometres.</p>
Site	<p>The land is rectangular in shape encompassing a provisional land area as per the qualified title document of approximately 0.397 hectare (0.981 acre/42,733 sq. ft.). The physical terrain of the land is generally flat and lies about the same level of the frontage road.</p> <p>As at the time of inspection, we noted that the Subject Property is further developed with a single storey detached factory with double storey office annexed and a guard house. The remaining undeveloped/vacant areas are generally cement rendered and turfed. Proper drainage system and car parking bays are provided within the land.</p>
Town Planning	The Subject Property is situated within an area designated for industrial purposes.
Age of Building	24 years (from the date of the Certificate of Fitness (CF) which was issued in January 10, 1993).
Building Description	Erected on the industrial land are factory building which comprise the following:

a) **Single Storey Detached Factory with a Double Storey Office Annexed**

Subject	Description of Construction and Floor Finishes
<b>Structure</b>	Steel portal framework on reinforced concrete footings and reinforced concrete floor slabs.
<b>Roof</b>	A pitched roof of corrugated metal sheets on mild steel trusses and purlins.
<b>Wall</b>	<p>Factory: The lower portions of the external walls are constructed of 4.57 metres (or 15.00 feet) high plastered brick while the upper portions are of metal sheets cladding.</p> <p>Office: Plastered brick walls; internal walls are of shanghai plaster finishes.</p>
<b>Ceiling</b>	Office: Cement plaster and suspended aluminium grid mineral fibre boards for ground and first floor respectively.

**10. VALUATION CERTIFICATES (Cont'd)**

## Building Description

Subject	Description of Construction and Floor Finishes
<b>Door</b>	Sliding/flush metal doors and metal roller shutter doors for factory areas; double leaf aluminium framed tinted glass panel; flush timber and fire-rated doors for office areas.
<b>Window</b>	Aluminium framed glass panel windows for office areas; adjustable glass louvers for production areas.
<b>Vertical Access</b>	Reinforced concrete staircase with ceramic tile finishes for office annex; metal fire escape staircases.
<b>Accommodation / Floor Finishes</b>	<p><u>Ground Floor</u>            Production Area : Cement rendered            Storage Area : Cement rendered</p> <p><u>First Floor</u>            General Office : Ceramic tiles            Conference Room : Ceramic tiles            Waiting Room : Ceramic tiles            Office : Ceramic tiles            Pantry : Ceramic tiles            W.C. : Ceramic tiles            Porch : Ceramic tiles</p>

The eave and ridge levels of the building are constructed at heights of 9.144 metres (30.00 feet) and 11.582 metres (38.00 feet) respectively with a double span of 18.287 metres (60.00 feet) each. The factory building is provided with a 3-phase electricity supply and adequate firefighting installations and equipment such as break glass alarm system, gas detectors, hose reels as well as fire extinguishers. The gross floor area of the building is estimated at a total of 26,340 sq. feet.

At the time of inspection, we noted that there is an extended covered area of the factory building which is not shown in the approved building plan (reference No. MDMS(PB) 87/89/A, Plan No. AEO/89051). The details of the extended covered area are as follows:

Subject	Description of Construction
<b>Structure</b>	Steel framework.
<b>Roof</b>	Front: Blue sun shading net texture Rear: Metal Cladding Side: Metal Cladding
<b>Wall</b>	Metal cladding to the rear and side portions.

The floor area of these covered area is approximately 9,600 sq. feet and is currently used as walkway and for protection against sunlight. This extended covered area is not shown in the approved building plan. We have therefore excluded the value attributable to the aforesaid area in our Market Value estimation.

**10. VALUATION CERTIFICATES (Cont'd)**

Building Description      b)    A Guard House

Subject	Description of Construction and Floor Finishes
<b>Structure</b>	Reinforced concrete framework and reinforced concrete floor slabs.
<b>Roof</b>	Mansard roof of asbestos sheets on steel trusses and purlins.
<b>Wall</b>	Plastered brick walls.
<b>Ceiling</b>	Asbestos free ceiling sheets.
<b>Door</b>	Flush timber door
<b>Window</b>	Adjustable glass louvers.
<b>Accommodation / Floor Finishes</b>	Guard house : Cement rendered Terrace : Cement rendered

The guard house has a main floor area of 5.946 sq. metres (or 64.00 sq. feet) and an ancillary floor area of 10.963 sq. metres (or 118.00 sq. feet).

Occupancy of the Subject Property

We noted that the Subject Property was owner occupied.

**TITLE PARTICULARS**

Title No. : HSD 2578

Lot No. : PTD 4973

Bandar / Pekan / Mukim : Mukim Kesang

District : Tangkak

State : Johor

Tenure : Leasehold 60 years expiring on January 30, 2050.  
The remaining unexpired term is about 33 years.

Provisional Land Area : 0.397 hectare (0.981 acre / 42,733 sq. ft.)

Annual Quit Rent : RM1,000.00

Registered Owner : DPI Sdn Bhd

Category of Land Use : Perusahaan/Perindustrian

Express Condition : i) Tanah ini hendaklah digunakan untuk Kilang bagi tujuan Perusahaan Ringan dan kegunaan lain yang berkaitan dengannya, dibina mengikut pelan yang diluluskan oleh Pihak Berkuasa Tempatan yang berkenaan.

ii) Segala kekotoran dan pencemaran akibat daripada aktiviti ini hendaklah disalurkan / dibuang ke tempat-tempat yang telah ditentukan oleh Pihak Berkuasa Berkenaan.

iii) Segala dasar dan syarat yang ditetapkan dan dikuatkuasakan dari semasa ke semasa oleh Pihak Berkuasa Berkenaan hendaklah dipatuhi.



**10. VALUATION CERTIFICATES (Cont'd)****TITLE PARTICULARS (Cont'd)**

Restriction in interest	:	Tanah yang dikurniakan ini tidak boleh dijual, dicagar, digadai, dipajak atau dipindahmilik dengan apa cara sekalipun, termasuk dengan cara menggunakan segala surat perjanjian yang bertujuan untuk melepaskan/ menjual tanah ini, tanpa kebenaran Pihak Berkuasa Negeri.
Encumbrances	:	Nil.
Endorsement	:	Permohonan serahbalik seluruh tanah vide Presentation No. 6413/2016 and dated October 11, 2016.
Caveat	:	Nil.

**Note:**

*The client has applied for land amalgamation together with neighbouring lots PTD 4550, PTD 4530 and PTK 84, held under HSD 1504, HSD 1458 and HSD 7210, respectively. Mukim Kesang, District of Tangkak on January 12, 2015. The application was submitted through Jurukur Prima. As at the date of valuation, the application process is still ongoing with no confirmation on the approval status as yet.*

**VALUATION METHODOLOGY**

We have adopted the "Cost Approach" and "Investment Method" in formulating our opinion of the current **Market Value** of the Subject Property.

**Cost Approach**

The "Cost Approach" is a valuation approach, which is based on an estimate of the current Market Value of land for its existing use, plus the current gross replacement cost of improvements less allowances for physical deterioration and all relevant forms of obsolescence and optimisation.

In arriving at our opinion of value, we have taken into consideration amongst others, the following transactions which extracted from Department of Property Valuation and Services (JPPH): -

**a) Land value**

	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Address	K75, Jalan Perindustrian 7	K23 & K23-1, Jalan Perindustrian 2	PTD 9644, Jalan Perindustrian	PTD 9645, Jalan Perindustrian
	Kawasan Perindustrian Tanjung Agas			
Improvement	1 1/2 storey detached factory	2-storey detached office with 2-block 1 storey cum 1 block 2-storey factories & ancillary buildings	Industrial land erected with a single storey open-sided factory	Industrial land erected with a single storey open-sided factory
Source	Department of Property Valuation and Services (JPPH)	Memorandum of purchase from Public Auction	Department of Property Valuation and Services (JPPH)	Department of Property Valuation and Services (JPPH)
Tenure	Leasehold 60 years exp on 02/07/2046 (remaining about 31 years)	Leasehold 60 years exp on 13/07/2042 (remaining about 25 years)	Leasehold 60 years exp on 31/05/2035 (remaining about 18 years)	Leasehold 60 years exp on 31/05/2035 (remaining about 18 years)

**10. VALUATION CERTIFICATES (Cont'd)**

Built-up Area	14,585 sq.ft	50,400 sq.ft	10,800 sq.ft	8,640 sq.ft
Age of the Building (year)	19 years	32 years	40 years	40 years
Building Cost	RM 100 /sq.ft (standard main building)	RM 100 /sq.ft (standard main building)	RM 50 /sq.ft (open sided building)	RM 50 /sq.ft (open sided building)
Building Depreciation	32%	53%	67%	67%
Remarks	Individual-designed	Individual-designed	Individual-designed	Individual-designed
Land Area	21,780 sq ft	87,080 sq ft	52,291 sq ft	60,256 sq ft
Date	20/07/2015	13/02/2017	2/5/2017	2/5/2017
Consideration	RM1,410,000	RM3,395,000	RM1,490,249	RM1,717,312
Analysis Land Value	RM25.68/sq.ft	RM23.48/sq.ft	RM25.09/sq.ft	RM26.13/sq.ft
<b>Adjustment made at Type of Transaction, Time, Location, Land Area, Tenure and Improvement</b>				
Adjusted Land Value	RM24.00/sq. ft	RM26.00/sq. ft	RM28.00/sq.ft	RM29.00/sq.ft

Note:

From our analysis, we have adopted RM28.00 per square foot for the land value of the Subject Property based on the following facts: -

- The land value is in the range of RM24.00 per square foot to RM29.00 per square foot.
- Comparable 3 is the best comparable to adopt as the land area is closer to the Subject Property and date of transaction is most recent.

**b) Building**

- i) References to other contractors revealed that the current construction cost of similar building is in the range of RM80.00 per square foot to RM150.00 per square foot. Based on the JUBM & Arcadis Construction Cost Hand Book Malaysia 2017, the construction cost for a single storey conventional factory of structural steelwork ranges between RM90.00 per square foot to RM110.00 per square foot. We have incorporated the factors of building specifications such as floor finishes, eaves height, roof, floor loading capacity etc. in the adjustment. We have also taken into consideration the adjustment on the time factor and the renovation cost incurred to upgrade the subject building. Therefore, it is in our opinion that the construction cost before depreciation for the factory building adopted at RM100.00 per square foot, RM125.00 per square foot for office area, RM80.00 per square foot for ancillary floor area of office, RM60.00 per square foot for guard house and RM30.00 per square foot for ancillary floor area of guard house are reasonable in this valuation.
- ii) Depreciation rate of 40% is adopted based on the age of the building with the assumption that the building has a life span of 60 years.

$$\text{Depreciation Rate} = \frac{\text{Age of the Building (24 years)}}{\text{Building Life Span (60 years)}} \times 100\%$$

The value from cost approach is as follows: -

**Cost Approach** **RM2,900,000.00**

**10. VALUATION CERTIFICATES (Cont'd)****Investment Method**

In "Investment Method", the capital value is derived from an estimate of the market rental, which the Subject Property can reasonably be let for. Outgoings, such as property tax, repairs and maintenance, insurance and management are then deducted from the annual rental income. The net annum rental income is capitalised at an appropriate current market yield to arrive at its indicative capital value.

There is a lack of rental information in Muar area. We also noted that there is no rental information recorded in the Department of Property Valuation and Services (JPPH). However, according to our internal research and verbal conversation with the local real estate agents and third parties revealed that the current rentals and asking rentals for an individual-designed factory/warehouse building located within Muar area are in the range of RM0.36 per square foot to RM0.54 per square foot.

We have therefore adopted the asking rental of RM0.50 per square foot in our calculation after taking into consideration the lettable area, floor finishes, eaves heights and floor loading capacity of the building.

Our in-house research revealed that the outgoings for a factory building is in the range of 10% to 20% from the estimated annual rental which includes annual quit rent, annual assessment, building maintenance and others depending on the efficiencies of the management of the factory owner. The annual quit rent for the Subject Property is RM1,000.00 and annual assessment is RM8,646.50 which is around 6% of the estimated annual rental income. We are of the opinion that the other relevant expenses such as building maintenance, insurance and others is within the range of 8% to 15%. Therefore, we have adopted a rate of 15% from the gross annual rental in the calculation of outgoings to the Subject Property which, in our opinion, is reasonable.

There is not much industrial transaction in Muar and the local property market is generally stable. Based on our observation, almost all the factories in the vicinity are occupied and the demand for factories space is relatively high. Therefore, we have not allocated a void factor to accommodate vacancy period between rent reviews, rent free period and risk of vacancy and uncertainty.

Our in-house research revealed the yields for the industrial property in Muar area ranges from 3% to 7%. Further, according to Malaysia REITs, it is revealed that the yield for the industrial property is about 5.97% as at September 2017 (source: <http://mreit.reidata.com>). Therefore, the yield of 5% adopted for Muar area is reasonable.

The current Base Rate (BR) for banks is in the range of 3.0% to 4.47% (source: Bank Negara Malaysia). The Subject Property is a leasehold tenure and the remaining years are about 33 years. As such, we have adopted a sinking fund rate of 4%.

The value from investment method is as follows: -

<b>Investment Method</b>	<b>RM2,100,000.00</b>
--------------------------	-----------------------

**10. VALUATION CERTIFICATES (Cont'd)**

**CONCLUSION**

In this valuation, we have adopted figures derived from the **Cost Approach at (RM2,900,000.00)** and from the **Investment Method at (RM2,100,000.00)** as a cross check method.

As the Subject Property is owner occupied and there is no rental income generated, the rental applied in the Investment Method is based on assumption and analysis of rental data collected by our research team via verbal collection.

However, **Investment Method** entails determining the net annual income by deducting the annual outgoings from the gross annual income and capitalising the net income by a suitable rate of return consistent with the type and quality of investment to arrive at the Market Value.

The assessment of a rental value is therefore an important process and a reasonably accurate estimate is therefore vital. The lack of rental evidences has resulted in us depending on asking rentals to arrive at the notional income flow. Hence, these factors reduce the accuracy of the **Investment Method** as compared to the **Cost Approach** in terms of the value in this valuation exercise.

We opine that the **Cost Approach** is a more appropriate method as this approach is referring to the current construction cost that is required to build a similar building less allowances for physical deterioration and all relevant forms of obsolescence and optimisation.

Taking into consideration all the relevant factors, we are of the opinion that the current Market Value of the leasehold unencumbered interest in the Subject Property with remaining lease tenure of 33 years in its existing physical condition and with the benefits of vacant possession is: -

**MV - RM2,900,000.00 (Ringgit Malaysia: Two Million And Nine Hundred Thousand Only)**

Yours faithfully,  
**HENRY BUTCHER** Malaysia (Johor) Sdn Bhd

*ms*  
Sr CHENG WUI KIANG  
B. Surveying (Hons) Property Management, MRISM  
Registered Valuer (V648)



**10. VALUATION CERTIFICATES (Cont'd)****VALUER'S PROFESSIONAL EXPERIENCE**

Henry Butcher Malaysia Sdn. Bhd. ("HBM"), a member of GoIndustry DoveBid (previously Henry Butcher & Co) and established in Malaysia in 1987, has an extensive network of 25 offices throughout Malaysia, supported by more than 900 trained and professional staff. HBM has also expanded to other part of ASEAN through equity participation in an asset management company in Thailand, a full office in Cambodia and cooperation with associates in Indonesia, Singapore, Hong Kong and the United Kingdom.

HBM offers consultancy services in both the real estate and plant and machinery sectors covering areas of expertise such as valuation, real estate agency, investment advisory, international marketing, market research, development consultancy, project marketing, asset management, retail planning, design, leasing and management, tenders and auctions. HBM is on the panel of major international and Malaysian financial institutions and services both public listed and privately-owned companies, multinationals, government linked companies, institutions as well as private investors with diverse business interests such as property development and investment, plantations, manufacturing, banking and financial services, construction, accounting and corporate services, telecommunications and others within as well as outside Malaysia.

HBM group's work assignments over the years have covered different assets including timber concessions, oil palm estates and rubber plantations, township developments, residential and commercial projects, industrial and retail properties, as well as resorts/hotels. For plant and machinery, HBM have been involved in assignments involving plant and machinery from telecommunications facilities, construction equipment, electronics, textile, oil and gas equipment to transport and aviation equipment.

Sr Cheng Wui Kiang holds a Bachelor of Surveying in Property Management from Universiti Teknologi Malaysia in year 1999. He is a Member of the Royal Institution of Surveyors, Malaysia (MRISM) and a Registered Valuer and Estate Agent. He has experience dealing in matters related to the real estate industry and was involved in valuation, estate agency, project marketing, land acquisitions, feasibility studies, market research and relevant corporate exercises pertaining to real estate over the last 10 years in HBM.

**10. VALUATION CERTIFICATES (Cont'd)**



**HENRY BUTCHER MALAYSIA**

International Asset Consultants

Our Ref.: V/JB09-17/1575(B)/AZ/PTN

Date: November 1, 2018

**M/S DPI HOLDINGS BERHAD**

K69, Jalan Perindustrian 6,  
Kawasan Perindustrian Tanjung Agas,  
84000 Kesang, Johor.

Dear Sirs

**CERTIFICATE OF VALUATION ON A SINGLE STOREY DETACHED FACTORY KNOWN AS NO. K69-1, JALAN PERINDUSTRIAN 6, KAWASAN PERINDUSTRIAN TANJUNG AGAS, 84000 KESANG, JOHOR, HELD UNDER LOT NO. PTD 4531, TITLE NO. HSD 2359, MUKIM OF KESANG, DISTRICT OF TANGKAK AND STATE OF JOHOR ("SUBJECT PROPERTY").**

We were instructed by M/S DPI HOLDINGS BERHAD ("DPI Holdings") to conduct a valuation of the Subject Property. The full details of the valuation are included in our Valuation Report bearing reference no. V/JB09-17/1575(B)/AZ/PTN dated January 08, 2018.

This certificate has been prepared for inclusion in the Prospectus of DPI Holdings in conjunction with the listing of DPI Holdings on the ACE Market of Bursa Malaysia Securities Berhad.

The Subject Property was inspected and referenced on December 20, 2017. The relevant date of valuation for this valuation exercise coincides with the date of inspection, i.e. December 20, 2017.

The valuation had been carried out in accordance with the Asset Valuation Guidelines issued by the Securities Commission Malaysia and the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia.

The basis of valuation is the Market Value which is defined by the Malaysian Valuation Standards to be "estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion".

The brief description of the Subject Property and our opinion of the current Market Value are as follows:-

**HENRY BUTCHER MALAYSIA (JOHOR) Sdn Bhd** (199150-H)

No. 52, 52-A-B, Jalan Padi 1, Bandar Baru UDA, 81200 Johor Bahru, Johor, Malaysia

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Valuation | Real Estate Agency | Investment Advisory | International Marketing | Market Research | Development Consultancy  
Project Marketing | Asset Management | Retail Planning & Consultancy | Auctions | Plant & Machinery | Art Consultancy



**10. VALUATION CERTIFICATES (Cont'd)****PROPERTY DESCRIPTION**

Property Type/ Interests Valued	A parcel of industrial land with a single storey detached factory building
Address of the Subject Property	K69-1, Jalan Perindustrian 6, Kawasan Perindustrian Tanjung Agas, 84000 Kesang, Johor
Location	<p>The Subject Property is located along Jalan Perindustrian 6 within Kawasan Perindustrian Tanjung Agas and is sited approximately 2 kilometres north of Muar Town and 26 kilometres south-east of Tangkak Town.</p> <p>The Subject Property is accessible from Muar Town via Jalan Kesang and thereafter by the internal metalled service roads of Kawasan Perindustrian Tanjung Agas for a total distance of about 2 kilometres.</p>
Site	<p>The land is almost rectangular in shape encompassing a provisional land area as per the qualified title document of approximately 0.1618 hectare (0.3998 acre/17,416 sq. ft.). The physical terrain of the land is generally flat and lies about the same level of the frontage road.</p> <p>As at the time of inspection, we noted that the Subject Property is further developed with a single storey detached factory building. The remaining undeveloped / vacant areas are generally cement rendered and turfed. Proper drainage system and car parking bays are provided within the land.</p>
Town Planning	The Subject Property is situated within an area designated for industrial purposes.
Age of Building	23 years (from the date of the Certificate of Fitness (CF) which was issued in March 25, 1994).
Building Description	Erected on the industrial land is a single storey factory building:-

Subject	Description of Construction and Floor Finishes
<b>Structure</b>	Steel portal framework on reinforced concrete footings and reinforced concrete floor slabs; "I"-stanchions on reinforced concrete footing
<b>Roof</b>	A pitched roof of corrugated metal sheets on steel trusses and purlins with metal fascia; lean-to metal deck roofing on steel trusses.
<b>Wall</b>	The lower portions of the external walls are constructed of 3.05 metres (or 10.00 feet) high plastered brick while the upper portions are of metal sheets cladding.
<b>Ceiling</b>	-
<b>Door</b>	Sliding/flush metal doors.
<b>Window</b>	Adjustable glass louvers.
<b>Accommodation / Floor Finishes</b>	Production Area : Cement rendered

**10. VALUATION CERTIFICATES (Cont'd)**

Building Description At the time of inspection, we noted that there is an extended covered area of the factory building which is shown in the approved plan. The details of the extended covered area are as follow:

Subject	Description of Construction
Structure	Steel framework.
Roof	Metal sheets roof.
Wall	Metal cladding to the rear and side portions.

The eave and ridge levels of the building are constructed at heights of 9.144 metres (or 30.00 feet) and 11.582 metres (or 38.00 feet) respectively with a span of 21.335 metres (or 70.00 feet). The factory building is provided with a 3-phase electricity supply and adequate firefighting installations and equipment such as break glass alarm system, hose reels as well as fire extinguishers. The gross floor area of the building is estimated at a total of 12,978 square feet.

Occupancy of the Subject Property We noted that the Subject Property was owner occupied.

**TITLE PARTICULARS**

Title No. : HSD 2359

Lot No. : PTD 4531

Bandar / Pekan / Mukim : Mukim Kesang

District : Tangkak

State : Johor

Tenure : Leasehold 60 years expiring on April 25, 2046.  
The remaining unexpired term is about 29 years.

Provisional Land Area : 0.1618 hectare (0.3998 acre / 17,416 sq. ft.)

Annual Quit Rent : RM1,300.00

Registered Owner : DPI Sdn Bhd

Category of Land Use : Perusahaan/Perindustrian

Express condition : i) Tanah ini hendaklah digunakan untuk kilang bagi tujuan Perusahaan Sederhana dan kegunaan lain yang berkaitan dengannya, dibina mengikut pelan yang diluluskan oleh Pihak Berkuasa Tempatan yang berkenaan.

ii) Segala kekotoran dan pencemaran akibat daripada aktiviti ini hendaklah disalurkan / dibuang ke tempat-tempat yang telah ditentukan oleh Pihak Berkuasa Berkenaan.

iii) Segala dasar dan syarat yang telah ditetapkan dan dikuatkuasakan dari semasa ke semasa oleh Pihak Berkuasa Berkenaan hendaklah dipatuhi.



**10. VALUATION CERTIFICATES (Cont'd)****TITLE PARTICULARS (Cont'd)**

- Restriction in Interest : i) Tanah yang dikurniakan ini tidak boleh dijual, dipajak, dicagar, digadai atau dipindahmilik dengan apa cara sekalipun, termasuk dengan cara menggunakan segala surat perjanjian yang bertujuan untuk melepaskan/ menjual tanah ini tanpa kebenaran Pihak Berkuasa Negeri.
- ii) Tuan tanah hanya dibenarkan menggadai/mencagar sekali sahaja kepada Kerajaan atau Badan-Badan Berkanun atau mana-mana Bank yang berdaftar di Malaysia atau kepada Syarikat-Syarikat Kewangan yang didaftarkan dalam Malaysia. Tuan Tanah apabila hendak mencagarkan bagi kali yang kedua dan berikutnya hendaklah terlebih dahulu mendapat Pihak Berkuasa Negeri.

Endorsement : Nil.

Encumbrances : Nil.

Caveat : Nil.

**VALUATION METHODOLOGY**

We have adopted the "Cost Approach" and "Investment Method" in formulating our opinion of the current Market Value of the Subject Property.

**Cost Approach**

The "Cost Approach" is a valuation approach, which is based on an estimate of the current Market Value of land for its existing use, plus the current gross replacement cost of improvements less allowances for physical deterioration and all relevant forms of obsolescence and optimisation.

In arriving at our opinion of value, we have taken into consideration amongst others, the following transactions which extracted from Department of Property Valuation and Services (JPPH): -

**a) Land**

	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Address	K75, Jalan Perindustrian 7	K23 & K23-1, Jalan Perindustrian 2	PTD 9644, Jalan Perindustrian	PTD 9645, Jalan Perindustrian
	Kawasan Perindustrian Tanjung Agas			
Improvement	1 1/2 storey detached factory	2-storey detached office with 2-block 1 storey cum 1 block 2-storey factories & ancillary buildings	Industrial land erected with a single storey open-sided factory	Industrial land erected with a single storey open-sided factory
Source	Department of Property Valuation and Services (JPPH)	Memorandum of purchase from Public Auction	Department of Property Valuation and Services (JPPH)	Department of Property Valuation and Services (JPPH)
Tenure	Leasehold 60 years exp on 02/07/2046 (remaining 31 years)	Leasehold 60 years exp on 13/07/2042 (remaining 25 years)	Leasehold 60 years exp on 31/05/2035 (remaining 18 years)	Leasehold 60 years exp on 31/05/2035 (remaining 18 years)

**10. VALUATION CERTIFICATES (Cont'd)**

Built-up Area	14,585 sq.ft	50,400 sq.ft	10,800 sq.ft	8,640 sq.ft
Age of the Building (year)	19 years	32 years	40 years	40 years
Building Cost	RM 100 /sq.ft (standard main building)	RM 100 /sq.ft (standard main building)	RM 50 /sq.ft (open sided)	RM 50 /sq.ft (open sided)
Building Depreciation	32%	53%	67%	67%
Remarks	Individual-designed	Individual-designed	Individual-designed	Individual-designed
Land Area	21,780 sq ft	87,080 sq ft	52,291 sq ft	60,256 sq ft
Date	20/07/2015	13/02/2017	2/5/2017	2/5/2017
Consideration	RM1,410,000	RM3,395,000	RM1,490,249	RM1,717,312
Analysis Land Value	RM25.68/sq.ft	RM23.48/sq.ft	RM25.09/sq.ft	RM26.13/sq.ft
<b>Adjustment made at Type of Transaction, Time, Location, Land Area and Tenure</b>				
Adjusted Land Value	RM26.00/sq. ft	RM27.00/sq. ft	RM29.00/sq.ft	RM30.00/sq.ft

Note:

From our analysis, we have adopted RM26.00 per square foot for the land value of the Subject Property based on the following facts: -

- The land value is in the range of RM26.00 per square foot to RM30.00 per square foot.
- Comparable 1 is the best comparable to adopt as the land area and the remaining years are closer to the Subject Property.

**b) Building**

- i) References to other contractors revealed that the current construction cost of a similar building is in the range of RM80.00 per square foot to RM150.00 per square foot. Based on the JUBM & Arcadis Construction Cost Hand Book Malaysia 2017, the construction cost for a single storey conventional factory of structural steelwork ranges between RM90.00 per square foot to RM110.00 per square foot. We have incorporated the factors of building specifications such as floor finishes, eaves height, roof, floor loading capacity etc. in the adjustment. We have also taken into consideration the adjustment on the time factor and the renovation cost incurred to upgrade the subject building. Therefore, it is in our opinion that the construction cost before depreciation for the warehouse building adopted at RM100.00 per square foot whilst RM60.00 per square foot for ancillary floor area are reasonable in this valuation.
- ii) Depreciation rate of 38% is adopted based on the age of the building with the assumption that the building has a life span of 60 years.

$$\text{Depreciation Rate} = \frac{\text{Age of the Building (23 years)}}{\text{Building Life Span (60 years)}} \times 100\%$$

The value from cost approach is as follows:-

**Cost Approach** **RM1,070,000.00**

**10. VALUATION CERTIFICATES (Cont'd)****Investment Method**

In "Investment Method", the capital value is derived from an estimate of the market rental, which the Subject Property can reasonably be let for. Outgoings, such as property tax, repairs and maintenance, insurance and management are then deducted from the annual rental income. The net annum rental income is capitalised at an appropriate current market yield to arrive at its indicative capital value.

There is a lack of rental information in Muar area. We also noted that there is no rental information recorded in the Department of Property Valuation and Services (JPPH). However, according to our internal research and verbal conversation with the local real estate agents and third parties revealed that the current rentals and asking rentals for individual-designed factory/warehouse buildings located within Muar area are in the range of RM0.36 per square foot to RM0.54 per square foot.

We have therefore adopted the asking rental of RM0.45 per square foot in our calculation after taking into consideration the lettable area, floor finishes, eaves heights and floor loading capacity of the building.

Our in-house research revealed that the outgoings for a factory building is in the range of 10% to 20% from the estimated annual rental which includes annual quit rent, annual assessment, building maintenance and others depending on the efficiencies of the management of the factory owner. The annual quit rent for the Subject Property is RM1,300.00 and annual assessment is RM2,785.50 which is around 6% of the estimated annual rental income. We are of the opinion that the other relevant expenses such as building maintenance, insurance and others is within the range of 8% to 15%. Therefore, we have adopted a 15% from the gross annual rental in the calculation of outgoings to the Subject Property which, in our opinion, is reasonable.

There is not much industrial transaction in Muar and the local property market is generally stable. Based on our observation, almost all the factories in the vicinity are occupied and the demand for factories space is relatively high. Therefore, we have not allocated a void factor to accommodate vacancy period between rent reviews, rent free period and risk of vacancy and uncertainty.

Our in-house research revealed the yields for the industrial property in Muar area ranges from 3% to 7%. Further, according to Malaysia REITs, it is revealed that the yield for industrial property is about 5.97% as at September 2017 (source: <http://mreit.reidata.com>). Therefore, the yield of 5% adopted for Muar area is reasonable.

The current Base Rate (BR) for banks is in the range of 3.0 % to 4.47% (source: Bank Negara Malaysia). The Subject Property is a leasehold tenure and the remaining years are about 29 years. As such, we have adopted a sinking fund rate of 4%.

The value from investment method is as follows:-

<b>Investment Method</b>	<b>RM900,000.00</b>
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**10. VALUATION CERTIFICATES (Cont'd)**

**CONCLUSION**

In this valuation, we have adopted figures derived from the **Cost Approach** at **(RM1,070,000.00)** and from the **Investment Method** at **(RM900,000.00)** as a cross check method.

As the Subject Property is owner occupied and there is no rental income generated, the rental applied in the Investment Method is based on assumption and analysis of rental data collected by our research team via verbal collection.

However, **Investment Method** entails determining the net annual income by deducting the annual outgoings from the gross annual income and capitalising the net income by a suitable rate of return consistent with the type and quality of investment to arrive at the Market Value.

The assessment of a rental value is therefore an important process and a reasonably accurate estimate is therefore vital. The lack of rental evidence has resulted in us depending on asking rental to arrive at the notional income flow. Hence, these factors reduce the accuracy of the **Investment Method** as compared to the **Cost Approach** in terms of the value in this valuation exercise.

We opine that the **Cost Approach** is a more appropriate method as this approach refers to the current construction cost that is required to build a similar building less allowances for physical deterioration and all relevant forms of obsolescence and optimisation.

Taking into consideration all relevant factors, we are of the opinion that the current Market Value of the leasehold unencumbered interest in the Subject Property with remaining lease tenure of 29 years in its existing physical condition and with the benefits of vacant possession is: -

**MV - RM1,070,000.00 (Ringgit Malaysia: One Million And Seventy Thousand Only)**

Yours faithfully,  
**HENRY BUTCHER** Malaysia (Johor) Sdn Bhd

S/ CHENG WUI KIANG  
B. Surveying (Hons) Property Management, MRISM  
Registered Valuer (V648)



**10. VALUATION CERTIFICATES (Cont'd)****VALUER'S PROFESSIONAL EXPERIENCE**

Henry Butcher Malaysia Sdn. Bhd. ("HBM"), a member of GoIndustry DoveBid (previously Henry Butcher & Co) and established in Malaysia in 1987, has an extensive network of 25 offices throughout Malaysia, supported by more than 900 trained and professional staff. HBM has also expanded to other part of ASEAN through equity participation in an asset management company in Thailand, a full office in Cambodia and cooperation with associates in Indonesia, Singapore, Hong Kong and the United Kingdom.

HBM offers consultancy services in both the real estate and plant and machinery sectors covering areas of expertise such as valuation, real estate agency, investment advisory, international marketing, market research, development consultancy, project marketing, asset management, retail planning, design, leasing and management, tenders and auctions. HBM is on the panel of major international and Malaysian financial institutions and services both public listed and privately-owned companies, multinationals, government linked companies, institutions as well as private investors with diverse business interests such as property development and investment, plantations, manufacturing, banking and financial services, construction, accounting and corporate services, telecommunications and others within as well as outside Malaysia.

HBM group's work assignments over the years have covered different assets including timber concessions, oil palm estates and rubber plantations, township developments, residential and commercial projects, industrial and retail properties, as well as resorts/hotels. For plant and machinery, HBM have been involved in assignments involving plant and machinery from telecommunications facilities, construction equipment, electronics, textile, oil and gas equipment to transport and aviation equipment.

Sr Cheng Wui Kiang holds a Bachelor of Surveying in Property Management from Universiti Teknologi Malaysia in year 1999. He is a Member of the Royal Institution of Surveyors, Malaysia (MRISM) and a Registered Valuer and Estate Agent. He has experience dealing in matters related to the real estate industry and was involved in valuation, estate agency, project marketing, land acquisitions, feasibility studies, market research and relevant corporate exercises pertaining to real estate over the last 10 years in HBM.

**10. VALUATION CERTIFICATES (Cont'd)**



**HENRY BUTCHER MALAYSIA**

International Asset Consultants

Our Ref.: V/JB09-17/1575(D)/AZ/PTN

Date: November 01, 2018

**M/S DPI HOLDINGS BERHAD**

K69, Jalan Perindustrian 6,  
Kawasan Perindustrian Tanjung Agas,  
84000 Kesang, Johor.

Dear Sirs

**CERTIFICATE OF VALUATION ON A PARCEL OF INDUSTRIAL DETACHED PLOT KNOWN AS K26, JALAN PERINDUSTRIAN 6, KAWASAN PERINDUSTRIAN TANJUNG AGAS, 84000 KESANG, JOHOR, HELD UNDER LOT NO. LAIN-LAIN 84, TITLE NO. HSD 7210, MUKIM OF KESANG, DISTRICT OF TANGKAK AND STATE OF JOHOR (“SUBJECT PROPERTY”).**

We were instructed by M/S DPI HOLDINGS BERHAD (“DPI Holdings”) to conduct a valuation of the Subject Property. The full details of the valuation are included in our Valuation Report bearing reference no. V/JB09-17/1575(D)/AZ/PTN dated March 26, 2018.

This certificate has been prepared for inclusion in the Prospectus of DPI Holdings in conjunction with the listing of DPI Holdings on the ACE Market of Bursa Malaysia Securities Berhad.

The Subject Property was inspected and referenced on March 20, 2018. The relevant date of valuation for this valuation exercise coincides with the date of inspection, i.e. March 20, 2018.

The valuation had been carried out in accordance with the Asset Valuation Guidelines issued by the Securities Commission Malaysia and the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia.

The basis of valuation is the Market Value which is defined by the Malaysian Valuation Standards to be “estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion”.

The brief description of the Subject Property and our opinion of the current Market Value are as follows: -

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Valuation | Real Estate Agency | Investment Advisory | International Marketing | Market Research | Development Consultancy  
Project Marketing | Asset Management | Retail Planning & Consultancy | Auctions | Plant & Machinery | Art Consultancy



**10. VALUATION CERTIFICATES (Cont'd)****PROPERTY DESCRIPTION**

Property Type/ Interests Valued	A Parcel of Industrial Detached Plot.
Address of the Subject Property	K26, Jalan Perindustrian 6, Kawasan Perindustrian Tanjung Agas, 84000 Kesang, Johor
Location	The Subject Property is located along Jalan Perindustrian 6 within Kawasan Perindustrian Tanjung Agas and is sited approximately 2 kilometres north of Muar Town and 26 kilometres south-east of Tangkak Town.  The Subject Property is accessible from Muar Town via Jalan Kesang and thereafter by the internal metalled service roads of Kawasan Perindustrian Tanjung Agas for a total distance of about 2 kilometres.
Site	The land is rectangular in shape, encompassing a provisional land area as per the qualified title document of approximately 0.2023 hectare (0.4999 acre / 21,776 sq. ft.). The physical terrain of the land is generally flat and lies about the same level of the frontage road.  As at the date of valuation, we noted there is some leftover structures on the Subject Property as a result from the demolition work of previous factory building. The previous structure was demolished due to uncertainty on the CF issue. As such, we have ignored the remaining structures and value the Subject Property as a parcel of vacant land.
Town Planning	The Subject Property is situated within an area designated for industrial purposes.

**TITLE PARTICULARS**

Title No.	:	HSD 7210
Lot No.	:	Lain-lain 84
Bandar / Pekan / Mukim	:	Mukim Kesang
District	:	Tangkak
State	:	Johor
Tenure	:	Leasehold 60 years expiring on February 28, 2044. The remaining unexpired term is about 26 years.
Provisional Land Area	:	0.2023 hectare (0.4999 acre / 21,775 sq. ft.)
Annual Quit Rent	:	RM1,300.00

**10. VALUATION CERTIFICATES (Cont'd)****TITLE PARTICULARS (Cont'd)**

Registered Owner	:	DPI Sdn Bhd
Category of Land Use	:	Perusahaan/Perindustrian
Express Condition	:	<p>i) Tanah ini hendaklah digunakan sebagai kawasan Industri Sederhana untuk tujuan Perusahaan Membuat Antena Televisyen, dibina mengikut pelan yang diluluskan oleh Pihak Berkuasa Tempatan yang berkenaan. <sup>*note*</sup></p> <p>ii) Segala kekotoran dan pencemaran akibat daripada aktiviti ini hendaklah disalurkan / dibuang ke tempat-tempat yang telah ditentukan oleh Pihak Berkuasa Berkenaan.</p> <p>iii) Segala dasar dan syarat yang telah ditetapkan dan dikuatkuasakan dari semasa ke semasa oleh Pihak Berkuasa Berkenaan hendaklah dipatuhi.</p>
Restriction in Interest	:	<p>Tanah yang dikurniakan ini tidak boleh dipindahmilik, dipajak atau dilepaskan dengan apa cara sekalipun melainkan dengan kebenaran Pihak yang Berkuasa Negeri.</p> <p>Tuan tanah dibenarkan menggadaikan / mencagar tanahnya sekali sahaja kepada Kerajaan atau Badan-Badan Berkanun atau mana-mana Bank yang berdaftar di Malaysia atau sumber-sumber kewangan yang bergabung dengan bank-bank tersebut. Tuan tanah apabila hendak menggadaikan atau mencagarkan tanahnya bagi kali yang kedua dan berikutnya hendaklah terlebih dahulu mendapat kebenaran Pihak Penguasa Negeri.</p>
Endorsement	:	Permohonan serahbalik seluruh tanah vide Presentation No. 6413/2016 and dated October 11, 2016.
Encumbrances	:	Nil.
Caveat	:	Nil.

**Note:**

*We noted that the Express Conditions of the Subject Property as stated in the title search document has been changed from 'Industri Membuat Antena Televisyen' (television antenna production industry) to 'Perusahaan / Industri Sederhana (Chemical & Coating Production)' with approval letter issued by Pejabat Tanah Daerah Tangkak, bearing Reference No. PTLDG/10/06/03/0609/0010/2015 dated March 22, 2017. As the date of valuation, the premium was not paid yet and the approval has lapsed.*



**10. VALUATION CERTIFICATES (Cont'd)**

*There is a proposed amalgamation and conversion of the land use via Surrender and Realienation (Serahbalik Dan Kurniasemula - SBKS) of land on lots PTD 4550, PTD 4530, PTD 4973 & PTK 84, HSD 1504, HSD 1458, HSD 15531 & HSD 7210, Mukim Kesang, District of Tangkak under Ref No. LPM/201-2015M dated January 12, 2015 submitted through Jurukur Prima. This application has obtained the approval vide approval letter issued by The Registry Land and Mines Office, Kota Iskandar, Johor bearing Reference No. PTG 22/08/03/0100/0023/2017/0541/2017(6) dated March 15, 2018. As at the date of valuation, the relevant charges have not been paid yet.*

**VALUATION METHODOLOGY**

We adopted the "**Comparison Approach**" only in formulating our opinion of the current Market Value of the Subject Property.

The "**Comparison Approach**" is the market approach of comparing the Subject Property with similar properties that were either transacted recently or listed for sale within the same location or other comparable localities. In comparing properties, due consideration is given to factors such as location, accessibility, size, building differences, improvements and amenities, time element and other relevant factors to arrive at our opinion of value.

Comparison Approach is the most suitable and only method of valuation to assess the market value of the Subject Property as the Subject Property is valued as a parcel of vacant land and the rental demand for vacant industrial land is generally low in this area. Furthermore, there is no approval for building plans or other development plans by the client on the Subject Property; therefore, other methods of valuation are not suitable.

There is no relevant transaction data of vacant industrial land in the vicinity. Therefore, we analysed sales evidence of detached factories to determine the land value by eliminating the building costs. The selected data are located in the same area as the Subject Property and are similar in tenure

In arriving at our opinion of value, we have taken into consideration amongst others, the following sale transactions: -

	<b>Comparable 1</b>	<b>Comparable 2</b>	<b>Comparable 3</b>	<b>Comparable 4</b>
Address	K75, Jalan Perindustrian 7	K23 & K23-1, Jalan Perindustrian 2	PTD 9644, Jalan Perindustrian	PTD 9645, Jalan Perindustrian
	Kawasan Perindustrian Tanjung Agas			
Improvement	1 1/2 storey detached factory	2-storey detached office with 2-block 1 storey cum 1 block 2-storey factories & ancillary buildings	Industrial land erected with a single storey open-sided factory	Industrial land erected with a single storey open-sided factory
Source	Department of Property Valuation and Services (JPPH)	Memorandum of purchase from Public Auction	Department of Property Valuation and Services (JPPH)	Department of Property Valuation and Services (JPPH)
Tenure	Leasehold 60 years exp on 02/07/2046 (remaining 31 years)	Leasehold 60 years exp on 13/07/2042 (remaining 25 years)	Leasehold 60 years exp on 31/05/2035 (remaining 18 years)	Leasehold 60 years exp on 31/05/2035 (remaining 18 years)
Gross Built-up Area	14,585 sq.ft	50,400 sq.ft	10,800 sq.ft	8,640 sq.ft
Age of the Building (year)	19 years	32 years	40 years	40 years

**10. VALUATION CERTIFICATES (Cont'd)**

	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Building Cost	RM100 /sq.ft (standard main building)	RM100 /sq.ft (standard main building)	RM50 /sq.ft (open sided)	RM50 /sq.ft (open sided)
Building Depreciation	32%	53%	67%	67%
Remarks	Individual-designed	Individual-designed	Individual-designed	Individual-designed
Land Area	21,780 sq ft	87,080 sq ft	52,291 sq ft	60,256 sq ft
Date	20/07/2015	13/02/2017	2/5/2017	2/5/2017
Consideration	RM1,410,000	RM3,395,000	RM1,490,249	RM1,717,312
Land Value	RM25.68/sq.ft	RM23.48/sq.ft	RM25.09/sq.ft	RM26.13/sq.ft
<b>Adjustment made at Time, Location, Land Area and Tenure</b>				
Adjusted Land Value	RM26.00/sq. ft	RM27.00/sq. ft	RM26.00/sq.ft	RM27.00/sq.ft

Note:

We have adopted RM26.00 per square foot for the valuation of the Subject Property based on the following facts: -

- The land value is in the range of RM26.00 per square foot to RM27.00 per square foot.
- Comparable 1 is the best comparable to adopt as the land area is similar and the remaining years is closer to the Subject Property.

**CONCLUSION**

For this valuation exercise, we have only adopted one (1) valuation method, which is Comparison Approach to arrive at our opinion of value. This is because the Subject Property is valued as a parcel of vacant industrial land and the rental demand for vacant industrial land is generally low in this area.

Taking into consideration of all the relevant factors, we are of the opinion that the current Market Value of the leasehold unencumbered interest in the Subject Property with remaining tenure of 26 years in its existing physical condition and with the benefits of vacant possession is: -

**MV - RM566,000.00 (Ringgit Malaysia: Five Hundred Sixty And Six Thousand Only)**

Yours faithfully,  
**HENRY BUTCHER** Malaysia (Johor) Sdn Bhd

*Wui Kiang*  
**SI CHENG WUI KIANG**  
B. Surveying (Hons) Property Management, MRISM  
Registered Valuer (V648)



**10. VALUATION CERTIFICATES (Cont'd)****VALUER'S PROFESSIONAL EXPERIENCE**

Henry Butcher Malaysia Sdn. Bhd. ("HBM"), a member of GoIndustry DoveBid (previously Henry Butcher & Co) and established in Malaysia in 1987, has an extensive network of 25 offices throughout Malaysia, supported by more than 900 trained and professional staff. HBM has also expanded to other part of ASEAN through equity participation in an asset management company in Thailand, a full office in Cambodia and cooperation with associates in Indonesia, Singapore, Hong Kong and the United Kingdom.

HBM offers consultancy services in both the real estate and plant and machinery sectors covering areas of expertise such as valuation, real estate agency, investment advisory, international marketing, market research, development consultancy, project marketing, asset management, retail planning, design, leasing and management, tenders and auctions. HBM is on the panel of major international and Malaysian financial institutions and services both public listed and privately-owned companies, multinationals, government linked companies, institutions as well as private investors with diverse business interests such as property development and investment, plantations, manufacturing, banking and financial services, construction, accounting and corporate services, telecommunications and others within as well as outside Malaysia.

HBM group's work assignments over the years have covered different assets including timber concessions, oil palm estates and rubber plantations, township developments, residential and commercial projects, industrial and retail properties, as well as resorts/hotels. For plant and machinery, HBM have been involved in assignments involving plant and machinery from telecommunications facilities, construction equipment, electronics, textile, oil and gas equipment to transport and aviation equipment.

Sr Cheng Wui Kiang holds a Bachelor of Surveying in Property Management from Universiti Teknologi Malaysia in year 1999. He is a Member of the Royal Institution of Surveyors, Malaysia (MRISM) and a Registered Valuer and Estate Agent. He has experience dealing in matters related to the real estate industry and was involved in valuation, estate agency, project marketing, land acquisitions, feasibility studies, market research and relevant corporate exercises pertaining to real estate over the last 10 years in HBM.

**10. VALUATION CERTIFICATES (Cont'd)**



**HENRY BUTCHER MALAYSIA**

International Asset Consultants

Our Ref.: V/JB09-17/1575(C)/AZ/PTN

Date: November 1, 2018

**M/S DPI HOLDINGS BERHAD**

K69, Jalan Perindustrian 6,  
Kawasan Perindustrian Tanjung Agas,  
84000 Kesang, Johor.

Dear Sirs

**CERTIFICATE OF VALUATION ON A FACTORY BUILDING KNOWN AS NOS. K68 & K68-A, JALAN PERINDUSTRIAN 5, KAWASAN PERINDUSTRIAN TANJUNG AGAS, 84000 KESANG, JOHOR, HELD UNDER LOT NOS. PTD 4530 & PTD 4550, TITLE NOS. HSD 1458 & HSD 1504, MUKIM OF KESANG, DISTRICT OF TANGKAK AND STATE OF JOHOR ("SUBJECT PROPERTY").**

We were instructed by M/S DPI HOLDINGS BERHAD ("DPI Holdings") to conduct a valuation of the Subject Property. The full details of the valuation are included in our Valuation Report bearing reference no. V/JB09-17/1575(C)/AZ/PTN dated January 08, 2018.

This certificate has been prepared for inclusion in the Prospectus of DPI Holdings in conjunction with the listing of DPI Holdings on the ACE Market of Bursa Malaysia Securities Berhad.

The Subject Property was inspected and referenced on December 20, 2017. The relevant date of valuation for this valuation exercise coincides with the date of inspection, i.e. December 20, 2017.

The valuation had been carried out in accordance with the Asset Valuation Guidelines issued by the Securities Commission Malaysia and the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia.

The basis of valuation is the Market Value which is defined by the Malaysian Valuation Standards to be "estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion".

The brief description of the Subject Property and our opinion of the current Market Value are as follows:-

**HENRY BUTCHER MALAYSIA (JOHOR) Sdn Bhd** (199150-H)

No. 52, 52-A-B, Jalan Padi 1, Bandar Baru UDA, 81200 Johor Bahru, Johor, Malaysia

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Valuation | Real Estate Agency | Investment Advisory | International Marketing | Market Research | Development Consultancy  
Project Marketing | Asset Management | Retail Planning & Consultancy | Auctions | Plant & Machinery | Art Consultancy



**10. VALUATION CERTIFICATES (Cont'd)****PROPERTY DESCRIPTION**

Property Type/ Interests Valued	Two parcels of adjoining industrial land as a single site for a factory building
Address of the Subject Property	K68 & K68-1, Jalan Perindustrian 5, Kawasan Perindustrian Tanjung Agas, 84000 Kesang, Johor
Location	The Subject Property is located along Jalan Perindustrian 5 within Kawasan Perindustrian Tanjung Agas and is sited approximately 2 kilometres north of Muar Town and 26 kilometres south-east of Tangkak Town.  The Subject Property is accessible from Muar Town via Jalan Kesang and thereafter by the internal metalled service roads of Kawasan Perindustrian Tanjung Agas for a total distance of about 2 kilometres.
Site	The lands are rectangular in shape encompassing a total provisional land area approximately 0.2023 hectare (0.4999 acre / 21,776 sq. feet.). The physical terrain of the land is generally flat and lies about the level of the frontage road.
Town Planning	The Subject Property is situated within an area designated for industrial purposes.
Age of Building	23 years (from the date of the Certificate of Fitness (CF) which was issued on January 31, 1994).
Building Description	Erected on the industrial lands comprise the following:-  1) A double storey detached factory; 2) A single storey guard house cum pump house; 3) A firefighting steel water tank; and 4) Other ancillary structure

**A Double Storey Detached Factory**

Subject	Description of Construction and Floor Finishes
<b>Structure</b>	Steel portal framework on reinforced concrete footings and reinforced concrete floor slabs.
<b>Roof</b>	A pitched roof of corrugated metal sheets on steel trusses and purlins with metal fascia; lean-to metal deck roofing on steel trusses.
<b>Wall</b>	Plastered brick walls.
<b>Ceiling</b>	Cement plaster and foil insulation for ground and first floor respectively.
<b>Door</b>	Metal roller shutter doors and flush timber doors.
<b>Window</b>	Aluminium framed glass panel windows; adjustable glass louvers.
<b>Vertical Access</b>	Reinforced concrete staircase with ceramic tile finishes; metal fire escape staircases; a unit of goods lift.

**10. VALUATION CERTIFICATES (Cont'd)**

## Building Description

Accommodation / Floor Finishes	<u>Ground Floor</u>	
	Production Area	: Cement rendered
	W.C.	: Ceramic tiles
	Lean-to Shed	: Cement rendered
	<u>First Floor</u>	
	Production Area	: Cement rendered
	W.C.	: Ceramic tiles

The eave and ridge levels of the building are constructed at heights of 9.144 metres (or 30.00 feet) and 11.582 metres (or 38.00 feet) respectively with a span of 29.564 metres (or 97.00 feet). The factory building is provided with a 3-phase electricity supply and adequate firefighting installations and equipment such as break glass alarm system, hose reels as well as fire extinguishers. The main floor area of the building is estimated at a total of 2,023.37 sq. metres (or 21,779 square feet).

At the time of inspection, we noted that there is an extended covered area at the back and side of the factory building which is not shown in the building plan. The details of the extended covered area are as follow:

Subject	Description of Construction
Structure	Steel framework
Roof	Metal sheet roof
wall	Metal cladding

The floor area of these covered area is approximately 2,878 sq. feet and currently used as walkway. This extended covered area is not shown in the building plan. We have therefore excluded the value attributable to the aforesaid area in our Market Value estimation.

**A Single Storey Guard House cum Pump House**

Subject	Description of Construction and Floor Finishes
Structure	Reinforced concrete framework and reinforced concrete floor slabs.
Roof	Hip roof of interlocking tiles on timber trusses and purlins.
Wall	Facing brick walls.
Ceiling	Asbestos free ceiling sheets.
Door	Flush aluminium framed glass panel door.
Window	Adjustable glass louvers.
Accommodation/ Floor Finishes	Guard House : Cement rendered Pump House : Cement rendered

The building has a main floor area of 11.706 sq. metres (or 126.00 sq. feet).

**A Firefighting Steel Water Tank**

The steel water tank measures 2.438 metres (or 8.00 feet) by 2.438 metres (or 8.00 feet) with a height of 2.438 metres (or 8.00 feet) and is supported by 0.914 metre (or 3.00 feet) high reinforced concrete slabs.

**10. VALUATION CERTIFICATES (Cont'd)****Building Description****Other Ancillary Structure**

A TNB transformer is erected on PTD 4550 and the perimeter is enclosed with chain link fencing mounted on mild steel posts.

*Note:*

*Although the building was issued with a valid CF, the approved building plan that relate to the same CF has been lost and cannot be retrieved. Efforts have been made on several occasions to retrieve the original approved plan from the authority's record, but to date it has not been fruitful. Our client has since engaged an architect to redraw the building plan and intent to resubmit the new building plan for authorities' approval based on the approval to be obtained for amalgamation. We were informed by the architect that the redrawn building plan is in compliance with relevant laws. For this valuation exercise, the floor area adopted is based on the redrawn building plan.*

**Occupancy of the Subject Property**

We noted that the Subject Property was owner occupied.

**TITLE PARTICULARS****Title No. HSD 1458**

Title No.	:	HSD 1458
PT No.	:	Lot 4530
Bandar / Pekan / Mukim	:	Mukim Kesang
District	:	Tangkak
State	:	Johor
Tenure	:	Leasehold 60 years expiring on April 25, 2046. The remaining unexpired term is about 29 years.
Provisional Land Area	:	0.1012 hectare (0.2500 acre/10,893 sq. ft)
Annual Quit Rent	:	RM1,300.00
Registered Owner	:	DPI Sdn Bhd
Category of Land Use	:	Perusahaan/Perindustrian
Express Condition	:	<ul style="list-style-type: none"> <li>i) Tanah ini hendaklah digunakan sebagai kawasan Industri Sederhana untuk tujuan perusahaan Kilang Perabot dan kegunaan lain yang berkaitan dengannya, dibina mengikut pelan yang diluluskan oleh Pihak Berkuasa Tempatan yang berkenaan. <sup>*Note*</sup></li> <li>ii) Segala kekotoran dan pencemaran akibat daripada aktiviti ini hendaklah disalurkan/dibuang ke tempat-tempat yang telah ditentukan oleh Pihak Berkuasa Berkenaan.</li> <li>iii) Segala dasar dan syarat yang ditetapkan dan dikuatkuasakan dari semasa ke semasa oleh Pihak Berkuasa Berkenaan hendaklah dipatuhi.</li> </ul>

**10. VALUATION CERTIFICATES (Cont'd)****TITLE PARTICULARS (Cont'd)**

Restriction in interest	:	Tanah yang dikurniakan ini tidak boleh dijual, dicagar, digadai, dipajak atau dipindahmilik dengan apa cara sekalipun, termasuk dengan cara menggunakan segala surat perjanjian yang bertujuan untuk melepaskan/ menjual tanah ini, tanpa kebenaran Pihak Berkuasa Negeri.
Endorsement	:	Permohonan serahbalik seluruh tanah vide Presentation No. 6413/2016 and dated October 11, 2016.
Encumbrances	:	Nil.
Caveat	:	Nil.

Title No. HSD 1504

Title No.	:	HSD 1504
PT No.	:	PTD 4550
Bandar / Pekan / Mukim	:	Mukim Kesang
District	:	Tangkak
State	:	Johor
Tenure	:	Leasehold 60 years expiring on July 02, 2046. The remaining unexpired term is about 29 years.
Provisional Land Area	:	0.1011 hectare (0.2498 acre/ 10,882 sq. ft)
Annual Quit Rent	:	RM1,000.00
Registered Owner	:	DPI Sdn Bhd
Category of Land Use	:	Perusahaan/Perindustrian
Express Condition	:	<p>i) Tanah ini hendaklah digunakan untuk Kilang bagi tujuan Perusahaan Ringan dan kegunaan lain yang berkaitan dengannya, dibina mengikut pelan yang diluluskan oleh Pihak Berkuasa Tempatan yang berkenaan. <sup>*Note*</sup></p> <p>ii) Segala kekotoran dan pencemaran akibat daripada aktiviti ini hendaklah disalurkan/dibuang ke tempat-tempat yang telah ditentukan oleh Pihak Berkuasa Berkenaan.</p> <p>iii) Segala dasar dan syarat yang ditetapkan dan dikuatkuasakan dari semasa ke semasa oleh Pihak Berkuasa Berkenaan hendaklah dipatuhi.</p>
Restriction in interest	:	Tanah yang terkandung di dalam hakmilik ini tidak boleh dijual, dipajak atau dipindahmilik dengan apa cara sekalipun termasuk dengan cara menggunakan segala surat perjanjian yang bertujuan untuk melepaskan/ menjual tanah ini tanpa persetujuan Pihak Berkuasa Negeri.



**10. VALUATION CERTIFICATES (Cont'd)****TITLE PARTICULARS (Cont'd)**

Endorsement : Permohonan serahbalik seluruh tanah vide Presentation No. 6413/2016 and dated October 11, 2016.

Encumbrances : Nil.

Caveat : Nil.

**Note:**

*We understand that the client has applied to change the express condition from 'Industri Ringan' to 'Perusahaan / Industri Sederhana (Chemical & Coating Penghasilan Cat)', which has been conditionally approved with an approval letter issued by Pejabat Tanah Daerah Tangkak bearing Ref. No. PTLDG/10/06/03/0609/0010/2015 dated March 22, 2017. However, as at the date of valuation, the approval has since lapsed as the conversion premium has not been paid.*

*The client has applied for land amalgamation together with neighbouring lots PTD 4973 and PTK 84, held under HSD 2578 (Formerly HSD 15531) and HSD 7210, respectively. Mukim Kesang, District of Tangkak on January 12, 2015. The application was submitted through Jurukur Prima. As at the date of valuation, the application process is still ongoing with no confirmation on the approval status as yet.*

**VALUATION METHODOLOGY**

We have adopted the "Cost Approach" and "Investment Method" in formulating our opinion of the current Market Value of the Subject Property.

**Cost Approach**

The "Cost Approach" is a valuation approach, which is based on an estimate of the current Market Value of land for its existing use, plus the current gross replacement cost of improvements less allowances for physical deterioration and all relevant forms of obsolescence and optimisation.

In arriving at our opinion of value, we have taken into consideration amongst others, the following transactions extracted from Department of Property Valuation and Services (JPPH): -

**a) Land value**

	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Address	K75, Jalan Perindustrian 7	K23 & K23-1, Jalan Perindustrian 2	PTD 9644, Jalan Perindustrian	PTD 9645, Jalan Perindustrian
	Kawasan Perindustrian Tanjung Agas			
Improvement	1 1/2 storey detached factory	2-storey detached office with 2-block 1 storey cum 1 block 2-storey factories & ancillary buildings	Industrial land erected with a single storey open-sided factory	Industrial land erected with a single storey open-sided factory
Source	Department of Property Valuation and Services (JPPH)	Memorandum of purchase from Public Auction	Department of Property Valuation and Services (JPPH)	Department of Property Valuation and Services (JPPH)
Tenure	Leasehold 60 years exp on 02/07/2046 (remaining 31 years)	Leasehold 60 years exp on 13/07/2042 (remaining 25 years)	Leasehold 60 years exp on 31/05/2035 (remaining 18 years)	Leasehold 60 years exp on 31/05/2035 (remaining 18 years)

**10. VALUATION CERTIFICATES (Cont'd)**

Built-up Area	14,585 sq.ft	50,400 sq.ft	10,800 sq.ft	8,640 sq.ft
Age of the Building (year)	19 years	32 years	40 years	40 years
Building Cost	RM 100 /sq.ft (standard main building)	RM 100 /sq.ft (standard main building)	RM 50 /sq.ft (open sided)	RM 50 /sq.ft (open sided)
Building Depreciation	32%	53%	67%	67%
Remarks	Individual-designed	Individual-designed	Individual-designed	Individual-designed
Land Area	21,780 sq ft	87,080 sq ft	52,291 sq ft	60,256 sq ft
Date	20/07/2015	13/02/2017	2/5/2017	2/5/2017
Consideration	RM1,410,000	RM3,395,000	RM1,490,249	RM1,717,312
Land Value	RM25.68/sq.ft	RM23.48/sq.ft	RM25.09/sq.ft	RM26.13/sq.ft
<b>Adjustment made at Type of Transaction, Time, Location, Land Area and Tenure</b>				
Adjusted Land Value	RM26.00/sq. ft	RM27.00/sq. ft	RM28.00/sq.ft	RM29.00/sq.ft

Note:

From our analysis, we have adopted RM26.00 per square foot for the land value of the Subject Property based on the following facts: -

- The land value is in the range of RM26.00 per square foot to RM29.00 per square foot.
- Comparable 1 is the best comparable to adopt as the land area and the remaining years are closer to the Subject Property.

**b) Building**

- i) References to other contractors revealed that the current construction cost of a similar building is in the range of RM80.00 per square foot to RM150.00 per square foot. Based on the JUBM & Arcadis Construction Cost Hand Book Malaysia 2017, the construction cost for a single storey conventional factory of structural steelwork ranges between RM90.00 per square foot to RM110.00 per square foot. We have incorporated the factors of building specifications such as floor finishes, eaves height, roof, floor loading capacity etc. in the adjustment. We have also taken into consideration the adjustment on the time factor and the renovation cost incurred to upgrade the subject building. Therefore, it is in our opinion that the construction cost before depreciation for the factory building adopted at RM100.00 per square foot is reasonable in this valuation.
- ii) Depreciation rate at 38% is adopted based on the age of the building with the assumption that the building has a life span of 60 years.

$$\text{Depreciation Rate} = \frac{\text{Age of the Building (23 years)}}{\text{Building Life Span (60 years)}} \times 100\%$$

The value from cost approach is as follows: -

**Cost Approach** **RM1,920,000.00**

**10. VALUATION CERTIFICATES (Cont'd)****Investment Method**

In "**Investment Method**", the capital value is derived from an estimate of the market rental, which the Subject Property can reasonably be let for. Outgoings, such as property tax, repairs and maintenance, insurance and management are then deducted from the annual rental income. The net annum rental income is capitalised at an appropriate current market yield to arrive at its indicative capital value.

There is a lack of rental information in Muar area. We also noted that there is no rental information recorded in the Department of Property Valuation and Services (JPPH). However, according to our internal research and verbal conversation with the local real estate agents and third parties revealed that the current rentals and asking rentals for an individual-designed factory/warehouse building located within Muar area is in the range of RM0.36 per square foot to RM0.54 per square foot.

We have therefore adopted the asking rental of RM0.45 per square foot in our calculation after taking into consideration the lettable area, floor finishes, eaves heights and floor loading capacity of the building.

Our in-house research revealed that the outgoings for a factory building is in the range of 10% to 20% from the estimated annual rental which includes annual quit rent, annual assessment, building maintenance and others depending on the efficiencies of the management of the factory owner. The annual quit rent for the Subject Property is RM1,000.00 and annual assessment is RM8,646.50 which is around 6% of the estimated annual rental income. We are of the opinion that the other relevant expenses such as building maintenance, insurance and others is within the range of 8% to 15%. Therefore, we have adopted a 15% from the gross annual rental in the calculation of outgoings to the Subject Property which, in our opinion, is reasonable.

There is not much industrial transaction in Muar and the local property market is generally stable. Based on our observation, almost all the factories in the vicinity are occupied and the demand for factories space is relatively high. Therefore, we have not allocated a void factor to accommodate vacancy period between rent reviews, rent free period and risk of vacancy and uncertainty.

Our in-house research revealed the yields for the industrial property in Muar area ranges from 3% to 7%. Further, according to Malaysia REITs, it is revealed that the yield for industrial property is about 5.97% as at September 2017 (source: <http://mreit.reidata.com>). Therefore, the yield of 5% adopted for Muar area is reasonable.

The current Base Rate (BR) for banks is in the range of 3.0% to 4.47% (source: Bank Negara Malaysia). The Subject Property is a leasehold tenure and the remaining years are about 29 years. As such, we have adopted a sinking fund rate of 4%.

The value from investment method is as follows: -

<b>Investment Method</b>	<b>RM1,500,000.00</b>
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**10. VALUATION CERTIFICATES (Cont'd)**

**CONCLUSION**

In this valuation, we have adopted figures derived from the **Cost Approach at (RM1,920,000.00)** and from the **Investment Method at (RM1,500,000.00)** as a cross check method.

As the Subject Property is owner occupied and there is no rental income generated, the rental applied in the Investment Method is based on assumption and analysis of rental data collected by our research team via verbal collection.

However, **Investment Method** entails determining the net annual income by deducting the annual outgoings from the gross annual income and capitalising the net income by a suitable rate of return consistent with the type and quality of investment to arrive at the Market Value.

The assessment of a rental value is therefore an important process and a reasonably accurate estimate is therefore vital. The lack of rental evidences has resulted in us depending on asking rental to arrive at the notional income flow. Hence, these factors reduce the accuracy of the **Investment Method** as compared to the **Cost Approach** in terms of the value in this valuation exercise.

We opine that the **Cost Approach** is a more appropriate method as this approach is referring to the current construction cost that is required to build a similar building less allowances for physical deterioration and all relevant forms of obsolescence and optimisation.

Taking into consideration all the relevant factors, we are of the opinion that the current Market Value of the leasehold unencumbered interest in the Subject Property with remaining lease tenure of 29 years in its existing physical condition and with the benefits of vacant possession is: -

**MV - RM1,920,000.00 (Ringgit Malaysia: One Million Nine Hundred And Twenty Thousand Only)**

Yours faithfully,  
**HENRY BUTCHER** Malaysia (Johor) Sdn Bhd

*W.K.*  
Sr CHENG WUI KIANG  
B. Surveying (Hons) Property Management, MRISM  
Registered Valuer (V648)



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**10. VALUATION CERTIFICATES (Cont'd)**

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**VALUER'S PROFESSIONAL EXPERIENCE**

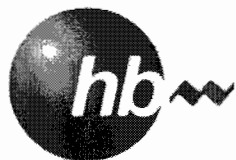
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HBM offers consultancy services in both the real estate and plant and machinery sectors covering areas of expertise such as valuation, real estate agency, investment advisory, international marketing, market research, development consultancy, project marketing, asset management, retail planning, design, leasing and management, tenders and auctions. HBM is on the panel of major international and Malaysian financial institutions and services both public listed and privately-owned companies, multinationals, government linked companies, institutions as well as private investors with diverse business interests such as property development and investment, plantations, manufacturing, banking and financial services, construction, accounting and corporate services, telecommunications and others within as well as outside Malaysia.

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Sr Cheng Wui Kiang holds a Bachelor of Surveying in Property Management from Universiti Teknologi Malaysia in year 1999. He is a Member of the Royal Institution of Surveyors, Malaysia (MRISM) and a Registered Valuer and Estate Agent. He has experience dealing in matters related to the real estate industry and was involved in valuation, estate agency, project marketing, land acquisitions, feasibility studies, market research and relevant corporate exercises pertaining to real estate over the last 10 years in HBM.

**10. VALUATION CERTIFICATES (Cont'd)**



**HENRY BUTCHER MALAYSIA**

International Asset Consultants

Our Ref.: V/JB09-17/1575(E)/AZ/PTN

Date: November 1, 2018

**M/S DPI HOLDINGS BERHAD**

K69, Jalan Perindustrian 6,  
Kawasan Perindustrian Tanjung Agas,  
84000 Kesang, Johor.

Dear Sirs

**CERTIFICATE OF VALUATION ON A PARCEL OF INDUSTRIAL DETACHED PLOT LOCATED ALONG JALAN PERINDUSTRIAN, KAWASAN PERINDUSTRIAN TANJUNG AGAS, 84000 KESANG, JOHOR, HELD UNDER LOT NO. 11078, TITLE NO. PN 50437, MUKIM OF KESANG, DISTRICT OF TANGKAK AND STATE OF JOHOR ("SUBJECT PROPERTY").**

We were instructed by M/S DPI HOLDINGS BERHAD ("DPI Holdings") to conduct a valuation of the Subject Property. The full details of the valuation are included in our Valuation Report bearing reference no. V/JB09-17/1575(E)/AZ/PTN dated January 08, 2018.

This certificate has been prepared for inclusion in the Prospectus of DPI Holdings in conjunction with the listing of DPI Holdings on the ACE Market of Bursa Malaysia Securities Berhad.

The Subject Property was inspected and referenced on December 20, 2017. The relevant date of valuation for this valuation exercise coincides with the date of inspection, i.e. December 20, 2017.

The valuation had been carried out in accordance with the Asset Valuation Guidelines issued by the Securities Commission Malaysia and the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia.

The basis of valuation is the Market Value which is defined by the Malaysian Valuation Standards to be "estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion".

The brief description of the Subject Property and our opinion of the current Market Value are as follows: -

**HENRY BUTCHER MALAYSIA (JOHOR) Sdn Bhd** (199150-H)

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Valuation | Real Estate Agency | Investment Advisory | International Marketing | Market Research | Development Consultancy  
Project Marketing | Asset Management | Retail Planning & Consultancy | Auctions | Plant & Machinery | Art Consultancy



**10. VALUATION CERTIFICATES (Cont'd)****PROPERTY DESCRIPTION**

Property Type/ Interests Valued	A Parcel of Industrial Detached Plot
Address of the Subject Property	Lot No. 11078, Jalan Perindustrian, Kawasan Perindustrian Tanjung Agas, 84000 Kesang, Johor.
Location	<p>The Subject Property is located along Jalan Perindustrian within Kawasan Perindustrian Tanjung Agas and is sited approximately 2 kilometres north of Muar Town and 26 kilometres south-east of Tangkak Town.</p> <p>The Subject Property is accessible from Muar Town via Jalan Kesang and thereafter by the internal metalled service roads of Kawasan Perindustrian Tanjung Agas for a total distance of about 2 kilometres.</p>
Site	The land is rectangular in shape encompassing a provisional land area as per the qualified title document of approximately 12,251 sq. metres (3.0273 acres / 131,869 sq. ft.). The physical terrain of the land is generally flat and lies about the same level of the frontage road. The Subject Property is not demarcated by any form of fencing. As at the time of inspection, we noted that the Subject Property is vacant.
Town Planning	The Subject Property is situated within an area designated for industrial purposes.

**TITLE PARTICULARS**

Title No.	: PN 50437
Lot No.	: 11078
Bandar / Pekan / Mukim	: Mukim Kesang
District	: Tangkak
State	: Johor
Tenure	: Leasehold 60 years expiring on May 31, 2035. The remaining unexpired term is about 18 years.
Provisional Land Area	: 12,251 sq. metres (3.0273 acres / 131,869 sq. ft.)
Annual Quit Rent	: RM4,200.00
Registered Owner	: DPI Sdn Bhd
Category of Land Use	: Perusahaan/Perindustrian

**10. VALUATION CERTIFICATES (Cont'd)**

Express Condition	:	<ul style="list-style-type: none"> <li>i) Tanah ini hendaklah digunakan sebagai kawasan industri sederhana untuk tujuan perusahaan chemical and coating dan kegunaan lain yang berkaitan dengannya, dibina mengikut pelan yang diluluskan oleh Pihak Berkuasa Tempatan.</li> <li>ii) Segala kekotoran dan pencemaran akibat daripada aktiviti ini hendaklah disalurkan ke tempat-tempat yang telah ditentukan oleh Pihak Berkuasa berkenaan.</li> <li>iii) Segala dasar dan syarat yang ditetapkan dan dikuatkuasakan dari semasa ke semasa oleh Pihak Berkuasa berkenaan hendaklah dipatuhi.</li> </ul>
Restriction in Interest	:	Tanah yang dikurniakan ini tidak boleh dijual, dicagar, digadai, dipajak atau dipindahmilik dengan apa cara sekalipun, termasuk dengan cara menggunakan segala surat perjanjian yang bertujuan untuk melepaskan/menjual tanah ini, tanpa kebenaran Pihak Berkuasa Negeri.
Endorsement	:	Nil
Encumbrances	:	Nil.
Caveat	:	Nil.

**VALUATION METHODOLOGY**

We adopted the "**Comparison Approach**" only in formulating our opinion of the current Market Value of the Subject Property.

The "**Comparison Approach**" is the market approach of comparing the Subject Property with similar properties that were either transacted recently or listed for sale within the same location or other comparable localities. In comparing properties, due consideration is given to factors such as location, accessibility, size, building differences, improvements and amenities, time element and other relevant factors to arrive at our opinion of value.

Comparison Approach is the most suitable and only method of valuation to assess the market value of the Subject Property as the Subject Property is valued as a parcel of vacant land and the rental demand for vacant industrial land is generally low in this area. Furthermore, there is no approval for building plans or other development plans by the client on the Subject Property, therefore other methods of valuation are not suitable.

There is no relevant transaction data of vacant industrial land in the vicinity. Therefore, we analysed sales evidence of detached factories to determine the land value by eliminating the building costs. The selected data are located in the same area as the Subject Property and are similar in tenure.



**10. VALUATION CERTIFICATES (Cont'd)**

In arriving at our opinion of value, we have taken into consideration amongst others, the following sale transactions: -

	<b>Comparable 1</b>	<b>Comparable 2</b>	<b>Comparable 3</b>	<b>Comparable 4</b>
Address	K75, Jalan Perindustrian 7	K23 & K23-1, Jalan Perindustrian 2	PTD 9644, Jalan Perindustrian	PTD 9645, Jalan Perindustrian
	Kawasan Perindustrian Tanjung Agas			
Improvement	1 1/2 storey detached factory	2-storey detached office with 2-block 1 storey cum 1 block 2-storey factories & ancillary buildings	Industrial land erected with a single storey open-sided factory	Industrial land erected with a single storey open-sided factory
Source	Department of Property Valuation and Services (JPPH)	Memorandum of purchase from Public Auction	Department of Property Valuation and Services (JPPH)	Department of Property Valuation and Services (JPPH)
Tenure	Leasehold 60 years exp on 02/07/2046 (remaining 31 years)	Leasehold 60 years exp on 13/07/2042 (remaining 25 years)	Leasehold 60 years exp on 31/05/2035 (remaining 18 years)	Leasehold 60 years exp on 31/05/2035 (remaining 18 years)
Built-up Area	14,585 sq.ft	50,400 sq.ft	10,800 sq.ft	8,640 sq.ft
Age of the Building (year)	19 years	32 years	40 years	40 years
Building Cost	RM 100 /sq.ft (standard main building)	RM 100 /sq.ft (standard main building)	RM 50 /sq.ft (open sided)	RM 50 /sq.ft (open sided)
Building Depreciation	32%	53%	67%	67%
Remarks	Individual-designed	Individual-designed	Individual-designed	Individual-designed
Land Area	21,780 sq ft	87,080 sq ft	52,291 sq ft	60,256 sq ft
Date	20/07/2015	13/02/2017	2/5/2017	2/5/2017
Consideration	RM1,410,000	RM3,395,000	RM1,490,249	RM1,717,312
Land Value	RM25.68/sq.ft	RM23.48/sq.ft	RM25.09/sq.ft	RM26.13/sq.ft
<b>Adjustment made at Type of Transaction, Time, Location, Land Area, Tenure and Improvement</b>				
Adjusted Land Value	RM19.00/sq. ft	RM22.00/sq. ft	RM23.00/sq.ft	RM24.00/sq.ft

**Note:**

We have adopted RM23.00 per square foot for the valuation of the Subject Property based on the following facts: -

- The land value is in the range of RM19.00 per square foot to RM24.00 per square foot.
- Comparable 3 is the best comparable to adopt as the land area and the remaining years is closer to the Subject Property

**10. VALUATION CERTIFICATES (Cont'd)**

**CONCLUSION**

For this valuation exercise, we have only adopted one (1) valuation method, which is Comparison Approach to arrive at our opinion of value. This is because the Subject Property is valued as a parcel of vacant industrial land and the rental demand for vacant industrial land is generally low in this area.

Taking into consideration of all the relevant factors, we are of the opinion that the current Market Value of the leasehold unencumbered interest in the Subject Property with remaining tenure of 18 years in its existing physical condition and with the benefits of vacant possession is: -

**MV - RM3,033,000.00 (Ringgit Malaysia: Three Million And Thirty Three Thousand Only)**

Yours faithfully,  
**HENRY BUTCHER** Malaysia (Johor) Sdn Bhd

*Handwritten signature*  
Sr CHENG WUI KIANG  
B. Surveying (Hons) Property Management, MRISM  
Registered Valuer (V648)



**10. VALUATION CERTIFICATES (Cont'd)**

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**VALUER'S PROFESSIONAL EXPERIENCE**

Henry Butcher Malaysia Sdn. Bhd. ("HBM"), a member of GoIndustry DoveBid (previously Henry Butcher & Co) and established in Malaysia in 1987, has an extensive network of 25 offices throughout Malaysia, supported by more than 900 trained and professional staff. HBM has also expanded to other part of ASEAN through equity participation in an asset management company in Thailand, a full office in Cambodia and cooperation with associates in Indonesia, Singapore, Hong Kong and the United Kingdom.

HBM offers consultancy services in both the real estate and plant and machinery sectors covering areas of expertise such as valuation, real estate agency, investment advisory, international marketing, market research, development consultancy, project marketing, asset management, retail planning, design, leasing and management, tenders and auctions. HBM is on the panel of major international and Malaysian financial institutions and services both public listed and privately-owned companies, multinationals, government linked companies, institutions as well as private investors with diverse business interests such as property development and investment, plantations, manufacturing, banking and financial services, construction, accounting and corporate services, telecommunications and others within as well as outside Malaysia.

HBM group's work assignments over the years have covered different assets including timber concessions, oil palm estates and rubber plantations, township developments, residential and commercial projects, industrial and retail properties, as well as resorts/hotels. For plant and machinery, HBM have been involved in assignments involving plant and machinery from telecommunications facilities, construction equipment, electronics, textile, oil and gas equipment to transport and aviation equipment.

Sr Cheng Wui Kiang holds a Bachelor of Surveying in Property Management from Universiti Teknologi Malaysia in year 1999. He is a Member of the Royal Institution of Surveyors, Malaysia (MRISM) and a Registered Valuer and Estate Agent. He has experience dealing in matters related to the real estate industry and was involved in valuation, estate agency, project marketing, land acquisitions, feasibility studies, market research and relevant corporate exercises pertaining to real estate over the last 10 years in HBM.

10. VALUATION CERTIFICATES (Cont'd)



**HENRY BUTCHER MALAYSIA**

International Asset Consultants

Our Ref: HB/SEL/8817/08/0882/Kel-007

November 1, 2018

**M/S DPI HOLDINGS BERHAD**  
K69, Jalan Perindustrian 6,  
Kawasan Perindustrian Tanjung Agas,  
84000 Kesang, Johor.

Dear Sirs,

**CERTIFICATE OF VALUATION OF A PARCEL OF VACANT AGRICULTURAL LAND MEASURING APPROXIMATELY 1.4097 ACRES, HELD UNDER TITLE NO. H.S. (M) 21289, LOT NO. P.T. 28182, MUKIM OF KAPAR, DISTRICT OF KLANG, STATE OF SELANGOR ("SUBJECT PROPERTY").**

We were instructed by M/S DPI HOLDINGS BERHAD ("DPI Holdings") to conduct a valuation of the Subject Property. The full details of the valuation are included in our Valuation Report bearing reference no. HB/SEL/8817/08/0882/Kel-007 dated February 28, 2018.

This certificate has been prepared for inclusion in the Prospectus of DPI Holdings in conjunction with the listing of DPI Holdings on the ACE Market of Bursa Malaysia Securities Berhad ("Proposed Flotation Exercise").

The Subject Property was inspected and referenced on February 19, 2018. The relevant date of valuation for this valuation exercise coincides with the date of inspection, i.e. February 19, 2018.

The valuation had been carried out in accordance with the Asset Valuation Guidelines issued by the Securities Commission Malaysia and the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents Malaysia.

The basis of valuation is the Market Value which is defined by the Malaysian Valuation Standards to be "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

**HENRY BUTCHER MALAYSIA (SEL) Sdn Bhd** (495503-K)

No. 36-1, 2 & 3, Jalan SS 15/4D, 47500 Subang Jaya, Selangor, Malaysia.

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Valuation | Real Estate Agency | Investment Advisory | International Marketing | Market Research | Development Consultancy  
Project Marketing | Asset Management | Retail Planning & Consultancy | Auctions | Plant & Machinery | Art Consultancy



**10. VALUATION CERTIFICATES (Cont'd)**

The brief description of the Subject Property and our opinion of the current Market Value are as follows: -

**Property Description**

- Property Type/ Interests Valued** : A parcel of vacant agricultural land
- Address of the Subject Property** : Title No. H.S. (M) 21289, Lot No. P.T. 28182, Mukim of Kapar, District of Klang, State of Selangor
- Location** : The Subject Property is located at Jalan Kampung Perepat, within Kampung Perepat, Batu 8, Off Jalan Kapar, Klang. It is located approximately 50 kilometers due west of Kuala Lumpur City Centre and is about 15 kilometers due north-west of Klang Town. Kapar town centre is 5 kilometres to the north-east. It is easily accessible from Kuala Lumpur City Centre via the Federal Highway heading towards Klang town centre followed by Shapadu highway, a right turn onto Jalan Kapar heading towards Kapar town centre and finally a left turn onto Jalan Kampung Perepat for a distance of about 1.5 kilometres leading to the Subject Property.
- Site** : The subject land is near rectangular in shape, encompassing a provisional land area of approximately 0.5705 hectare (about 1.4097 acres or 61,407 square feet). It has a frontage of about 30.20 metres (about 99 feet) onto Jalan Kampung Perepat and a depth of approximately 190.81 metres (about 626 feet). The physical terrain of the land is generally flat and lies about the level of the frontage road.
- The provisional land area as per the qualified title document is approximately 0.5702 hectare (about 1.4090 acres or 61,374 square feet). However, via the Certified Plan (PA 79875) obtained from the Survey Department, Shah Alam, the land has a surveyed land area of 0.5705 hectare (about 1.4097 acres or 61,407 square feet) and the Subject Property is also known as Lot 32744. For the purpose of this valuation, we have adopted the surveyed land area of 0.5705 hectare in our valuation.

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**10. VALUATION CERTIFICATES (Cont'd)****Title Particulars**

The following details were obtained from a title search conducted at the Klang District and Land Office on February 28, 2018. This information as extracted is assumed to be correct for the purpose of this valuation exercise and brief details are as follows: -

Title No.	:	Title No. H.S. (M) 21289, Lot No. P.T. 28182, Mukim of Kapar, District of Klang, State of Selangor
Tenure	:	Leasehold 99 years expiring December 18, 2065. The remaining unexpired term is about 47 years.
Category of land use	:	"Pertanian"
Express Condition	:	"Tanaman Am"
Restriction In Interest	:	Nil
Provisional Land Area	:	0.5702 hectare
Registered Owner	:	DPI Chemicals Sdn Bhd

**Planning Approvals**

Planning Approval	:	The Subject Property is situated within an area zoned for residential purposes
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**10. VALUATION CERTIFICATES (Cont'd)**

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**Valuation Methodology**

We have adopted the Comparison Approach only in formulating our opinion of the current Market Value of the Subject Property. Only one (1) method has been adopted in valuing the Subject Property as in our opinion, the Comparison Approach is the most appropriate method of valuation to assess the market value of the Subject Property as the Subject Property is a parcel of vacant potential development land, therefore other methods of valuation are not suitable.

The Comparison Approach is the market approach of comparing the Subject Property with similar properties that were either transacted recently or listed for sale within the same location or other comparable localities. In comparing the properties, due consideration is given to factors such as location, size, improvements and amenities, time element and other relevant factors to arrive at our opinion of value.

We do not adopt Residual Method in arriving at the market value of the Subject Property as the client does not have any plan to develop the Subject Property in the immediate term.

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**10. VALUATION CERTIFICATES (Cont'd)**

In arriving at our opinion of value, we have taken into consideration amongst others, the following transactions which we extracted from Department of Property Valuation and Services (JPPH): -

	<b>Comparable 1</b>	<b>Comparable 2</b>	<b>Comparable 3</b>
Property	HSM 44178, PT 72604, Mukim of Kapar, District of Klang, State of Selangor	PM 855, Lot 6139, Mukim of Kapar, District of Klang, State of Selangor	PM 3952, Lot 62064, Mukim of Kapar, District of Klang, State of Selangor
Land Area	1.5024 acres (65,445 square feet)	2.9999 acres (130,674 square feet)	1.4999 acres (65,337 square feet)
Type	Vacant Potential Development land	Vacant Potential Development land	Vacant Potential Development land
Tenure	Leasehold 99 years expiring 23/6/2059	Leasehold 99 years expiring 23/6/2059	Leasehold 99 years expiring 23/6/2059
Date of Transaction	April 14, 2016	February 23, 2016	July 20, 2015
Consideration	RM800,000	RM1,700,000	RM1,000,000
Land Value (psf)	RM12.22 psf	RM13.01 psf	RM15.31 psf
Adjusted Land Value (psf)	RM12.83 psf	RM14.96 psf	RM16.84 psf
Remarks on Adj. Value	Adjustment was made on accessibility and land size.		

We have adopted RM13.00 per square foot (derived from Comparable 1) to arrive at the market value of Subject Property based on the following facts:-

- We are of the opinion that Comparable 1 is the best comparable as it has a similar land area as the Subject Property and is located nearer to the Subject Property.
- The land area of Comparable 2 is bigger and the accessibility from Jalan Kapar is further away as compared to the Subject Property. Therefore, more adjustments need to be made, reducing the accuracy of value indicated by Comparable 2.
- Comparable 3 is less accessible from Jalan Kapar as compared to the Subject Property. Therefore, more adjustments need to be made, reducing the accuracy of value indicated by Comparable 3.

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**10. VALUATION CERTIFICATES (Cont'd)**

**Conclusion**

Taking into consideration all the relevant factors, we are of the opinion that the current **Market Value** of the unencumbered interest in the Subject Property in its existing physical condition with the benefit of vacant possession is: -

**Market Value - RM800,000.00 (Ringgit Malaysia: Eight Hundred Thousand Only)**

Yours faithfully,  
**HENRY BUTCHER MALAYSIA (SEL) SDN. BHD.**

**STEW KOK HO**  
B.Surv., MRIS(M), A  
Registered Valuer (V-48)



**10. VALUATION CERTIFICATES (Cont'd)**

Henry Butcher Malaysia Sdn. Bhd. ("HBM"), a member of GoIndustry DoveBid (previously Henry Butcher & Co) and established in Malaysia in 1987, has an extensive network of 25 offices throughout Malaysia, supported by more than 900 trained and professional staff. HBM has also expanded to other part of ASEAN through equity participation in an asset management company in Thailand, a full office in Cambodia and cooperation with associates in Indonesia, Singapore, Hong Kong and the United Kingdom.

HBM offers consultancy services in both the real estate and plant and machinery sectors covering areas of expertise such as valuation, real estate agency, investment advisory, international marketing, market research, development consultancy, project marketing, asset management, retail planning, design, leasing and management, tenders and auctions. HBM is on the panel of major international and Malaysian financial institutions and services both public listed and privately owned companies, multinationals, government linked companies, institutions as well as private investors with diverse business interests such as property development and investment, plantations, manufacturing, banking and financial services, construction, accounting and corporate services, telecommunications and others within as well as outside Malaysia.

HBM group's work assignments over the years have covered different assets including timber concessions, oil palm estates and rubber plantations, township developments, residential and commercial projects, industrial and retail properties, as well as resorts/hotels. For plant and machinery, HBM have been involved in assignments involving plant and machinery from telecommunications facilities, construction equipment, electronics, textile, oil and gas equipment to transport and aviation equipment.

Sr Tew Kok Huat holds a Bachelor Degree in Valuation & Property Management from University of Technology, Malaysia. He started his trading business in 1993 and joined HBM in 1995. After obtaining his registration as a Registered Valuer in 1998, he had been promoted to a director of Henry Butcher Malaysia (Sel) Sdn Bhd in 1999. He is a member of the Royal Institution of Surveyors Malaysia and Association of Valuers and Property Consultants in Private Practice Malaysia and a registered valuer and estate agent. He has vast exposure in matters relating to the real estate industry and has extensive professional experience related to valuation, estate agency, project marketing, compulsory land acquisition, feasibility studies, market research and corporate works over more than 20 years in HBM.

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**11. ADDITIONAL INFORMATION**

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**11.1 EXTRACT OF OUR CONSTITUTION**

The following provisions relating to the selected matters are reproduced from our Company's Constitution. Terms defined in our Constitution shall have the same meaning when used herein unless they are otherwise defined herein or the context otherwise requires.

**(i) Remuneration of Directors**

The provisions in our Company's Constitution in respect of the remuneration of Directors are as follows:

**Clause 106**

The Directors shall be paid by way of remuneration for their services, such fees and any other benefits payable to such directors (if any) subject to annual shareholder approval at General Meeting and such remuneration shall be divided among the Directors in such proportions and manner as the Directors may determine, PROVIDED ALWAYS that:

- (a) save as provided in Clause 106(a) hereof, an Executive Director shall, subject to the terms and any agreement (if any) entered into any particular case, receive such remuneration (whether by way of salary, commission or participation in profits or partly in one way and partly in another) as the Directors may determine. All remuneration, other than the fees provided for in Clause 106(a) hereof, payable to the Non-Executive Directors shall be determined by a resolution of the Company in General Meeting;
- (b) fees payable to Non-Executive Directors shall be a fixed sum, and not by a commission on or percentage of profits or turnover;
- (c) salaries payable to Executive Directors may not include a commission or on percentage of turnover; and
- (d) fees of Directors, and any benefits payable to Directors whether there is an increase in the amount of such fees or benefits or otherwise shall be subject to annual shareholder approval at a General Meeting.

**Clause 107**

The Directors shall be paid all their travelling and other expenses properly and necessary expended by them in and about the business of the Company including their travelling and other expenses incurred in attending Board of Directors' Meeting or General Meeting of the Company.

**Clause 108**

If any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company as a member of a committee of Directors, the Company may remunerate the Director so doing either by a fixed sum or otherwise (other than by a sum to include a commission on or percentage of turnover) as may be determined by the Company in General Meeting and such remuneration may be either in addition to or in substitution for his or their Share in the remuneration from time to time provided for the Directors. Extra remuneration payable to Non-Executive Director(s) shall not include a commission or percentage of turnover or profits.

**11. ADDITIONAL INFORMATION (Cont'd)**

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**(ii) Voting and borrowing powers of Directors**

The provisions in our Company's Constitution in respect of the voting and borrowing powers of Directors, including voting powers on proposals, arrangements or contracts in which they are interested in, are as follows:

**Clause 113**

The Director may exercise all the powers of the Company to borrow and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures and other Securities whether outright or as security for any debt, liability or obligation of any person or persons or of any company, whether or not having objects or engaged or intending to engage in business similar to those of the Company, including (without limitation) any company which is for the time being associated or allied with the Company in business or which is the holding company or a subsidiary (as defined in Section 4 of the Act) or an associated company.

**Clause 114**

The Directors may borrow or raise any such money as aforesaid upon or by the issue or sale of any bonds, debentures, debenture stock or securities, and upon such terms as to time of repayment, rate of interest, price of issue or sale, payment of bonus upon redemption or repayment or otherwise as they may think proper. The Company may in General Meeting grant a right for the holders of bonds, debentures, debenture stock or securities to exchange the same for shares in the Company or any class authorised to be issued.

**Clause 116**

The Directors may establish or arrange any contributory or non-contributory pension super-annuation scheme for the benefit of, or pay a gratuity, pension or emolument to any person who is or has been employed by or in the service of the Company or any subsidiary of the Company, or to any person who is or has been a Director or other officer of and holds or has held salaried employment in the Company or any such subsidiary, and to widow, family or dependents of any such person. The Directors may also subscribe to any association or fund which they consider to be for the benefit of the Company or any such subsidiary or any such persons as aforesaid and make payments for or towards any hospital or scholastic expenses, and make payments for or towards any hospital or any Director holding such salaried employment shall be entitled to retain any benefit received by him hereunder subject only, where the provisions of the Act requires, to proper disclosure to the members and the approval of the Company in General Meeting.

**Clause 123**

Subject always to the Act and requirements of the Exchange, a Director may hold any other office or place of profit under the Company (other than the office of Auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine. No Director or intending Director shall be disqualified by his office from contracting with the Company with regard to his tenure of any such other office or place of profit in any other respect nor shall any such contract, or any contract or arrangement entered into by or on behalf of any Company in which any Director is in any way interested, be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relation thereby established PROVIDED ALWAYS that Sections 221 and 228 and all relevant provisions of the Act and these Clauses are complied with.

**11. ADDITIONAL INFORMATION (Cont'd)**

**Clause 133**

A Director notwithstanding his interest may, provided that none of the other Directors present disagree, be counted in the quorum present at any meeting whereat he or any other Director is appointed to hold office or place of profit under the Company or whereat the Directors resolve to exercise any of the rights of the Company (whether by the exercise of voting rights or otherwise) to appoint or concur in the appointment of a Director to hold any office or place of profit under any other company whereat the terms of such appointment as hereinafter mentioned are considered or where any decision is taken upon any contract or arrangement which he is in any way interested PROVIDED ALWAYS that he has complied with Section 221 and all other relevant provisions of the Act, the Listing Requirements and our Constitution.

**Clause 134**

A Director shall not vote in regard to any contract or proposed contract or arrangement in which he has, directly or indirectly, an interest. Without prejudice to the generality of the foregoing, a Director shall also not vote in regard to any contract or proposed contract or arrangement with any other company in which he is interested either as an officer of that other company or as a holder of shares or other securities in that other company.

**Clause 135**

Subject to Clause 134, a Director may vote in respect of:

- (a) any arrangement for giving the Director himself or any other Director any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company; or
- (b) any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company for which the Director himself or any other Director has assumed responsibility in whole or in part under a guarantee or indemnity or by a deposit of security.

By Ordinary Resolution of the Company, the provisions of this Clause may at any time be suspended or relaxed to any extent and either generally or in respect of any particular contract, arrangement or transaction, and any particular contract, arrangement or transaction carried out in contravention of this Clause may be ratified.

**Clause 136**

A Director of the Company may be or become a director or other officer of or otherwise interested in any corporation promoted by the Company or in which the Company may be interested as shareholder or otherwise or any corporation which is directly and indirectly interested in the Company as shareholder or otherwise and no such Director shall be accountable to the Company for any remuneration or other benefit received by him as a director or officer of, or from his interest in, such corporation unless the Company otherwise directs at the time of his appointment. The Directors may exercise the voting power conferred by the shares or other interest in any such other corporation, in such manner and in all aspects as they may think fit (including the exercise thereof in any favour of any resolution appointing themselves or any of the Directors or other officers of such corporation), and any Director may vote in favour of the exercise of such voting rights in manner aforesaid notwithstanding that he may be or is about to be appointed a director or other officer of such corporation and as such is or may become interested in the exercise of such voting rights in the manner aforesaid.

**11. ADDITIONAL INFORMATION (Cont'd)**

**(iii) Changes in Share Capital**

The provisions in our Company's Constitution in respect of the changes in share capital, which are no less stringent than those required by law, are as follows:

**Clause 5**

Without prejudice to any special rights previously conferred on the holders of authority of any existing shares or class of shares, and subject to the Act and to the conditions, restrictions and limitations expressed in this Constitution, the Directors may allot shares or grant rights to subscribe for or otherwise dispose of the unissued Shares in the Company to such persons, at such time and on such terms and conditions, with such preferred or deferred or other special rights or such restrictions whether in regard to dividend, voting, return of capital or otherwise as the Directors deem fit, subject to any Ordinary Resolution of the Company and the requirements of the Act, PROVIDED ALWAYS THAT:

- (a) no Shares shall be issued which shall have the effect of transferring a controlling interest in the Company without the prior approval of the members in a General Meeting;
- (b) every issue of Shares or options to employees and/or Directors of the Company and its subsidiaries under Share Issuance Scheme shall be approved by the members in General Meeting;
- (c) the rights attaching to the Shares of a class other than ordinary shares be stated at the time of issue;
- (d) no Shares shall be issued at a discount; and
- (e) the Company shall have the power to issue preference capital ranking equally with, or in priority to, preference shares already issued.

**Clause 7**

Subject to the Act, any preference shares may with the sanction of an Ordinary Resolution be issued on the terms that they are or at the option of the Company are liable to be redeemed.

**Clause 8**

The Company shall have power to issue preference shares carrying a right to redemption out of profits or liable to be redeemed at the option of the Company. The Directors may, subject to the provisions of the Act, redeem such shares on such terms and in such manner as they may think fit.

**Clause 15**

Subject to the Act, Central Depositories Act, Rules and/or Listing Requirements and notwithstanding the existence of a resolution pursuant to Section 76 of the Act, the Company must ensure that it shall not issue any Shares or convertible Securities if the total number of those Shares or convertible Securities, when aggregated with the total number of any such Shares or convertible Securities issued during the preceding twelve (12) months exceeds ten per centum (10%) of the total number of issued Shares (excluding treasury shares) of the Company, except where the Shares or convertible Securities are issued with the prior approval of the shareholders in General Meeting of the precise terms and conditions of the issue. In working out the number of Shares or convertible Securities that may be issued by the Company, if the security is a convertible security, each such security is counted as the maximum number of Shares into which it can be converted or exercised.

**11. ADDITIONAL INFORMATION (Cont'd)**

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**Clause 48**

The Company may from time to time by Ordinary Resolution increase the share capital by the creation and issue of new Shares, such new capital to be of such amount to be divided into Shares of such respective amounts and to carry such rights or to be subject to such conditions or restrictions in regard to dividend, return of capital or otherwise as the Company may direct in the resolution authorising such increase.

**Clause 49**

Except so far as otherwise provided by the conditions of issue, any capital raised by the creation of new Shares shall be considered as part of the original share capital of the Company. All new Shares shall be subject to the provisions herein contained with reference to allotments, the payment of calls and instalments, transfer, transaction, transmission, forfeiture, lien or otherwise and shall also be subject to the Rules.

**Clause 52**

The Company may alter its share capital in any one or more of the following ways by passing a Special Resolution:

- (a) to consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided Share is derived;
- (b) to convert all or any of its paid-up Shares into stock and may reconvert that stock into paid-up Shares;
- (c) to subdivide its share capital or any part thereof, whatever is in the subdivision, the proportions between the amount paid and the amount, if any, unpaid on each subdivided Share shall be the same as it was in the case of the Shares from which the subdivided Share is derived; or
- (d) to cancel any Shares which at the date of the passing of the resolution which have been forfeited and diminish the amount of its share capital by the amount of the Shares so cancelled.

**Clause 53**

Notwithstanding any other authorisation and consent that may be required by the provisions of the Act, the Company may reduce its share capital by:

- (a) Special Resolution and confirmation by the Court in accordance with Section 116 of the Act; or
- (b) Special Resolution supported by a solvency statement in accordance with Section 117 of the Act.

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**11. ADDITIONAL INFORMATION (Cont'd)**

**(iv) Transfer of Securities**

The provision in our Company's Constitution in respect of the arrangements for transfer of securities and restrictions on their free transferability are as follows:

**Clause 37**

The instrument of transfer of any Securities shall be in writing and in the form approved in the Rules and shall be executed by or on behalf of the transferor and transferee, and the transferor shall be deemed to remain the holder of the securities until the name of the transferee is entered in the Record of Depositors in respect thereof. The transfer of any listed Securities or class of listed Securities of the Company shall be by way of book entry by the Bursa Depository in accordance with the Rules and notwithstanding Sections 105, 106 and 110 of the Act, but subject to Subsection 148(2) of the Act and any exemption may be made from compliance with Subsection 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of listed Securities.

**Clause 38**

Subject to the Rules and Listing Requirements, the transfer of any Securities may be suspended at such times and for such periods as the Directors may from time to time determine. Ten (10) Market Days' notice, or such other period as may from time to time be specified by the Exchange governing the Register concerned, of intention to close the Register shall be given to the Exchange. At least three (3) Market Days' prior notice shall be given to the Bursa Depository to prepare the appropriate Record of Depositors.

**Clause 39**

The Bursa Depository may refuse to register any transfer of Deposited Security that does not comply with the Central Depositories Act and the Rules. No Securities shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.

**Clause 40**

Subject to the provisions of this Constitution, the Directors may recognise a renunciation of any share by the allottee thereof in favour of some other person.

**Clause 41**

Subject to any law in Malaysia for the time being in force, neither the Company nor the Directors nor any of its officers shall incur any liability for the act of the Bursa Depository in registering or acting upon a transfer of Securities apparently made by a member or any person entitled to the Securities by reason of death, bankruptcy or insanity of a member although the same may, by reason of any fraud or other causes not known to the Company or the Directors or the Bursa Depository or other officers, be legally inoperative or insufficient to pass the property in the Securities proposed or professed to be transferred, and although the transfer may as between the transferor member and the transferee, be liable to be set aside and notwithstanding that the Company may have notice that such instrument or transfer was signed or executed and delivered by the transferor member in the blank as to the name of the transferee, of the particulars of the Securities transferred or otherwise in defective manner. And in every case, the person registered as transferee, his executors, administrators and assignees alone shall be entitled to be recognised as the holder of such Securities and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto.



**11. ADDITIONAL INFORMATION (Cont'd)**

**(v) Rights, Preferences and Restrictions of Class Rights**

The provisions in our Company's Constitution in respect of rights, preferences and restrictions attached to each class of securities relating to voting, dividend, liquidation and any special rights, are as follows:

**Clause 9**

Preference shareholders shall have the same rights as ordinary shareholders with regards to receiving notices, reports and audited financial statements and attending General Meetings of the Company and shall also have the right to vote at any meeting in each of the following circumstances:

- (a) when the dividend or part of the dividend on the preference shares are in arrears for more than six (6) months;
- (b) on a proposal to reduce the Company's issued share capital;
- (c) on a proposal for the disposal of the whole of the Company's property, business and undertaking;
- (d) on a proposal that affects the rights attached to the preference shares;
- (e) on a proposal to wind up the Company; and
- (f) during the winding-up of the Company.

**Clause 50**

If at any time, the share capital by reason of the issue of preference shares or otherwise is divided into different classes the repayment of such preferred capital or all or any of the rights and privileges attached to each class may subject to the provisions of the Act be varied modified commuted affected abrogated or dealt with by a written consent representing not less than seventy-five per centum (75%) of the total voting rights of the preference shareholders or by Special Resolution passed by the holders at least seventy-five per centum (75%) of the total voting rights at a separate general meeting of the holders of that class and all the provisions hereinafter contained as to general meetings shall equally apply to every such meeting except that the quorum hereof shall be members holding or representing by proxy at least three-fourths (3/4) of the issued shares of the class. Provided however that in the event of the necessary majority for such a Special Resolution not having been obtained in the manner aforesaid consent in writing may be secured from members holding at least seventy-five per centum (75%) of the total voting rights and such consent if obtained within two (2) months from the date of the separate general meeting shall have the force and validity of a resolution duly carried by a vote in person or by proxy.

**Clause 51**

The right conferred upon the holders of Shares of any class shall not, unless otherwise expressly provided by the terms of issue of further Shares ranking as regards participation in the profits or assets of the Company in some or in all respect *pari passu* therewith.

**11. ADDITIONAL INFORMATION (Cont'd)****Clause 183**

If the Company is wound up, the liquidator may, with the sanction of a Special Resolution of the Company, divide amongst the members in kind the whole or any part of the assets of the Company (whether they consist of property of the same kind or not) and may for that purpose set such value as he deems fair upon any property to be divided as aforesaid and may determine how the division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest the whole or any part of any such assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction, think fit, but so that no member shall be compelled to accept any Shares or other Securities whereon there is any liability.

**11.2 SHARE CAPITAL**

- (i) Our Group is made up of DPI Holdings and 4 subsidiary companies, namely, DPI, DPIC, DPIR and DESB.
- (ii) The share capital of our Company and our subsidiaries as at the LPD and changes in their respective share capital for the FY Under Review are as set out in Sections 4.4 and 4.5 of this Prospectus.
- (iii) There is no founder, management or deferred share in our Company. As at the date of this Prospectus, our Company has 1 class of shares, namely ordinary shares, all of which rank equally with one another.
- (iv) Save for the new Shares issued pursuant to the DPI Acquisition, DPIC Acquisition and DPIR Acquisition as disclosed in Section 4.3 of this Prospectus, not more than 10% of the share capital of our Company or our subsidiaries has been paid for with assets other than cash, within the past 3 years preceding the LPD.
- (v) None of the share capital of our Company or any of our subsidiaries is under option, or agreed conditionally or unconditionally to be put under option as at the date of this Prospectus.
- (vi) Save for the 14,120,000 IPO Shares reserved for the Eligible Parties as disclosed in Section 2.1 of this Prospectus and subject to our Listing as disclosed in Section 4.7.2 of this Prospectus, there is currently no other scheme involving our employees and Directors of our Group.
- (vii) Our Company and our subsidiaries do not have any outstanding warrants, options, convertible securities and uncalled capital as at the date of this Prospectus.
- (viii) As at the date of this Prospectus, there is no limitation on the right to own shares of our Company including limitation on the right of non-residents or foreign shareholders to hold or exercise their voting rights on the shares of our Company imposed by law or by our Constitution.

**11.3 RESPONSIBILITY STATEMENTS**

The Directors and Promoters have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm that there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

AFFIN Hwang IB, being the Principal Adviser, acknowledges that, based on all available information and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning the offering.

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**12. DOCUMENTS AVAILABLE FOR INSPECTION**

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Copies of the following documents may be inspected at our Registered Office during the normal office hours for a period of 6 months from the date of this Prospectus:

- (i) Constitution of our Company;
- (ii) the material contracts referred to in Section 4.23 of this Prospectus and the other agreements referred to in this Prospectus;
- (iii) the following letters of consent:
  - (a) The written consents of the Principal Adviser, Sponsor, Underwriter, Placement Agent, Company Secretaries, Solicitors, Share Registrar and Issuing House for the inclusion in this Prospectus of their names and all references thereto in the form and context in which such names appear in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn;
  - (b) The written consent of the Auditors and Reporting Accountants for the inclusion in this Prospectus of its name, Reporting Accountants' Report on the compilation of Pro Forma Consolidated Statements of Financial Position as at 31 May 2018, Accountants' Report and all references thereto in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn;
  - (c) The written consent of the IMR for the inclusion in this Prospectus of its name, the Summary of the IMR Report and all references thereto in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn; and
  - (d) The written consent of the Valuers for the inclusion in this Prospectus of its name, the Valuation Certificates and all references thereto in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn;
- (iv) the IMR Report together with its Summary of IMR Report as set out in Section 4.29 of this Prospectus;
- (v) the Reporting Accountants' Report on the compilation of Pro Forma Consolidated Statements of Financial Position as at 31 May 2018 and the Accountants' Report as referred to in Sections 8.9 and 9 respectively of this Prospectus;
- (vi) the Valuation Reports by the Valuers dated 8 January 2018, 28 February 2018 and 26 March 2018 and the valuation certificates as set out in Section 10 of this Prospectus;
- (vii) the audited financial reports of our Company for the period from 5 October 2017 (date of our Company's incorporation) to 31 May 2018; and
- (viii) the audited financial statements of DPI, DPIC, DPIR and DESB for the FYEs 2017 and 2018.

**13. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE**

**THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE “DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE” ACCOMPANYING THE ELECTRONIC COPY OF OUR PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT MIH FOR FURTHER ENQUIRIES.**

**13.1 OPENING AND CLOSING OF APPLICATIONS**

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 27 November 2018

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 18 December 2018

Applications for the IPO Shares will open and close at the dates stated above.

**Late Applications will not be accepted.**

**13.2 METHODS OF APPLICATION****13.2.1 Application for Our IPO Shares by the Malaysian Public and Our Eligible Directors, Employees and Persons who have Contributed to the Success of Our Group**

<b>Types of Application and Category of Investors</b>	<b>Application Method</b>
Applications by eligible Directors and employees and persons who have contributed to the success of our Group	Pink Application Form only
Applications by the Malaysian Public:-	
(a) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(b) Non-Individuals	White Application Form only

**13.2.2 Application by Selected Investors via Placement**

<b>Types of Application</b>	<b>Application Method</b>
Applications by:- Selected Investors	The Placement Agent will contact the Selected Investors directly. They should follow the Placement Agent's instructions.

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**13. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

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**13.3 ELIGIBILITY**

**13.3.1 General**

You must have a CDS account and a correspondence address in Malaysia. If you do not have a CDS account, you may open a CDS account by contacting any of the ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities. The CDS account must be in your own name. Invalid, nominee or third party CDS accounts will not be accepted for the Applications.

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 IPO SHARES OR MULTIPLES OF 100 IPO SHARES.**

**MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.**

**AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.**

**13.3.2 Application by the Malaysian Public**

You can only apply for our IPO Shares if you fulfill all of the following:

- (i) You must be one of the following:
  - (a) a Malaysian citizen who is at least 18 years old as at the date of the application for our IPO Shares; or
  - (b) a corporation/institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors/trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or
  - (c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.
- (ii) You must not be a director or employee of MIH or an immediate family member of a director or employee of MIH; and
- (iii) You must submit Applications by using only one of the following methods:
  - (a) White Application Form;
  - (b) Electronic Share Application; or
  - (c) Internet Share Application.

**13. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

**13.3.3 Application by Eligible Directors, Employees and Persons who have Contributed to the Success of Our Group**

The eligible Directors, employees and persons (including any entities, wherever established) who have contributed to the success of our Group will be provided with Pink Application Forms and letters from us detailing their respective allocation.

Eligible Directors, employees and persons who have contributed to the success of our Group may request for a copy of the printed Prospectus from our Company at no cost and are given an option to have the printed Prospectus delivered to them free of charge, or to obtain the printed Prospectus from our Company, MIH, AFFIN Hwang IB, Participating Organisations of Bursa Securities and Members of the Association of Banks in Malaysia or Malaysian Investment Banking Association.

**13.4 PROCEDURES FOR APPLICATION BY WAY OF APPLICATION FORMS**

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The FULL amount payable is RM0.25 for each IPO Share.

Payment must be made out in favour of “**MIH SHARE ISSUE ACCOUNT NUMBER 595**” and crossed “**A/C PAYEE ONLY**” and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:-

- (i) despatched by **ORDINARY POST** in the official envelopes provided, to the following address:-

Malaysian Issuing House Sdn Bhd (258345-X)  
Level 6, Symphony House  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya  
Selangor Darul Ehsan

or

P.O. Box 8269  
Pejabat Pos Kelana Jaya  
46785 Petaling Jaya  
Selangor Darul Ehsan

- (ii) **DELIVERED BY HAND AND DEPOSITED** in the Drop-in Boxes provided at the front portion of Malaysian Issuing House, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan,

so as to arrive not later than 5.00 p.m. on **18 December 2018**.

We, together with MIH, will not issue any acknowledgement of the receipt of your Application Forms or Application monies. Please direct all enquiries in respect of the White Application Form to MIH.

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**13. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

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**13.5 PROCEDURES FOR APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS**

Only Malaysian individuals may apply for our IPO Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, AFFIN Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, HSBC Bank Malaysia Berhad, Malayan Banking Berhad, Public Bank Berhad, RHB Bank Berhad and Standard Chartered Bank Malaysia Berhad (at selected branches only). A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the relevant Electronic Participating Financial Institutions.

**13.6 PROCEDURES FOR APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS**

Only Malaysian individuals may use the Internet Share Application to apply for our IPO Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, AFFIN Bank Berhad, Alliance Bank Malaysia Berhad, CIMB Bank Berhad, CIMB Investment Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

**13.7 AUTHORITY OF OUR BOARD AND MIH**

MIH, on the authority of our Board reserves the right to:

- (i) reject Applications which:
  - (a) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or
  - (b) are illegible, incomplete or inaccurate; or
  - (c) are accompanied by an improperly drawn up, or improper form of remittance; or
- (ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and
- (iii) bank in all Application monies (including those from unsuccessful/partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 13.9 below.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of MIH at anytime within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

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**13. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

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**13.8 OVER/UNDER-SUBSCRIPTION**

In the event of over-subscription, MIH will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our IPO Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The basis of allocation of shares and the balloting results in connection therewith will be furnished by MIH to the SC, Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on MIH's website ([www.mih.com.my](http://www.mih.com.my)) within 1 business day after the balloting event.

Pursuant to the Listing Requirements we are required to have a minimum of 25% of our Company's issued share capital to be held by at least 200 public shareholders holding not less than 100 Shares each upon Listing and completion of our IPO. We expect to achieve this at the point of Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest).

In the event of an under-subscription of our IPO Shares by the Malaysian Public and/or eligible Directors, employees and persons who have contributed to the success of our Group, subject to the underwriting arrangements and reallocation as set out in Section 2.1.5 of our Prospectus, any of the abovementioned IPO Shares not applied for will then be subscribed by the Underwriter based on the terms of the Underwriting Agreement.

**13.9 UNSUCCESSFUL/PARTIALLY SUCCESSFUL APPLICANTS**

If you are unsuccessful/partially successful in your Application, your Application monies (without interest) will be refunded to you in the following manner.

**13.9.1 For Applications by way of Application Forms**

- (i) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary/registered post to your last address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.
- (ii) If your Application is rejected because you did not provide a CDS account number, your Application monies will be refunded via banker's draft sent by ordinary/registered post to your address as stated in the NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by MIH as per items (i) and (ii) above (as the case may be).



**13. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

- (iv) MIH reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or by issuance of banker's draft sent by registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

**13.9.2 For Applications by way of Electronic Share Application and Internet Share Application**

- (i) MIH shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within 2 Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited without interest into your account with the Participating Financial Institutions or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) within 2 Market Days after the receipt of confirmation from MIH.
- (ii) You may check your account on the 5<sup>th</sup> Market Day from the balloting date.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by MIH by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institutions will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institutions will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from MIH.

**13.10 SUCCESSFUL APPLICANTS**

If you are successful in your application:

- (i) Our IPO Shares allotted to you will be credited into your CDS account.
- (ii) A notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.
- (iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our IPO Shares issued/offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.
- (iv) In accordance with Section 29 of the SICDA, all dealings in our IPO Shares will be by book entries through CDS accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

**13. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)****13.11 ENQUIRIES**

Enquiries in respect of the applications may be directed as follows:

<b>Mode of Application</b>	<b>Parties to Direct the Enquiries</b>
Application Form	MIH Enquiry Services Telephone at telephone no. 03-78418289
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

You may also check the status of your Application by calling your respective ADA during office hours at the telephone number as set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities.

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