

誠成集團

K. SENG SENG CORPORATION BERHAD
(Company No.: 133427-W)

K. SENG SENG CORPORATION BERHAD (Company No.: 133427-W)

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Annual Report 2014



ANNUAL REPORT
2014

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Koh Seng Kar @ Koh Hai Sew
Chairman/Managing Director

Tsen Ket Shung @ Kon Shung
Executive Director

Yap Siok Teng
Independent Non-Executive Director

Koh Seng Lee
Deputy Managing Director

Zainal Rashid Bin Haji Mohd Eusoff
Independent Non-Executive Director

Lim Ho Kin
Senior Independent Non-Executive Director

AUDIT COMMITTEE

Chairman

Yap Siok Teng

Members

Zainal Rashid Bin Haji Mohd Eusoff

Lim Ho Kin

SHARE REGISTRAR

Mega Corporate Services Sdn Bhd

Level 15-2, Bangunan Faber Imperial Court

Jalan Sultan Ismail

50250 Kuala Lumpur

Tel : 03-2692 4271

Fax : 03-2732 5388

REMUNERATION COMMITTEE

Chairman

Zainal Rashid Bin Haji Mohd Eusoff

Members

Yap Siok Teng

Lim Ho Kin

Koh Seng Kar @ Koh Hai Sew

PRINCIPAL BANKERS

Citibank Berhad

Hong Leong Bank Berhad

Malayan Banking Berhad



NOMINATION COMMITTEE

Chairman

Lim Ho Kim

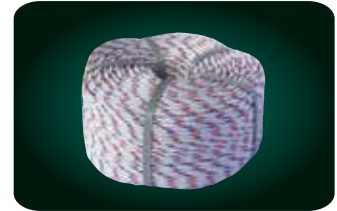
Members

Zainal Rashid Bin Haji Mohd Eusoff

Yap Siok Teng

SL Kang (Johor)

Teh Cheng Aik & Co



AUDITORS

Baker Tilly AC (AF: 001826)

Chartered Accountants



COMPANY SECRETARIES

Lim Seck Wah

(MAICSA NO.: 0799845)

M. Chandrasegaran A/L S. Murugasu

(MAICSA NO.: 0781031)

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia

Securities Berhad,

Stock Code: 5192

REGISTERED OFFICE

Level 15-2

Bangunan Faber Imperial Court

Jalan Sultan Ismail

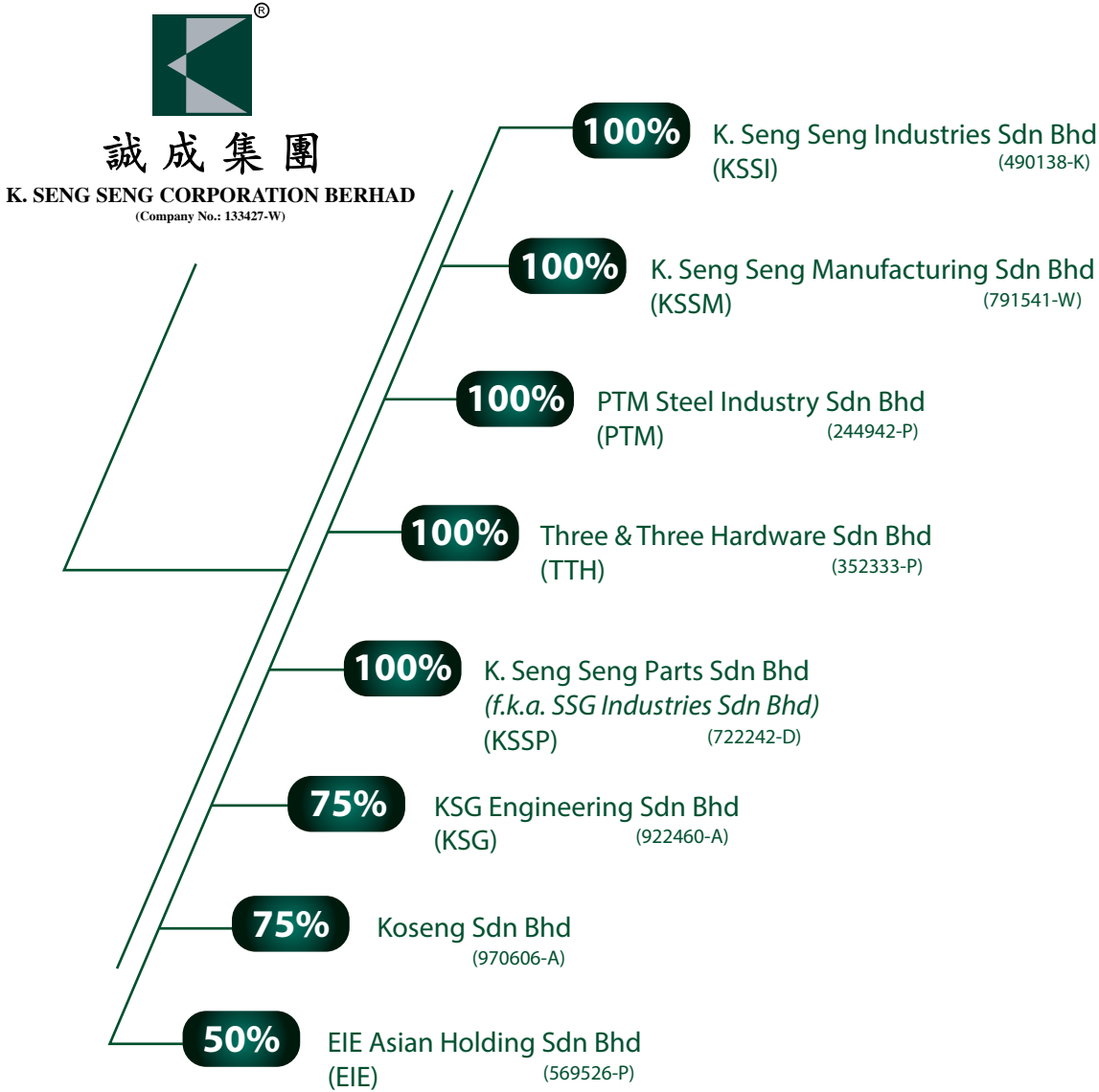
50250 Kuala Lumpur

Tel : 03-2692 4271

Fax : 03-2732 5388



CORPORATE STRUCTURE



5-YEAR FINANCIAL HIGHLIGHTS

QUARTERLY PERFORMANCE

2014	Q1	Q2	Q3	Q4	Full Year
Sales Revenue (RM'000)	21,058	30,735	26,378	20,404	98,575
Profit Before Taxation (RM'000)	527	2,162	3,029	682	6,400
Net Profit (RM'000)	447	1,619	2,333	497	4,896
Net Earnings Per Share (Sen)	0.50	1.51	2.03	0.54	4.58
Net Dividend Per Share (Sen)	-	-	-	2.00	2.00

2013	Q1	Q2	Q3	Q4	Full Year
Sales Revenue (RM'000)	20,999	20,945	21,781	29,109	92,834
Profit Before Taxation (RM'000)	609	585	11,442	1,408	14,044
Net Profit (RM'000)	470	438	11,307	1,051	13,266
Net Earnings Per Share (Sen)	0.51	0.44	11.77	1.00	13.72
Net Dividend Per Share (Sen)	-	-	-	3.95	3.95

5-YEAR FINANCIAL HIGHLIGHTS

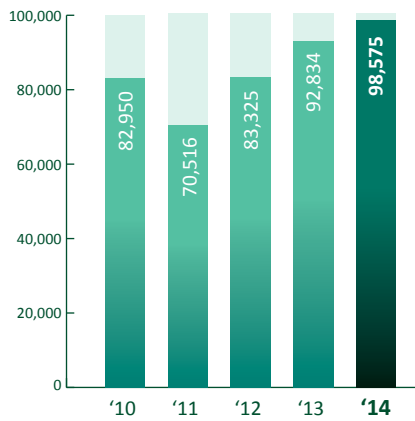
	2010	2011	2012	2013	2014
Sales Revenue (RM'000)	82,950	70,516	83,325	92,834	98,575
Profit Before Taxation (RM'000)	8,827	3,408	3,041	14,044	6,400
Net Profit (RM'000)	6,651	2,871	2,216	13,266	4,896
Net Earnings Per Share (Sen)	8.77*	2.87	2.18	13.72	4.58
Net Dividend Per Share (Sen)	3.00	2.00	1.00	3.95	2.00
Net Assets Per Share (RM)	0.66	0.63	0.63	0.76	0.78

* Number of shares for Net Earnings Per Share is 75,876,000 before issuance of new 20,124,000 ordinary shares.

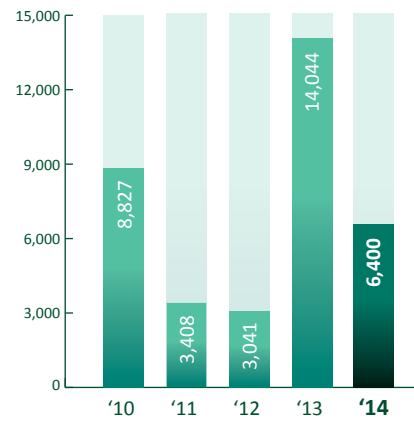
5-YEAR FINANCIAL HIGHLIGHTS

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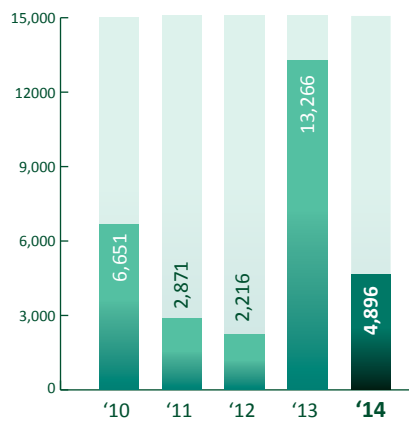
SALES REVENUE
(RM'000)



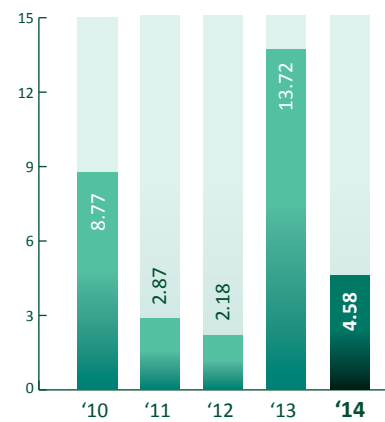
PROFIT BEFORE TAXATION
(RM'000)



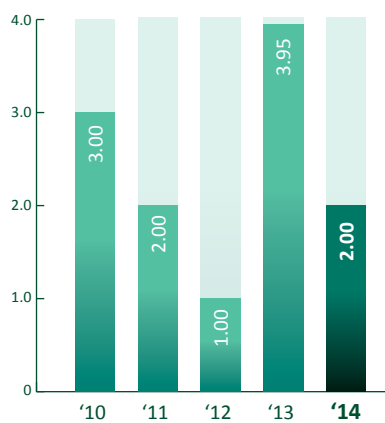
NET PROFIT
(RM'000)



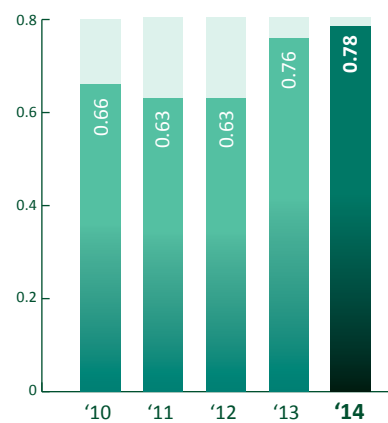
NET EARNINGS PER SHARE
(Sen)



NET DIVIDEND PER SHARE
(Sen)



NET ASSETS PER SHARE
(RM)



CHAIRMAN’S STATEMENT

OUR CORE BUSINESS

Our Group performance continues to be principally involved in the secondary stainless steel industry, marine and industrial hardware, engineering & servicing industry. Our core revenue streams are derived from manufacturing of stainless steel tubes, pipes and industrial fasteners, processing of stainless steel sheets and bars, engineering work and trading of marine and industrial hardware and consumables. There is no change in our core business activities.



OVERVIEW AND OUTLOOK OF THE MALAYSIAN

OVERVIEW AND OUTLOOK OF THE MALAYSIAN ECONOMY

The Malaysian Institute of Economic Research (MIER) in its outlook for the Malaysian economy observed that “macroeconomic policies remain generally supportive of domestic economic activities, though with less accommodative monetary policy to contain near-term financial excesses, and much stronger fiscal consolidation process to ensure that the goal of sustainable growth and balanced development can be achieved in the medium and long-term.”

The same paper also went on to note that the potential for a domestic crisis is largely contained but that the central bank needs to be alert to external geo-political and economic risks. It also highlighted the need for policymakers to address the fiscal deficit, wage suppression, rising inequality and over-reliance on foreign labour.

The above notwithstanding, MIER expected growth in 2014 to be an improvement on last year based on strong growth performance in the first half of 2014 and forecasted GDP growth of 5.7% for the full year and 5.5% - 6.0% for 2015 “in line with the 2015 Budget strategies, measures and programmes”.

With the strong US dollar against Malaysia Ringgit, the cost of raw materials will inevitably increase. The Company will actively explore to increase the market share and to mitigate the rising cost.

The Group does not anticipate any significant impact on our business with the implementation of Goods and Services Tax (“GST”) effective 1 April 2015.

CHAIRMAN'S STATEMENT

cont'd

OUR GROUP PERFORMANCE

The Group revenue has increased by 6.18% from RM92.83 million (2013) to RM98.57 million (2014). The increase in our revenue was principally attributable to completion of the fabrication and installation of Double Former Glove Dipping Lines, and increase in purchase orders from the Engineering Works segment, contributed to a significant increase in revenue of approximately RM9.10 million, representing an increase of 41.59% as compared to corresponding preceding period in the prior financial year.

The Group profit before tax for the 12 months cumulative period had decreased from RM14.04 million achieved in the corresponding preceding period in prior financial year to RM6.4 million, represents a decrease of 54.41% in profit before tax. This was attributed primarily to gain on the disposal of a piece of freehold industrial land held under Geran 129558, Lot 11431, Mukim Setul, Daerah Seremban, Negeri Sembilan amounting to approximately RM11.01 million in the corresponding preceding period in the prior financial year.

PROSPECTS OF OUR GROUP

We have strategic business plan that we believe the prospects of our Group will continue to be favorable in light of the following factors:

- The continuing growth in our local economy will provide our Group with growth opportunities as most of our revenue is derived from Malaysia.
- We expect the stainless steel industry, marine hardware and consumables and other industrial hardware to continue their strong growth momentum to increase demand for our products and services. Domestic demand of stainless steel is expected to grow annually.
- We have ventured into Engineering Works and diversified to fabrication, installation and commissioning of glove dipping lines and maintenance work.
- Restructure subsidiary companies business model into different sectors, with specialize to expand into more niche and potential market.
- We have added in various sizes of stainless steel tubes and pipes to cater to various applications in the automotive industry.

DIVIDEND

The Board of Directors would like to reward the valued shareholders for their support by proposing a first and final of single tier dividend of 4% amounting to RM1.92 million. The proposed dividend, if approved by shareholders at the AGM, to be held on 21 May 2015, will be paid on 19 June 2015 to those registered as at 2 June 2015.

I am confident that with the full support of the management and staff of our Group, we will continue to grow our business to create wealth and enhance value for all our shareholders. On that note, I would like to extend my sincere thanks to our directors, management and staff, who have worked together tirelessly over the years to build a thriving business for our Group.

KOH SENG KAR @ KOH HAI SEW
Chairman/Group Managing Director

DIRECTORS' PROFILE



KOH SENG KAR @ KOH HAI SEW
Chairman/Managing Director

KOH SENG LEE
Deputy Managing Director



TSEN KET SHUNG @ KON SHUNG
Executive Director

**ZAINAL RASHID BIN
HAJI MOHD EUSOFF**
Independent Non-Executive Director



LIM HO KIN
Senior Independent Non-Executive Director

YAP SIOK TENG
Independent Non-Executive Director



DIRECTORS' PROFILE

cont'd

KOH SENG KAR @ KOH HAI SEW

Chairman/Managing Director

Mr. Koh Seng Kar @ Koh Hai Sew, a Malaysian, aged 71, is our Chairman and Managing Director. He was appointed to our Board on 15 January 1985. He is also a member of our Remuneration Committee. He brings with him approximately thirty (30) years of experience in the trading of steel industrial fasteners, marine hardware and consumables, and industrial hardware as well as the manufacturing and processing of secondary stainless steel products. As our Managing Director and the founder of our Company, he has been instrumental in the development, growth and success of our Group.

Under his leadership and guidance, we have grown from a small marine hardware and consumable trading company to a one-stop supply centre for secondary stainless steel products. He is presently responsible for the overall operations of our Group with emphasis on strategic business planning and development. He implements and executes the Group's strategic plans.

He does not hold any directorships in any other public listed companies.

He holds 36,960,000 shares in KSSC. He is a sibling to Mr. Koh Seng Lee. He has no conflict of interest with KSSC and has no convictions for offences within the past ten years saves for the traffic offences, if any.

KOH SENG LEE

Deputy Managing Director

Mr. Koh Seng Lee, a Malaysian, aged 53, is our Deputy Managing Director. He was appointed to our Board on 26 May 1986, subsequently he was redesignated to an Executive Director and Deputy Managing Director of KSSC on 24 March 2010 and 26 March 2010 respectively. He is not a member of any Board Committee.

He brings with him approximately twenty nine (29) years of experience in the trading of steel industrial fasteners, marine hardware and consumables, industrial hardware as well as the manufacturing and processing of secondary stainless steel products. As our Deputy Managing Director, his overall management and supervision has contributed significantly to the development, growth and success of our Group. He is currently responsible for overseeing our day-to-day manufacturing, processing and trading operations as well as the sales and marketing activities of our Group.

He does not hold any directorships in any other public listed companies.

He holds 15,840,000 shares in KSSC. He is a sibling to Mr. Koh Seng Kar @ Koh Hai Sew. He has no conflict of interest with KSSC and has no convictions for offences within the past ten years saves for the traffic offences, if any.

TSEN KET SHUNG @ KON SHUNG

Executive Director

Mr. Tsen Ket Shung, a Malaysian, aged 44, is our Executive Director. He was appointed to our Board on 19 June 2009. He is a Chartered Accountant, a member of the Malaysian Institute of Accountants (MIA) and a Fellow of the Association of Chartered Certified Accountant (FCCA). He is currently responsible for overseeing our Group's overall financial, corporate information, engineering & servicing segment and information technology. He is not a member of any Board Committee.

He does not hold any directorships in any other public listed companies.

He holds 714,400 shares in KSSC. He has no conflict of interest with KSSC and has no convictions for offences within the past ten years saves for the traffic offences, if any.

DIRECTORS' PROFILE

cont'd

ZAINAL RASHID BIN HAJI MOHD EUSOFF

Independent Non-Executive Director

Tuan Haji Zainal Rashid, a Malaysian, aged 74. He was appointed to our Board on 24 March 2010. He is a member in both Audit Committee and Nomination Committee, and the Chairman of the Remuneration Committee.

He has more than thirty (30) years experience working with the Royal Malaysian Customs Department ("RMCD") where he held various positions within the Department. He held the position of Senior Assistant Director in RMCD prior to his retirement in 1996.

He does not hold any directorships in any other public listed companies.

He holds 100,000 shares in KSSC. He has no conflict of interest with KSSC and has no convictions for offences within the past ten years saves for the traffic offences, if any.

YAP SIOK TENG

Independent Non-Executive Director

Mdm. Yap Siok Teng, a Malaysian, aged 55. She is a Fellow member of the Association of Chartered Certified Accountant (FCCA), a member of Malaysian Institute of Accountant (MIA) and Chartered Tax Institute of Malaysia. Presently, she is a practicing accountant in Yap & Associates. She is also an audit partner in Cheong Lim & Associates.

She was appointed to our Board on 24 March 2010. She is the Chairperson to Audit Committee and member of the Remuneration and Nomination Committee. She brings with her approximately thirty (30) years working experience in the field of audit, accountancy, general management and corporate advisory. Her qualifications and vast experience as an accountant will benefit our Group in the financial and corporate governance aspects.

She holds 50,000 shares in KSSC. She has no conflict of interest with KSSC and has no convictions for offences within the past ten years saves for the traffic offences, if any.

LIM HO KIN

Senior Independent Non-Executive Director

Lim Ho Kin is Malaysian, aged 69. He has been an Associate Member of The Chartered Institute of Bankers, London. He began his career at Bank Negara Malaysia in 1965 and served till 1978. Thereafter, he joined a commercial bank, and had held senior positions handling various areas of the bank's operations. He retired from the bank in 2001 as an Assistant General Manager. Later, he was engaged by Elken Sdn Bhd as Assistant Vice President and Head of Group Internal Audit on contract until April 2011.

He was appointed as an Independent Non-Executive Director of KSSC on 24 March 2010. He serve as the Chairman of Nomination Committee and is a member of Audit Committee and Remuneration Committee. He is also appointed as the Senior Independent Non-Executive Director.

He does not hold any directorship in any other public listed companies.

He holds 60,000 shares in KSSC. He has no conflict of interest with KSSC and has no convictions for offences within the past ten years saves for the traffic offences, if any.

CORPORATE GOVERNANCE STATEMENT

The Board of K Seng Seng Corporation Berhad (the “Company”) is supportive of adopting high standards of corporate governance in the Company in order to safeguard stakeholders’ interests as well as enhancing shareholder value.

Pursuant to Paragraph 15.25 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa”), this corporate governance statement (the “Statement”) sets out how the Company has applied the 8 Principles and observed the 26 Recommendations of the Malaysian Code on Corporate Governance (“MCCG 2012) for the financial year ended 31 December 2014. Where a specific Recommendation of the MCCG 2012 has not been observed during the financial year, the non-observation, including the reasons thereof, and the alternative practice adopted, if any, is mentioned in this Statement.

PRINCIPLE 1 - ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT

The Board recognizes its key role in charting the strategic direction of the Company and has assumed the following principal responsibilities in discharging its fiduciary and leadership functions:

- reviewing and adopting the strategic direction for the Company, addressing the sustainability of the Group’s business;
- overseeing the conduct of the Group’s business and evaluating whether or not its businesses are being properly managed;
- identifying principal business risks faced by the Group and ensuring the implementation of appropriate internal controls and mitigating measures to address such risks;
- succession planning - ensuring that all candidates appointed to senior management positions are of sufficient calibre and that there are programmes to provide for the orderly succession of Senior Management;
- overseeing the development and implementation of shareholder communications initiatives for the Company; and
- reviewing the adequacy and integrity of the Group’s internal control and management information systems.

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

Board Charter

The Board is aware of the need to clearly demarcate the duties and responsibilities of the Board, Board Committees and Management, including the limits of authority accorded, in order to provide clarity and guidance to Directors and Management. As such, it has adopted a Board Charter, setting out, inter-alia, the roles of the Board, Board Committees, Executive and Non-Executive Directors and Management. The Charter, which serves as a referencing point for Board’s activities to enable Directors to carry out their stewardship role and discharge their fiduciary duties towards the Company, also contains a formal schedule of matters reserved to the Board for deliberation and decision so that the control and direction of the Company’s businesses are in its hands. The Charter has been uploaded on the Company’s website at www.kssc.com.my in line with Recommendation 1.7 of the MCCG 2012.

Code of Conduct and Whistle-Blower Policy

The Company has formalised a Code of Conduct/Ethics for adherence by Directors and employees in the Group. This Code has been uploaded on the Company’s website. The Board also has formalised Whistle-Blowing Policies and Procedures to enable genuine concerns to be raised without fear of reprisal, about possible improprieties on matters pertaining to financial reporting, compliance, malpractices and unethical business conduct within the Group.

CORPORATE GOVERNANCE STATEMENT

cont'd

PRINCIPLE 1 - ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT *cont'd*

Sustainability of Business

The Board is mindful of the importance of business sustainability and, in conducting the Group's business, the impact on the environmental, social and governance aspects is considered.

Supply of, and Access to, Information

The Board is supplied with relevant information and reports on financial, operational, corporate, regulatory, business development and audit matters, by way of Board reports or upon specific requests, for decisions to be made on an informed basis and for an effective discharge of the Board's responsibilities.

Timely dissemination of meeting agenda, including the relevant Board and Board Committee papers to all Directors prior to the Board and Board Committee meetings, to give effect to Board decisions and to deal with matters arising from such meetings is observed. Board members are furnished with pertinent explanation and information on relevant issues and recommendations by Management. The issues are then deliberated and discussed thoroughly by the Board prior to decision making.

In addition, Board members are updated on the Company's activities and its operations on a regular basis. All Directors have access to information of the Company on a timely basis in an appropriate manner and quality necessary to enable them to discharge their duties and responsibilities.

Senior Management of the Group and external advisers are invited to attend Board meetings to provide additional insights and professional views, advice and explanations on specific items on the meeting agenda. Besides direct access to Management, Directors may obtain independent professional advice at the Company's expense, if considered necessary, in furtherance of their duties. This procedure is formalized in the Company's Board Charter.

Directors have unrestricted access to the advice and services of the Company Secretary to enable them to discharge their duties effectively. The Board is regularly updated and advised by the Company Secretary, who is qualified, experienced and competent on statutory and regulatory requirements, on the resultant implications of any changes in regulatory requirements to the Company and Directors in relation to their duties and responsibilities. The Company Secretary, who oversees adherence with Board policies and procedures, briefs the Board on the proposed contents and timing of material announcements to be made to regulators. The Company Secretary attends all Board and Board Committee meetings and ensures that meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained accordingly. The removal of the Company Secretary, if any, is a matter for the Board, as a whole, to decide.

PRINCIPLE 2 - STRENGTHEN COMPOSITION OF THE BOARD

During the financial year, the Board consisted of six (6) members, comprising three (3) Executive Directors and three (3) Independent Non-Executive Directors. This composition fulfills the requirements as set out under Bursa's Listing Requirements, which stipulate that at least two (2) Directors or one-third of the Board, whichever is higher, must be Independent. The profile of each Director is set out in this Annual Report. The Directors, with their different backgrounds and specializations, collectively bring with them a wide range of experience and expertise in areas such as finance; accounting and audit; corporate affairs; and marketing and operations.

CORPORATE GOVERNANCE STATEMENT

cont'd

PRINCIPLE 2 - STRENGTHEN COMPOSITION OF THE BOARD *cont'd*

Nomination Committee – Selection and Assessment of Directors

A Nomination Committee, established by the Board with specific terms of reference, comprises exclusively the following Independent Non-Executive Directors:

- Lim Ho Kin – *Chairman*;
- Zainal Rashid bin Haji Mohd Eusoff – *Member*; and
- Yap Siok Teng – *Member*.

The Nomination Committee is primarily responsible for recommending suitable appointments to the Board, taking into consideration the Board structure, size, composition and the required mix of expertise and experience which the Director should bring to the Board. It assesses the effectiveness of the Board as a whole, the Board Committees and the contribution of each Director.

The final decision on the appointment of a candidate recommended by the Nomination Committee rests with the Board. The Company Secretary ensures that all appointments are properly made upon obtaining all necessary information from the Directors.

During the year, the Nomination Committee met once, attended by all members, to assess the balance composition of Board members based on merits, Directors' contribution and Board effectiveness. In assessing the composition, mix and size of the Board, including individual Directors, the Nomination Committee considered the mix of skills of the Directors, their integrity, time commitment, dedication, independence (where applicable) and gender diversity via the use of evaluation questionnaire which were scored for rating purpose. For the purpose of assessing the independence of the Independent Non-Executive Directors, the criteria set out in Paragraph 1.01 of Bursa's Listing Requirements were used.

The Board has no specific policy on gender diversity or target, including ethnicity and age for its Directors, but believes that Directors should only be on-boarded or re-appointed/re-elected based on their merits, contributions and commitment to assist the Company realise its objectives.

Directors' Remuneration

A Remuneration Committee, established by the Board with specific terms of reference, comprises the following Directors, the majority of whom are Independent Non-Executive Directors:

- Zainal Rashid bin Haji Mohd Eusoff - *Chairman (Independent Non-Executive Director)*;
- Yap Siok Teng - *Member (Independent Non-Executive Director)*;
- Lim Ho Kin - *Member (Senior Independent Non-Executive Director)*; and
- Koh Seng Kar @ Koh Hai Sew - *Member (Chairman/Managing Director)*.

The Remuneration Committee has been entrusted by the Board to determine that the levels of remuneration are sufficient to attract and retain Directors of quality required to manage the business of the Company. The Remuneration Committee assists the Board to, inter-alia, recommend to the Board the remuneration of the Executive Directors, largely based on their performance against targets set, Group's performance as well as their contribution to the Group. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the Non-Executive Directors concerned. In all instances, the deliberations are conducted with the Directors concerned abstaining from discussions on their individual remuneration year, the Committee met once attended by all members.

CORPORATE GOVERNANCE STATEMENT

cont'd

PRINCIPLE 2 - STRENGTHEN COMPOSITION OF THE BOARD *cont'd*

Directors' Remuneration *cont'd*

Details of Directors' remuneration for the financial year ended 31 December 2014 are as follows:

	Executive Directors (RM)	Non- Executive Directors (RM)
Directors' fees	-	119,700
Salaries	1,463,700	-
Other emoluments	184,644	9,000
Benefits-in-kind	32,003	-
Total	1,680,347	128,700

The number of Directors whose remuneration falls into the following bands is as follows:

Range of Remuneration (RM)	Executive Directors	Non-Executive Directors
50,000 and below	-	3
350,001 – 400,000	1	-
400,001 – 450,000	-	-
450,001 – 500,000	-	-
600,001 – 650,000	2	-

PRINCIPLE 3 – REINFORCE INDEPENDENCE OF THE BOARD

The roles of the Chairman and Group Managing Director are held by the same Director. This departs from Recommendation 3.4 of the MCG 2012 which stipulates that the positions of Chairman and Chief Executive Officer should be held by different individuals, and the Chairman must be a Non-Executive member of the Board. The current composition of the Independent Non-Executive Directors in the Board (i.e. half of the Board members) also departs from Recommendation 3.5 of the MCG 2012 which states that the Board must comprise a majority of Independent Directors where the Chairman of the Board is not an Independent Director.

The Board believes that for its current size, it is more expedient for the two (2) roles to be held by the same person as long as there are pertinent checks and balance to ensure no one person in the Board has unfettered powers to make major decisions for the Company. As such, the Board is of the view that the significant composition of Independent Non-Executive Directors, which is made up of half the current Board's size, provides for the relevant checks and balance.

The Chairman is responsible for ensuring the adequacy and effectiveness of the Board's governance process and acts as a facilitator at Board meetings to ensure that contributions from Directors are forthcoming on matters being deliberated and that no Board member dominates discussion. As the Group Managing Director, supported by fellow Executive Directors, he implements the Group's strategic initiatives, policies and decision adopted by the Board and oversees the operations and business development of the Group.

CORPORATE GOVERNANCE STATEMENT

cont'd

PRINCIPLE 3 – REINFORCE INDEPENDENCE OF THE BOARD *cont'd*

The Independent Non-Executive Directors bring to bear objective and independent views, advice and judgment on interests, not only of the Group, but also of shareholders and stakeholders. Independent Non-Executive Directors are essential for protecting the interests of shareholders and can make significant contributions to the Company's decision making by bringing in the quality of detached impartiality. The Board has appointed Mr. Lim Ho Kin as the Senior Independent Non-Executive Director to whom concerns may be conveyed by shareholders and other stakeholders.

The Board recognizes the importance of establishing criteria on independence to be used in the annual assessment of its Independent Non-Executive Directors. The definition on independence accords with the Bursa's Listing Requirements. At end of the financial year, none of the Independent Non-Executive Directors has served for a cumulative period exceeding nine (9) years.

PRINCIPLE 4 – FOSTER COMMITMENT OF DIRECTORS

The Board ordinarily meets at least four (4) times a year, scheduled well in advance before the end of the preceding financial year to facilitate the Directors in planning their meeting schedule for the year. Additional meetings are convened when urgent and important decisions need to be made between scheduled meetings. Board and Board Committee papers, which are prepared by Management, provide the relevant facts and analysis for the convenience of Directors. The meeting agenda, relevant reports and Board papers are furnished to Directors and Board Committee members well before the meeting to allow the Directors sufficient time to study for effective discussion and decision making during meetings. At the quarterly Board meetings, the Board reviews the business performance of the Group and discusses major operational and financial issues. The Chairman of the Audit Committee briefs the Directors at each Board meeting the salient matters noted by the Audit Committee and which require the Board's attention or direction. All pertinent issues discussed at Board meetings in arriving at decisions and conclusions are properly recorded by the Company Secretary by way of minutes of meetings.

Board Meetings

There were five (5) Board meetings held during the financial year ended 31 December 2014, with details of Directors' attendance set out below:

Name of Director	Attendance
(a) Koh Seng Kar @ Koh Hai Sew	5/5
(b) Koh Seng Lee	5/5
(c) Tsen Ket Shung @ Kon Shung	5/5
(d) Lim Ho Kin	5/5
(e) Yap Siok Teng	5/5
(f) Zainal Rashid bin Haji Mohd Eusoff	5/5

It is the practice of the Company for Directors to devote sufficient time and efforts to carry out their responsibilities. In addition, the Board Charter requires Directors to notify the Chairman before accepting any new directorship, notwithstanding that Bursa's Listing Requirements allow a Director to sit on the boards of five (5) listed issuers. Such notification is expected to include an indication of time that will be spent on the new appointment.

CORPORATE GOVERNANCE STATEMENT

cont'd

PRINCIPLE 4 – FOSTER COMMITMENT OF DIRECTORS *cont'd*

Directors' Training – Continuing Education Programmes

The Board is mindful of the importance for its members to undergo continuous training to be apprised of changes to regulatory requirements and the impact such regulatory requirements have on the Group.

All the Directors of the Company have attended the Mandatory Accreditation Programme within the stipulated timeframe required by the Listing Requirements.

During the year, Directors attended the following training:

Name of Director	Training attended
(a) Koh Seng Kar @ Koh Hai Sew	<ul style="list-style-type: none"> Board Of Directors Breakfast Series - "Great Companies Deserve Great Boards"
(b) Koh Seng Lee	<ul style="list-style-type: none"> Board Of Directors Breakfast Series - "Great Companies Deserve Great Boards"
(c) Tsen Ket Shung @ Kon Shung	<ul style="list-style-type: none"> Board Of Directors Breakfast Series - "Great Companies Deserve Great Boards" GST (Intermediate Level): Peace of Mind for Goods and Services Tax - Registration and Compliance GST Challenges - Risk and Highlights with Budget 2015 Proposals and Latest GST Developments
(d) Lim Ho Kin	<ul style="list-style-type: none"> Board Of Directors Breakfast Series - "Great Companies Deserve Great Boards"
(e) Yap Siok Teng	<ul style="list-style-type: none"> Seminar Bajet 2015 Kursus Asas Ejen Cukai Barang dan Perkhidmatan (GST)
(f) Zainal Rashid bin Haji Mohd Eusoff	<ul style="list-style-type: none"> Board Of Directors Breakfast Series - "Great Companies Deserve Great Boards"

During the year, Directors also received updates and briefings, particularly on regulatory, industry and legal developments, including information on significant changes in business. The Directors continue to undergo relevant training programmes to further enhance their skills and knowledge in the discharge of their stewardship role.

PRINCIPLE 5 – UPHOLD INTEGRITY IN FINANCIAL REPORTING BY COMPANY

It is the Board's commitment to present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of each reporting period and financial year, primarily through the quarterly announcement of Group's results to Bursa, the annual financial statements of the Group and Company as well as the Chairman's statement and review of the Group's operations in the Annual Report, where relevant.

Audit Committee

In assisting the Board to discharge its duties on financial reporting, the Board has established an Audit Committee, comprising wholly Independent Non-Executive Directors, with Madam Yap Siok Teng as the Committee Chairman. The composition of the Audit Committee, including its roles and responsibilities, are set out in the Audit Committee Report included in this Annual Report. One of the key responsibilities of the Audit Committee in its specific terms of reference is to ensure that the financial statements of the Group and Company comply with applicable financial reporting standards in Malaysia. Such financial statements comprise the quarterly financial report announced to Bursa and the annual statutory financial statements.

CORPORATE GOVERNANCE STATEMENT

cont'd

PRINCIPLE 5 – UPHOLD INTEGRITY IN FINANCIAL REPORTING BY COMPANY *cont'd*

Audit Committee *cont'd*

The terms of reference of the Audit Committee have been revised to include the setting of a policy on the types of non-audit services permitted to be provided by the external auditors of the Company so as not to compromise their independence and objectivity, including the need for the Audit Committee's approval in writing before such services can be provided by the external auditors.

In assessing the independence of external auditors, the Audit Committee obtains assurance by the external auditors, confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the International Federation of Accountants and the Malaysian Institute of Accountants.

PRINCIPLE 6 – RECOGNISE AND MANAGE RISKS OF THE GROUP

The Board had established an Enterprise Risk Management framework to identify, evaluate, control, report and monitor significant risks faced by the Group. Such a framework also includes pertinent risk management policies and guidelines to provide structured guidance to personnel across the Group in addressing risk management. The risk appetite of the Group is articulated via the use of risk parameters in the framework, covering financial and non-financial metrics, to assess the likelihood of risks occurring and the impact thereof should the risks crystallise. Internal controls deployed by Management are linked to, and mitigate, the business risks identified.

The internal audit function of the Group is outsourced to an independent professional firm, whose work is performed in accordance with the International Professional Practices Framework of the Institute of Internal Auditors, Inc, which sets out professional standards on internal audit. It undertakes regular reviews of the adequacy and integrity of the Group's system of internal controls, as well as appropriateness and effectiveness of the corporate governance practices. The internal audit function reports directly to the Audit Committee.

Further details of the Enterprise Risk Management framework and the system of internal control of the Group are set out in the Internal Control Statement in this Annual Report.

PRINCIPLE 7 – ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

The Board has established pertinent Corporate Disclosure Policy and Procedures in line with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. Such policy and procedures are aimed to streamline comprehensive, accurate and timely disclosures relating to the Company and its subsidiaries to be made to the regulators, shareholders and stakeholders.

The Company's website has a section dedicated to shareholders under Investor Relations where shareholders can check on the latest announcements of the Company, press release, media news, share and warrant prices and also to contact the designated person on investor relations matters. The shareholders are also encouraged to subscribe for any news alert of the Company.

CORPORATE GOVERNANCE STATEMENT

cont'd

PRINCIPLE 8 – STRENGTHEN RELATIONSHIP BETWEEN THE COMPANY AND ITS SHAREHOLDERS

Shareholder participation at general meeting

The Annual General Meeting (“AGM”), which is the principal forum for shareholder dialogue, allows shareholders to review the Group’s performance via the Company’s Annual Report and pose questions to the Board for clarification. At the AGM, shareholders participate in deliberating resolutions being proposed or on the Group’s operations in general. At the last AGM, a question and answer session was held where the Chairman invited shareholders to raise questions with responses from the Board.

The Notice of AGM is circulated at least twenty one (21) days before the date of the meeting to enable shareholders to go through the Annual Report and papers supporting the resolutions proposed. Shareholders are invited to ask questions both about the resolutions being proposed before putting a resolution to vote as well as matters relating to the Group’s operations in general. All the resolutions set out in the Notice of the last AGM were put to vote by show of hands and duly passed. The outcome of the AGM was announced to Bursa on the same meeting day. Going forward, the Board will adopt poll voting for related party transactions, if any, which require specific approvals, including the announcement of the detailed results showing the number of votes cast for and against each resolution.

Communication and engagement with shareholders

The Board recognises the importance of being transparent and accountable to the Company’s investors and, as such, has various channels to maintain communication with them. The various channels are through the quarterly announcements on financial results to Bursa, relevant announcements and circulars, when necessary, the Annual and Extraordinary General Meetings and through the Group’s website where shareholders can access pertinent information concerning the Group.

This Statement is issued in accordance with a resolution of the Board dated 6 April 2015.

AUDIT COMMITTEE REPORT

1. COMPOSITION

The Audit Committee (the "Committee") was established by the Board on 26 March 2010. The Committee comprises the following three (3) members of the Board, who are all Independent Non-Executive Directors:

Chairperson : Ms Yap Siok Teng (*member of the Malaysian Institute of Accountants*)

Members : Mr Lim Ho Kin
: Encik Zainal Rashid bin Haji Mohd Eusoff

2. ROLE OF THE AUDIT COMMITTEE

The Audit Committee has been entrusted by the Board with the following responsibilities that encompass overseeing the financial reporting process and the audit processes:

- to review the Group's quarterly financial statements;
- to assess the Group's internal control system;
- to review the independence of the Group's internal and external auditors and the processes adopted by the auditors; and
- to review the Recurrent Related Party Transactions to ensure they are not detrimental to the minority.

3. KEY FUNCTIONS AND RESPONSIBILITIES

The key functions and responsibilities of the Audit Committee are to review the following and report the same to the Board:

- the audit plan, evaluation of the system of internal controls and the audit report with the external auditors, including the assistance given by employees of the Group to the external auditors;
- to review any management letter sent by the external auditors to the Company and Management's response to such letter;
- review the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
- review the internal audit programmes, processes, the results of the internal audit programmes, processes or investigations undertaken and whether or not appropriate action is taken on the recommendation of the internal audit function;
- the quarterly results and year-end financial statements, prior to approval by the Board of Directors, focusing on:
 - changes in or implementation of major accounting policy changes;
 - significant and unusual events; and
 - compliance with accounting standards and other legal requirements;
- any related party transactions and conflict of interest situation that may arise within the Company and Group, including any transaction, procedure or course of conduct that raises questions of management integrity;
- any letter of resignation from external auditors; and
- whether there is any reason to believe that external auditors are not suitable for re-appointment, including the assessment of their professional independence and performance;
- recommend the nomination of person or persons as external auditors;
- formalize a policy on the provision of non-audit services by the external auditors, including a process to track compliance;
- approve any appointment or termination of senior staff members of the internal audit function and review any appraisal or assessment of the performance of its members; and
- any other function as may be required by the Board from time to time.

AUDIT COMMITTEE REPORT

cont'd

4. SUMMARY OF ACTIVITIES UNDERTAKEN BY THE AUDIT COMMITTEE DURING THE FINANCIAL YEAR

The Audit Committee met five (5) times during the financial year ended 31 December 2014 and details of the members' attendance are as follows:

Name of Director	Meetings Attended
(a) Ms Yap Siok Teng	5/5
(b) Mr Lim Ho Kin	5/5
(c) Encik Zainal Rashid bin Haji Mohd Eusoff	5/5

The Audit Committee members were served with meeting agendas and relevant Board papers which were distributed before the meetings. The Company Secretary is the secretary of the Audit Committee.

During the financial year, the Committee carried out the following activities:

- reviewed the quarterly financial announcements of the Group before recommending the same for the Board of Directors' approval;
- reviewed the audit strategy and plan of the external auditors;
- reviewed the external auditors' reports in relation to audit and accounting issues arising from the audit, and updates of new developments on accounting standards issued by the Malaysian Accounting Standards Board;
- reviewed the performance of the external auditors in terms of their capability, integrity and professionalism before recommending them to be considered for re-appointment at the Annual General Meeting;
- reviewed the annual financial statements of the Group and the Company;
- reviewed the internal audit reports and the recommendations on audit observations, including follow-up by the internal auditors on the status of Management's implementation of action plans to address issues highlighted in previous reports of the internal auditors;
- reviewed the performance of the internal auditors and approved the renewal of their appointment; and
- reviewed related party transactions.

The Audit Committee members have undergone relevant training during the financial year to be apprised of regulatory changes as well as to stay abreast with contemporary issues that may affect the Group. Details of the Audit Committee members' training are shown in the Company's Corporate Governance Statement included in this Annual Report.

INTERNAL CONTROL STATEMENT

INTRODUCTION

Paragraph 15.26 (b) of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa”) stipulates that a listed issuer must ensure that its board of directors makes a statement (“Internal Control Statement” or “Statement”) about the state of internal control of the listed issuer as a group. Accordingly, the Board of Directors (the “Board”) is pleased to provide the Internal Control Statement, which outlines the nature and scope of the risk management and internal control system in the Group (comprising the Company and its subsidiaries) for the financial year ended 31 December 2014 and up to the date of approval of this Statement for inclusion in the Annual Report of the Company. For the purpose of disclosure, this Statement takes into consideration the “Statement on Risk Management and Internal Controls - Guidelines for Directors of Listed Issuers”, a publication of Bursa which provides guidance to boards of directors on the issuance of the Internal Control Statement.

The Board acknowledges its overall responsibility for the Group’s system of risk management and internal control to safeguard shareholders’ investment and the Group’s assets as well as reviewing its adequacy and integrity. The Board is mindful of the need to establish clear roles and responsibilities in discharging its fiduciary and leadership functions in line with Recommendation 1.2 of the Malaysian Code on Corporate Governance 2012 (“MCCG 2012”). Accordingly, the Board is aware that its principal responsibilities, as outlined in the Commentaries of the same Recommendation of the MCCG 2012, include, inter-alia, the following:

- identifying principal risks and ensuring the implementation of appropriate controls and mitigation measures; and
- reviewing the adequacy and integrity of the management information and internal controls system of the Company.

The Group has in place a risk management process to identify and evaluate significant risks, comprising strategic, financial and operational risks as well as a system of internal control to mitigate such risks. In view of the limitations inherent in any system of risk management and internal control, the system is designed to manage, rather than to eliminate, the risk of failure to achieve the Group’s business and corporate objectives. The system can therefore only provide reasonable, but not absolute assurance, against any material misstatement, financial loss or fraudulent practice.

Risk Management Process

The Board recognizes the importance of risk management to safeguard shareholders’ investment and the Group’s assets. Accordingly, it has deployed a process to identify and evaluate significant business risks faced by the Group with a view to manage them during the financial year under review and up to the date of approval of this statement. Management is entrusted to identify such risks for onward reporting to the Board so that remedial measures may be taken to mitigate the risks as appropriate. For each risk identified, the risk management process includes assessing the likelihood of its occurrence and the impact thereof. The significant risks faced by the Group, including action plans to mitigate risks within acceptable levels, are reported by Management to the Board yearly.

Internal Control System

The Group has an established organizational structure with clearly defined lines of responsibilities and appropriate levels of delegation and authority. Key duties are segregated amongst different personnel for major operational functions such as sales and collections, procurement and payment, production, financial management and reporting, capital expenditure management and investments. A process of hierarchical reporting is established which provides for a documented and auditable trail of accountability.

The system of internal control entails, inter-alia, the proper delegation of duties and responsibilities from the Board to the Managing Director, Executive Directors and Senior Management (collectively, the “Management”), with specified limits of authority, in running the main operating functions of the Group. In this respect, Management essentially comprises personnel with many years of “hands-on” experience who are in a position to identify and manage business risks relevant to the Group and design appropriate internal controls to manage these risks.

Management also holds various management and operations discussion to discuss matters of concern in relation to the day-to-day activities, ageing of inventory and receivables and strategic marketing plan.

INTERNAL CONTROL STATEMENT

cont'd

INTRODUCTION *cont'd*

Internal Audit Function

The Group's internal audit function is outsourced to Messrs KPMG Management & Risk Consulting Sdn Bhd, an independent professional firm, which adopts the International Professional Practices Framework ("IPPF") in carrying out internal audit assignments on the Group. The IPPF includes, inter-alia, the attribute and performance standards for internal auditing promulgated by the Institute of Internal Auditors, a global professional body for internal auditors. The internal audit function, which reports directly to the Audit Committee, assists the Board in assessing the adequacy and integrity of the internal control system established by Management based on an agreed scope of work as outlined in an Internal Audit Plan tabled to, and approved by the Audit Committee. There is no restriction placed upon the scope of the Internal Audit function's work and the internal auditor is allowed full, free and unrestricted access to the records and relevant personnel of the Group.

During the financial year under review, the Audit Committee reviewed the work of the internal audit function, its observations and recommendations to ensure that it obtained the necessary level of assurance with respect to the adequacy and operating effectiveness of internal controls. The internal audit function reviewed the Group's system of internal controls and reported its observations, including Management's response and action plans thereof, directly to the Audit Committee. The internal audit function also followed up and reported to the Audit Committee the status of implementation by Management on the recommendations highlighted in its internal audit reports.

During the financial year under review, the internal audit function covered the following key processes of the Group to assess the adequacy and operating effectiveness of internal controls to address the business risks therein:

- financial management;
- fixed assets management;
- human resource & payroll; and
- health, safety & environment.

The costs incurred for the internal audit function for the financial year 2014 amounted to approximately RM70,000.

Assurance by the Executive Chairman/Group Managing Director and Executive Director, Finance on the adequacy and effectiveness of the risk management and internal control system

The Board has received assurance from the Managing Director and the Executive Director – Finance in writing stating that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, for the financial year under review and up to the date of approval of this Statement for inclusion in the Annual Report.

Board's comments on the adequacy and effectiveness of the Group's risk management and internal control system

The Board, through its Audit Committee, has reviewed the adequacy and effectiveness of the risk management and internal control systems, and that relevant actions have been or are being taken, as the case may be, to remedy internal control weaknesses identified from the review, which was largely based on the outcome of observations raised by the internal auditors and external auditors directly to the Audit Committee.

The Board is of the view that there have been no weaknesses in the system of internal control that resulted in material losses, contingencies or uncertainties that would require mention in the Company's Annual Report 2014. Management of the Group continues to take measures to strengthen the internal control environment from time to time based on recommendations of the internal audit function as well as the external auditors.

For the purpose of this Internal Control Statement, the associate of the Group has not been taken into account. The Group's interests in this associate are served through representation on the Board of the associate as well as through the review of management financial statements.

This statement is issued in accordance with a resolution of the Board dated 6 April 2015.

OTHER DISCLOSURE

REQUIREMENTS PURSUANT TO THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

1. UTILISATION OF PROCEEDS FROM CORPORATE EXERCISE

The details of the utilization of proceeds raised from its IPO as at 31 December 2014 are as follows:-

Details of the utilization of IPO proceeds	Proposed Utilization of IPO Proceeds (RM'000)	Actual Utilization of IPO Proceeds (RM'000)	Balance of Unutilized IPO Process (RM'000)	Initial Timeframe For Utilization of IPO Proceeds From Date of Listing (i.e. 19 January 2011)	1st Extension of Timeframe for Utilization of IPO Proceeds	2nd Extension of Timeframe for Utilization of IPO proceeds from date of listing	3rd Extension of Timeframe for Utilization of IPO proceeds from date of listing	4th Extension of Timeframe for Utilization of IPO proceeds from date of listing
a) Business Expansion and Capital Expenditures	3,310	(251)	3,059	Within 12 months (i.e. until 18 January 2012)	Within 24 months (i.e. until 18 January 2013)	Within 36 months (i.e. until 18 January 2014)	Within 48 months (i.e. until 18 January 2015)	Within 60 months (i.e. until 18 January 2016)
b) Working Capital	6,260	6,260	-	-	-	-	-	-
c) Listing Expenses	1,900	1,900	-	Fully utilized. The balance RM77,000 was transferred to working capital.	-	-	-	-
Total	11,470	7,909	3,059					

2. SHARE BUY-BACKS

There were no share buy-back arrangements during the financial year.

3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

There were no options and warrants exercised in respect of the financial year.

4. DEPOSITORY RECEIPT ("DR") PROGRAMME

The Company did not sponsor any DR programme during the financial year.

OTHER DISCLOSURE

REQUIREMENTS PURSUANT TO THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

cont'd

5. IMPOSITION OF SANCTIONS/PENALTIES

There were no public imposition of sanctions or penalties imposed on the Company and its subsidiaries, directors or management by the regulatory bodies during the financial year.

6. NON-AUDIT FEES

A non-audit fee of RM12,000 paid to external auditor for the financial year ended 31 December 2014.

7. PROFIT ESTIMATE, FORECAST OR PROJECTION

The Company did not undertake any profit estimate, forecast or projection for the financial year.

8. VARIATION OF ACTUAL PROFIT FROM THE UNAUDITED RESULTS

There has been no material variance between the audited results for the financial year ended 31 December 2014 and the unaudited results previously announced.

9. PROFIT GUARANTEE

The Company did not give any form of profit guarantee to any parties during the financial year.

10. MATERIAL CONTRACTS AND CONTRACTS RELATING TO LOANS

There were no contracts relating to loan and material contracts of the Company and its subsidiaries involving the Directors and substantial shareholders since the end of the previous financial year.

11. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE AND TRADING NATURE ("RRPT")

There was no RRPT entered during the financial year.

12. REVALUATION POLICY ON LANDED PROPERTIES

The Group does not adopt a policy on regular revaluation to its landed properties.

13. CORPORATE SOCIAL RESPONSIBILITY ("CSR")

The Company has improved workplace environment and commitment to staff training.

DIRECTORS' REPORT

The directors have pleasure in presenting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries and its associate are set out in Notes 11 and 12 to the financial statements.

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

RESULTS

	Group RM	Company RM
Profit net of tax	4,895,983	3,933,814
Profit attributable to:		
Owners of the parent	4,399,273	3,933,814
Non-controlling interest	496,710	-
	4,895,983	3,933,814

DIVIDENDS

Since the end of the previous financial year, the Company paid a first and final single-tier dividend of 1 sen per share on 96,000,000 ordinary shares amounting to RM960,000 and a special single-tier dividend of 2.95 sen per share amounting to RM2,832,000 on 24 June 2014 in respect of the financial year ended 31 December 2013 as reported in the directors' report of that year.

The directors proposed a first and final single-tier dividend of 2 sen per share on 96,000,000 ordinary shares amounting to RM1,920,000 in respect of the financial year ended 31 December 2014 subject to shareholders' approval at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect the first and final dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2015.

RESERVES AND PROVISIONS

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

DIRECTORS' REPORT

cont'd

BAD AND DOUBTFUL DEBTS

Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render it necessary to write off any bad debts or render the amount of provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

CHANGE OF CIRCUMSTANCES

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

DIRECTORS' REPORT

cont'd

ITEMS OF AN UNUSUAL NATURE

In the opinion of the directors:

- (i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report was made.

ISSUE OF SHARES

During the financial year, no new issue of shares was made by the Company.

DIRECTORS OF THE COMPANY

The directors in office since the date of the last report are:-

KOH SENG KAR @ KOH HAI SEW
 KOH SENG LEE
 TSEN KET SHUNG @ KON SHUNG
 ZAINAL RASHID BIN HAJI MOHD EUSOFF
 LIM HO KIN
 YAP SIOK TENG

DIRECTORS' INTERESTS

The interests of the directors in office as at the end of the financial year in the shares of the Company during the financial year are as follows:-

	Number of Ordinary Shares of RM0.50 Each			
	At 1.1.2014	Bought	Sold	At 31.12.2014
Name of Directors:				
Koh Seng Kar @ Koh Hai Sew	36,960,000	-	-	36,960,000
Koh Seng Lee	15,840,000	-	-	15,840,000
Tsen Ket Shung @ Kon Shung	714,400	-	-	714,400
Zainal Rashid Bin Haji Mohd Eusoff	100,000	-	-	100,000
Lim Ho Kin	60,000	-	-	60,000
Yap Siok Teng	50,000	-	-	50,000

Koh Seng Kar @ Koh Hai Sew and Koh Seng Lee, by virtue of their interest in shares in the Company is also deemed interested in shares in the Company's related corporations to the extent the Company has an interest during the current financial year.

DIRECTORS' REPORT

cont'd

DIRECTORS' BENEFITS

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

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

AUDITORS

The auditors, Messrs. Baker Tilly AC, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 6 April 2015.

KOH SENG KAR @ KOH HAI SEW

KOH SENG LEE

STATEMENT BY DIRECTORS PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Koh Seng Kar @ Koh Hai Sew and Koh Seng Lee, being two of the directors of the K. SENG SENG CORPORATION BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements as set out on pages 32 to 92, are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2014 and of their financial performance, and cash flows for the financial year then ended.

The supplementary information set out on page 93 has been prepared in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirement*, as issued by the Malaysian Institute of Accountants and presented based on the format as prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance with a resolution of the directors dated 6 April 2015

KOH SENG KAR @ KOH HAI SEW

KOH SENG LEE

STATUTORY DECLARATION PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Tsen Ket Shung @ Kon Shung, being the director primarily responsible for the financial management of K. SENG SENG CORPORATION BERHAD, do solemnly and sincerely declare that, to the best of my knowledge and belief, the financial statements as set out on pages 32 to 92 and the supplementary information set out on page 93 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named at
Kuala Lumpur in the Federal Territory
on 6 April 2015

TSEN KET SHUNG @ KON SHUNG

Before me

TAN KIM CHOOI (NO.W661)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF K. SENG SENG CORPORATION BERHAD

(Incorporated In Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of K. Seng Seng Corporation Berhad, which comprise the statements of financial position as at 31 December 2014 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 32 to 92.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2014 and of their financial performance and cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF K. SENG SENG CORPORATION BERHAD
(Incorporated In Malaysia)
cont'd

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- (a) In our opinion, the accounting and other records and the registers required by the Companies Act, 1965 in Malaysia to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Companies Act, 1965 in Malaysia.
- (b) We have considered the financial statements and the auditors' reports of the subsidiaries of which we have not acted as auditors, which are indicated in Note 11 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Companies Act, 1965 in Malaysia.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out on page 93 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

BAKER TILLY AC
AF 001826
Chartered Accountants

LEE KONG WENG
2967/07/15(J)
Chartered Accountant

Kuala Lumpur
6 April 2015

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	Group		Company	
		2014 RM	2013 RM	2014 RM	2013 RM
Revenue	4	98,574,793	92,833,662	5,632,510	3,729,110
Cost of sales	5	(79,828,059)	(79,447,062)	-	-
Gross profit		18,746,734	13,386,600	5,632,510	3,729,110
Other income		541,432	11,574,056	1,229,587	666,471
Selling and distribution costs		(2,322,226)	(2,023,423)	(5,382)	(6,308)
Administrative costs		(6,757,200)	(5,896,693)	(2,348,138)	(2,240,880)
Other costs		(2,627,857)	(1,971,666)	(252,559)	(225,123)
		(11,707,283)	(9,891,782)	(2,606,079)	(2,472,311)
Profit from operations		7,580,883	15,068,874	4,256,018	1,923,270
Finance costs		(1,529,103)	(1,325,933)	-	-
Share of results of an associate		348,589	300,899	-	-
Profit before tax	6	6,400,369	14,043,840	4,256,018	1,923,270
Income tax expense	8	(1,504,386)	(777,259)	(322,204)	(319,436)
Profit net of tax, representing total comprehensive income for the financial year		4,895,983	13,266,581	3,933,814	1,603,834
Profit/Total comprehensive income attributable to:					
Owners of the parent		4,399,273	13,167,215	3,933,814	1,603,834
Non-controlling interest		496,710	99,366	-	-
		4,895,983	13,266,581	3,933,814	1,603,834
Earnings per share attributable to owners of the parent (sen per share)					
Basic	9	4.58	13.72		
Diluted	9	4.58	13.72		

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Note	Group		Company	
		2014 RM	2013 RM	2014 RM	2013 RM
ASSETS					
Non-current assets					
Property, plant and equipment	10	13,121,057	13,484,009	6,834,077	6,965,671
Investment in subsidiaries	11	-	-	32,975,004	32,975,004
Investment in an associate	12	3,330,170	2,981,581	820,000	820,000
Goodwill	13	140,455	140,455	-	-
Deferred tax assets	14	528,595	701,797	-	-
		17,120,277	17,307,842	40,629,081	40,760,675
Current assets					
Inventories	15	44,686,688	39,545,463	-	-
Trade receivables	16	35,832,607	38,847,294	1,500	-
Other receivables, deposits and prepayments	17	873,121	1,042,230	173,013	126,112
Amounts due from subsidiaries	18	-	-	25,234,952	9,544,301
Tax recoverable		352,001	318,720	-	-
Deposits, cash and bank balances	19	10,804,941	22,790,232	4,632,143	11,745,430
		92,549,358	102,543,939	30,041,608	21,415,843
TOTAL ASSETS		109,669,635	119,851,781	70,670,689	62,176,518

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

cont'd

	Note	Group		Company	
		2014 RM	2013 RM	2014 RM	2013 RM
EQUITY AND LIABILITIES					
Share capital	20	48,000,000	48,000,000	48,000,000	48,000,000
Share premium	21	514,639	514,639	514,639	514,639
Retained earnings	22	24,745,130	24,137,857	1,950,145	1,808,331
Equity attributable to owners of the parent		73,259,769	72,652,496	50,464,784	50,322,970
Non-controlling interest		1,212,313	715,603	-	-
Total equity		74,472,082	73,368,099	50,464,784	50,322,970
Liabilities					
Non-current liabilities					
Bank borrowings	23	1,909,626	1,699,470	-	-
Deferred tax liabilities	14	195,861	109,820	115,349	109,820
		2,105,487	1,809,290	115,349	109,820
Current liabilities					
Trade payables	25	5,380,297	6,834,568	-	-
Other payables and accruals	26	6,612,532	9,733,586	890,022	857,378
Bank borrowings	23	20,722,061	28,067,974	-	-
Amounts due to subsidiaries	18	-	-	19,108,397	10,766,743
Tax payable		377,176	38,264	92,137	119,607
		33,092,066	44,674,392	20,090,556	11,743,728
Total liabilities		35,197,553	46,483,682	20,205,905	11,853,548
TOTAL EQUITY AND LIABILITIES		109,669,635	119,851,781	70,670,689	62,176,518

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

Group	Note	← Attributable to Owners of the Parent →					Non-controlling Interest	Total Equity
		Share Capital	Non-distributable Share Premium	Distributable Retained Earnings	Equity Attributable to Owners of the Parent			
		RM	RM	RM	RM	RM	RM	
At 1 January 2013		48,000,000	514,639	11,930,642	60,445,281	616,237	61,061,518	
Profit net of tax, representing total comprehensive income for the financial year		-	-	13,167,215	13,167,215	99,366	13,266,581	
Transactions with owners								
Dividend on ordinary shares	27	-	-	(960,000)	(960,000)	-	(960,000)	
At 31 December 2013/ 1 January 2014		48,000,000	514,639	24,137,857	72,652,496	715,603	73,368,099	
Profit net of tax, representing total comprehensive income for the financial year		-	-	4,399,273	4,399,273	496,710	4,895,983	
Transactions with owners								
Dividend on ordinary shares	27	-	-	(3,792,000)	(3,792,000)	-	(3,792,000)	
At 31 December 2014		48,000,000	514,639	24,745,130	73,259,769	1,212,313	74,472,082	

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

Company	Note	Share Capital RM	Non- distributable Share Premium RM	Distributable Retained Earnings RM	Total Equity RM
At 1 January 2013		48,000,000	514,639	1,164,497	49,679,136
Profit net of tax, representing total comprehensive income for the financial year		-	-	1,603,834	1,603,834
Transactions with owners					
Dividend on ordinary shares	27	-	-	(960,000)	(960,000)
At 31 December 2013/1 January 2014		48,000,000	514,639	1,808,331	50,322,970
Profit net of tax, representing total comprehensive income for the financial year		-	-	3,933,814	3,933,814
Transactions with owners					
Dividend on ordinary shares	27	-	-	(3,792,000)	(3,792,000)
At 31 December 2014		48,000,000	514,639	1,950,145	50,464,784

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	Group		Company	
		2014 RM	2013 RM	2014 RM	2013 RM
Cash Flows from Operating Activities					
Profit before tax		6,400,369	14,043,840	4,256,018	1,923,270
Adjustments for:					
Depreciation of property, plant and equipment		2,004,597	1,755,781	131,593	131,595
Dividend income		-	-	(3,000,000)	(900,000)
Impairment loss on trade receivables		321,182	36,011	-	-
Interest expense		1,529,103	1,325,933	-	-
Gain on disposal of property, plant and equipment		(130,047)	(11,018,251)	(15,999)	-
Interest income		(374,480)	(184,888)	(1,213,588)	(666,471)
Reversal of impairment loss on trade receivables		(6,600)	(3,600)	-	-
Share of results of an associate		(348,589)	(300,899)	-	-
Operating profit before working capital changes		9,395,535	5,653,927	158,024	488,394
Change in working capital:					
Increase in inventories		(5,141,225)	(8,513,394)	-	-
Decrease/(Increase) in receivables		2,869,214	(4,629,675)	(816,921)	(3,774)
(Decrease)/Increase in payables		(4,575,325)	8,678,278	32,644	411,531
Cash generated from/(used in) operations		2,548,199	1,189,136	(626,253)	896,151
Tax paid		(1,289,345)	(1,154,889)	(350,447)	(152,673)
Tax refunded		349,833	1,420,716	6,302	-
Interest received		374,480	184,888	1,213,588	666,471
Dividend received		-	-	3,000,000	900,000
Net cash from operating activities, balance carried down		1,983,167	1,639,851	3,243,190	2,309,949

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

cont'd

	Note	Group		Company	
		2014 RM	2013 RM	2014 RM	2013 RM
Balance brought down		1,983,167	1,639,851	3,243,190	2,309,949
Cash Flows from Investing Activities					
Advances to subsidiaries		-	-	(14,922,131)	(754,643)
Capital work-in-progress incurred	10	-	(173,290)	-	-
Proceeds from disposal of property, plant and equipment		130,860	15,067,610	16,000	-
Purchase of property, plant and equipment	10	(576,252)	(1,159,665)	-	(2,010)
Net cash (used in)/from investing activities		(391,937)	13,734,655	(14,906,131)	(756,653)
Cash Flows from Financing Activities					
Net (repayment)/drawdown of bankers' acceptances and trust receipts		(7,532,088)	1,521,366	-	-
Repayment of term loans		-	(18,816)	-	-
Payment of finance lease		(669,875)	(711,149)	-	-
Advances from subsidiaries		-	-	8,341,654	7,568,151
Dividend paid		(3,792,000)	(960,000)	(3,792,000)	(960,000)
Interest paid		(1,529,103)	(1,325,933)	-	-
Net cash (used in)/from financing activities		(13,576,521)	(1,494,532)	4,549,654	6,608,151
Net (decrease)/increase in cash and cash equivalents		(11,985,291)	13,879,974	(7,113,287)	8,161,447
Cash and cash equivalents at beginning of the financial year		22,790,232	8,910,258	11,745,430	3,583,983
Cash and cash equivalents at end of the financial year	19	10,804,941	22,790,232	4,632,143	11,745,430

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

1. CORPORATE INFORMATION

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

The registered office of the Company is located at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur.

The principal place of business of the Company is located at Lot 3707, Jalan 7/5, Taman Industri Selesa Jaya, 43300 Balakong, Selangor Darul Ehsan.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries and its associate are set out in Notes 11 and 12. There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue in accordance with a Board of Directors' resolution dated 6 April 2015.

2. BASIS OF PREPARATION

(a) Statement of Compliance

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

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2(e).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

cont'd

2. BASIS OF PREPARATION *cont'd*

(b) New MFRSs, Amendments/Improvements to MFRSs and New IC Interpretations ("IC Int")

(i) Adoption of Amendments/Improvements to MFRSs and New IC Int

The Group and the Company had adopted the following amendments/improvements to MFRSs and new IC Int that are mandatory for the current financial year:-

Amendments/Improvements to MFRSs

MFRS 10	Consolidated Financial Statements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 127	Separate Financial Statements
MFRS 132	Financial Instruments: Presentation
MFRS 136	Impairment of Assets
MFRS 139	Financial Instruments: Recognition and Measurement

New IC Int

IC Int 21	Levies
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The adoption of the above amendments/improvements to MFRSs and new IC Int did not have any effect on the financial statements of the Group and of the Company.

(ii) New MFRSs and Amendments/Improvements to MFRSs that are issued but not yet effective and have not been early adopted

The Group and the Company have not adopted the following new MFRSs and amendments/improvements to MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") as at the date of authorisation of these financial statements but are not yet effective for the Group and the Company:-

		Effective for financial periods beginning on or after
<u>New MFRSs</u>		
MFRS 9	Financial Instruments	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2017
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 July 2014
MFRS 2	Share-based Payment	1 July 2014
MFRS 3	Business Combinations	1 July 2014
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2016
MFRS 7	Financial Instruments: Disclosures	1 January 2016
MFRS 8	Operating Segments	1 July 2014
MFRS 10	Consolidated Financial Statements	1 January 2016
MFRS 11	Joint Arrangements	1 January 2016
MFRS 12	Disclosure of Interests in Other Entities	1 January 2016

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

cont'd

2. BASIS OF PREPARATION *cont'd*

(b) New MFRSs, Amendments/Improvements to MFRSs and New IC Interpretations ("IC Int") *cont'd*

(ii) *New MFRSs and Amendments/Improvements to MFRSs that are issued but not yet effective and have not been early adopted cont'd*

		Effective for financial periods beginning on or after
<u>Amendments/Improvements to MFRSs</u> <i>cont'd</i>		
MFRS 13	Fair Value Measurement	1 July 2014
MFRS 101	Presentation of Financial Statements	1 January 2016
MFRS 116	Property, Plant and Equipment	1 July 2014/ 1 January 2016
MFRS 119	Employee Benefits	1 July 2014/ 1 January 2016
MFRS 124	Related Party Disclosures	1 July 2014
MFRS 127	Separate Financial Statements	1 January 2016
MFRS 128	Investment in Associates and Joint Ventures	1 January 2016
MFRS 138	Intangible Assets	1 July 2014/ 1 January 2016
MFRS 140	Investment Property	1 July 2014
MFRS 141	Agriculture	1 January 2016

A brief discussion on the above significant new MFRSs and amendments/improvements to MFRSs are summarised below. Due to the complexity of these new standards, the financial effects of their adoption are currently still being assessed by the Group and the Company.

MFRS 9 Financial Instruments

MFRS 9 introduces a package of improvements which includes a classification and measurement model, a single forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.

Classification and measurement

MFRS 9 introduces an approach for classification financial assets which is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments.

In essence, if a financial asset is a simple debt instrument and the objective of the entity's business model within which it is held is to collect its contractual cash flows, the financial asset is measured at amortised cost. In contrast, if that asset is held in a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets, then the financial asset is measured at fair value in the statement of financial position, and amortised cost information is provided through profit or loss. If the business model is neither of these, then fair value information is increasingly important, so it is provided both in the profit or loss and in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

cont'd

2. BASIS OF PREPARATION *cont'd*

(b) New MFRSs, Amendments/Improvements to MFRSs and New IC Interpretations ("IC Int") *cont'd*

(ii) *New MFRSs and Amendments/Improvements to MFRSs that are issued but not yet effective and have not been early adopted cont'd*

MFRS 9 Financial Instruments cont'd

Impairment

MFRS 9 introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, this Standard requires entities to account for expected credit losses from when financial instruments are first recognized and to recognise full lifetime expected losses on a more timely basis. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. This model eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised.

Hedge accounting

MFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosure about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

MFRS 15 Revenue from Contracts with Customers

The core principle of MFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with the core principle by applying the following steps:

- Identify the contracts with a customer.
- Identify the performance obligation in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligation in the contract.
- Recognise revenue when (or as) the entity satisfies a performance obligation.

MFRS 15 also includes new disclosures that would result in an entity providing users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The following MFRS and IC Interpretations will be withdrawn on the application of MFRS 15:

MFRS 111	Construction Contracts
MFRS 118	Revenue
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 18	Transfers of Assets from Customers
IC Interpretation 131	Revenue – Barter Transactions Involving Advertising Services

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

cont'd

2. BASIS OF PREPARATION *cont'd*

(b) New MFRSs, Amendments/Improvements to MFRSs and New IC Interpretations ("IC Int") *cont'd*

(ii) *New MFRSs and Amendments/Improvements to MFRSs that are issued but not yet effective and have not been early adopted cont'd*

Amendments to MFRS 3 Business Combinations

Amendments to MFRS 3 clarifies that when contingent consideration meets the definition of financial instrument, its classification as a liability or equity is determined by reference to MFRS 132 Financial Instruments: Presentation. It also clarifies that contingent consideration that is classified as an asset or a liability shall be subsequently measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss.

In addition, amendments to MFRS 3 clarifies that MFRS 3 excludes from its scope the accounting for the formation of all types of joint arrangements (as defined in MFRS 11 *Joint Arrangements*) in the financial statements of the joint arrangement itself.

Amendments to MFRS 7 Financial Instruments: Disclosures

Amendments to MFRS 7 provides additional guidance to clarify whether servicing contracts constitute continuing involvement for the purposes of applying the disclosure requirements of MFRS 7.

The Amendments also clarify the applicability of Disclosure – Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 7) to condensed interim financial statements.

Amendments to MFRS 8 Operating Segments

Amendments to MFRS 8 requires an entity to disclose the judgements made by management in applying the aggregating criteria to operating segments. This includes a brief description of the operating segments that have been aggregated and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics.

The Amendments also clarifies that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly to the chief operating decision maker.

Amendments to MFRS 11 Joint Arrangements

Amendments to MFRS 11 clarifies that when an entity acquires an interest in a joint operating in which the activity of the joint operation constitutes a business, as defined in MFRS 3 Business Combinations, it shall apply the relevant principles on business combinations accounting in MFRS 3, and other MFRSs, that do not conflict with MFRS 11. Some of the impact arising may be the recognition of goodwill, recognition of deferred tax assets/liabilities and recognition of acquisition-related costs as expenses. The Amendments do not apply to joint operations under common control and also clarify that previously held interests in a joint operation are not re-measured if the joint operator retains joint control.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

cont'd

2. BASIS OF PREPARATION *cont'd*

(b) New MFRSs, Amendments/Improvements to MFRSs and New IC Interpretations ("IC Int") *cont'd*

(ii) *New MFRSs and Amendments/Improvements to MFRSs that are issued but not yet effective and have not been early adopted cont'd*

Amendments to MFRS 13 Fair Value Measurement

Amendments to MFRS 13 relates to the IASB's Basis for Conclusions which is not an integral part of the Standard. The Basis for Conclusions clarifies that when IASB issued IFRS 13, it did not remove the practical ability to measure short-term receivables and payables with no stated interest rate at invoice amounts without discounting, if the effect of discounting is immaterial.

The Amendments also clarifies that the scope of the portfolio exception of MFRS 13 includes all contracts accounted for within the scope of MFRS 13 *Financial Instruments: Recognition and Measurement* or MFRS 9 *Financial Instruments*, regardless of whether they meet the definition of financial assets or financial liabilities as defined in MFRS 132 *Financial Instruments: Presentation*.

Amendments to MFRS 101 Presentation of Financial Statements

Amendments to MFRS 101 improves the effectiveness of disclosures. The Amendments clarifies guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

Amendments to MFRS 116 Property, Plant and Equipment

Amendments to MFRS 116 clarifies the accounting for the accumulated depreciation/amortisation when an asset is revalued. It clarifies that:

- The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset; and
- The accumulated depreciation/amortisation is calculated as the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses.

Amendments to MFRS 116 prohibits revenue-based depreciation because revenue does not reflect the way in which an item of property, plant and equipment is used or consumed.

Amendments to MFRS 124 Related Party Disclosures

Amendments to MFRS 124 clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.

Amendments to MFRS 127 Separate Financial Statements

Amendments to MFRS 127 allows a parent and investors to use the equity method in its separate financial statements to account for investments in subsidiaries, joint ventures and associates, in addition to the existing options.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

cont'd

2. BASIS OF PREPARATION *cont'd*

(b) New MFRSs, Amendments/Improvements to MFRSs and New IC Interpretations ("IC Int") *cont'd*

(ii) *New MFRSs and Amendments/Improvements to MFRSs that are issued but not yet effective and have not been early adopted cont'd*

Amendments to MFRS 138 Intangible Assets

Amendments to MFRS 138 introduces a rebuttable presumption that the revenue-based amortisation method is inappropriate (for the same reasons as per the Amendments to MFRS 116). This presumption can be overcome only in the limited circumstances:-

- in which the intangible asset is expressed as a measure of revenue, i.e. in the circumstances in which the predominant limiting factor that is inherent in an intangible asset is the achievement of a revenue threshold; or
- when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures

These Amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the Amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not), as defined in MFRS 3 Business Combinations. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The Amendments addresses the following issues that have arisen in the application of the consolidation exception for investment entities:-

- Exemption from presenting consolidated financial statements:- the Amendments clarifies that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.
- Consolidation of intermediate investment entities:- the Amendments clarifies that only a subsidiary is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.
- Policy choice for equity accounting for investments in associates and joint ventures:- the Amendments allows a non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain fair value measurement applied by the investment entity associate or joint ventures to its interest in subsidiaries, or to unwind the fair value measurement and instead perform a consolidation at the level of the investment entity associate or joint venture.

(c) Basis of Measurement

The financial statements have been prepared on the historical cost basis except for those as disclosed in the significant accounting policies note.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

cont'd

2. BASIS OF PREPARATION *cont'd*

(d) Functional and Presentation Currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency. All financial information presented in RM has been rounded to the nearest RM, unless otherwise stated.

(e) Significant Accounting Estimates and Judgements

Significant areas of estimation and other major sources of uncertainty at the reporting date, that have significant risks of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

- (i) Useful lives of property, plant and equipment (Note 10) – The cost of property, plant and equipment is depreciated on a straight line method over the assets' useful lives. Management estimates the useful lives of these property, plant and equipment to be within 2 to 50 years. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

The Group and the Company anticipate that the residual value of its equipment will be insignificant. As a result, residual value are not being taken into consideration for the computation of the depreciable amount.

- (ii) Deferred tax assets (Note 14) – Deferred tax assets are recognised for all deductible temporary differences based on projected future profit to the extent that it is probable that taxable profit will be available against which the deductible temporary differences in respect of expenses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the future financial performance of the subsidiaries.
- (iii) Impairment loss on trade receivables (Note 16) – The Group assesses at each reporting date whether there is any objective evidence that a receivable is impaired. Allowances are applied where events or changes in circumstances indicate that the balances may not be collectable. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables at the reporting date.
- (iv) Income tax expense (Note 8) – Significant management judgement is required in determining the capital allowances and deductibility of certain expenses when estimating the provision for taxation. There were transactions during the ordinary course of business for which ultimate tax determination of whether additional taxes will be due is uncertain. The Group and the Company recognise liabilities for tax based on estimate of assessment of the tax liability due. When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax in the periods in which the outcome is known.
- (v) Goodwill (Note 13) – The measurement of the recoverable amount of cash-generating units are determined based on the value-in-use method, which requires the use of cash flow projections based on financial budgets approved by management covering a 5-year period.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

(i) *Subsidiaries*

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

Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entities and has the ability to affect those returns through its power over the entities. The Group reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of controls as mentioned above.

When the Group has less than majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- The size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other holders;
- Potential voting rights, if such rights are substantive, held by the Group, other vote holders or other parties;
- Rights arising from other contractual arrangements;
- The nature of the Group's relationship with other parties and whether those other parties are acting on its behalf (i.e. they are 'de facto agents'); and
- Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

(ii) *Business Combinations*

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

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

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(a) Basis of Consolidation *cont'd*

(ii) Business Combinations *cont'd*

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

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

(iii) Acquisitions of Non-controlling Interests

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

(iv) Loss of Control

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

(v) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Investment in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transactions costs.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(a) Basis of Consolidation *cont'd*

(vi) *Non-controlling Interests*

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

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

(vii) *Transactions Eliminated on Consolidation*

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

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign Currency

(i) *Foreign Currency Transactions*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(c) Revenue Recognition

Revenue is recognised to the extent that is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(i) *Sale of Goods*

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer.

(ii) *Rental Income*

Rental income is recognised on an accrual basis and time proportionate basis over the lease term.

(iii) *Interest Income*

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

(iv) *Dividend Income*

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

(v) *Services*

Revenue from services is recognised as and when services are rendered.

(d) Employee Benefits

(i) *Short Term Employee Benefits*

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

(ii) *Defined Contribution Plans*

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund. Such contributions are recognised as an expense in profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(e) Leases

(i) *Finance Lease – the Group as Lessee*

Assets acquired by way of finance leases where the Group assumes substantially all the benefits and risks of ownership are classified as property, plant and equipment.

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges. The corresponding finance lease obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance lease are depreciated in accordance with the depreciation policy for property, plant and equipment.

(ii) *Operating Lease – the Group as Lessee*

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentive provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(iii) *Operating Lease – the Group as Lessor*

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 3(c).

(f) Borrowing Costs

Borrowing costs are capitalised as part of qualifying assets if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the assets for its intended use or sales are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowings costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

(g) Income Tax Expense

Income tax expense in profit or loss represents the aggregate amount of current and deferred tax. Current tax is the expected amount payable in respect of taxable income for the year, using tax rates enacted or substantially enacted by the reporting date, and any adjustments recognised for prior years' tax. When an item is recognised outside profit or loss, the related tax effect is recognised either in other comprehensive income or directly in equity.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(g) Income Tax Expense *cont'd*

Deferred tax is recognised using the liability method, on all temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognised if the temporary difference arises from goodwill or from the initial recognition of an asset or liability in a transaction, which is not a business combination and at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply in the period in which the assets are realised or the liabilities are settled, based on tax rates and tax laws that have been enacted or substantially enacted by the reporting date.

Deferred tax assets are recognised only to the extent that there are sufficient taxable temporary differences relating to the same taxable entity and the same taxation authority to offset or when it is probable that future taxable profits will be available against which the assets can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will be available for the assets to be utilised.

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

(h) Property, Plant and Equipment and Depreciation

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset of, and only if, it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Subsequent to initial recognition, plant and equipment and furniture and fixtures are measured at cost less accumulated depreciation and accumulated impairment losses, if any. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such part as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold land has an unlimited useful life and therefore is not depreciated. No depreciation is provided on capital work-in-progress and upon completion of construction, the cost will be transferred to the respective classes of property, plant and equipment. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	50 years
Electrical installation	10 years
Plant and machinery and factory equipment	5-10 years
Electrical equipment, furniture and fittings, and office equipment	5-10 years
Motor vehicles	5-10 years
Computers	2 years
Renovation	2 years

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(h) Property, Plant and Equipment and Depreciation *cont'd*

The residual value, useful life and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

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

(i) Impairment of Non-Financial Assets

The carrying amounts of non-financial assets other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of fair value less cost to sell and the value in use, which is measured by reference to discounted future cash flows and is determined on an individual asset basis, unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs to. An impairment loss is recognised whenever the carrying amount of an item of asset exceeds its recoverable amount. An impairment loss is recognised as expense in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

Any subsequent increase in recoverable amount of an asset, other than goodwill, due to a reversal of impairment loss is restricted to the carrying amount that would have been determined (net of accumulated depreciation, where applicable) had no impairment loss been recognised in prior years. The reversal of impairment loss is recognised in profit or loss.

(j) Goodwill

Goodwill acquired in a business combination represents the difference between the purchase consideration and the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities in the subsidiaries at the date of acquisition.

Goodwill is allocated to cash generating units and is stated at cost less accumulated impairment losses, if any. Impairment test is performed annually. Goodwill is also tested for impairment when indication of impairment exists. Impairment losses recognised are not reversed in subsequent periods.

Upon the disposal of investment in the subsidiary, the related goodwill will be included in the computation of gain or loss on disposal of investment in the subsidiary in profit or loss.

(k) Financial Assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and have categorised the financial assets in loans and receivables.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(k) Financial Assets *cont'd*

(i) Loans and Receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

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

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or where appropriate, a shorter period to the net carrying amount on initial recognition.

(l) Impairment of Financial Assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(i) Trade and Other Receivables and Other Financial Assets Carried at Amortised Cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss 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. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(l) Impairment of Financial Assets *cont'd*

(i) Trade and Other Receivables and Other Financial Assets Carried at Amortised Cost *cont'd*

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 to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(m) Inventories

Inventories are stated at the lower of cost and net realisable value as follows:

- Raw material and trading stocks: purchase costs including costs incurred in bringing the inventories to their present location and condition on a weighted average cost basis.
- Finished goods and work-in-progress: includes cost of direct materials, direct labour and appropriate production overhead are assigned on a weighted average cost basis.

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

(n) Cash and Cash Equivalents

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

(o) Share Capital

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

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(p) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(q) Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Company.

(r) Financial Guarantee Contracts

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

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

(s) Financial Liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

The Group's and the Company's other financial liabilities include trade payables, other payables including deposits, amount due to subsidiaries and accruals, and borrowings. Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(t) Segment Reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment manager report directly to the Board of Directors of the Company who periodically review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 32, including the factors used to identify the reportable segments and the measurement basis of segment information.

(u) Fair Value Measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

4. REVENUE

	Group		Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Dividend income from subsidiaries	-	-	3,000,000	900,000
Management fee	-	-	1,677,310	1,881,810
Rental income on building	24,000	16,100	955,200	947,300
Sale of goods	98,550,793	92,817,562	-	-
	98,574,793	92,833,662	5,632,510	3,729,110

5. COST OF SALES

	Group	
	2014	2013
	RM	RM
Cost of production	34,227,695	31,416,952
Cost of trading goods sold	45,600,364	48,030,110
	79,828,059	79,447,062

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

cont'd

6. PROFIT BEFORE TAX

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

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Auditors' remuneration				
- Statutory audit	130,000	119,500	44,000	40,000
- Other services by auditors of the Company	12,000	9,000	12,000	9,000
Depreciation of property, plant and equipment	2,004,597	1,755,781	131,593	131,595
Employee benefits expense (including key management personnel)				
- Contribution to defined contribution plan	738,370	656,851	209,457	198,117
- Salaries, allowance and bonus	8,142,866	6,701,763	1,867,577	1,651,260
- Other employee benefits	289,550	255,679	9,548	5,787
Impairment loss on trade receivables	321,182	36,011	-	-
Rental expense on buildings	593,350	475,108	-	-
Interest expense				
- Banker acceptances interest	1,304,266	1,155,483	-	-
- Bank overdraft interest	24,105	23,380	-	-
- Term loan interest - overprovision	-	(1,322)	-	-
- Finance lease interest	200,732	148,392	-	-
Bad debts recovered	-	(209,025)	-	-
Interest income:				
- deposits with licensed banks	(313,745)	(124,176)	(222,360)	(107,687)
- associate	(60,735)	(60,712)	-	-
- subsidiaries	-	-	(991,228)	(558,784)
Gain on foreign exchange - realised	(548)	(117,041)	-	-
Gain on disposal of property, plant and equipment	(130,047)	(11,018,251)	(15,999)	-
Reversal of impairment loss on trade receivables	(6,600)	(3,600)	-	-

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7. DIRECTORS' REMUNERATION

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Executive:				
- Other emoluments	1,472,700	1,459,500	1,472,700	1,443,500
- Defined contribution plan	175,644	174,060	175,644	172,140
Total executive directors' remuneration	1,648,344	1,633,560	1,648,344	1,615,640
Non-executive:				
- Fees	119,700	114,000	119,700	114,000
- Other emoluments	9,000	9,000	9,000	9,000
Total non-executive directors' remuneration	128,700	123,000	128,700	123,000
Total directors' remuneration	1,777,044	1,756,560	1,777,044	1,738,640

The estimated monetary value of benefits-in-kind received and receivable by directors of the Company from the Group and the Company amounted to RM32,003 (2013: RM23,700).

8. INCOME TAX EXPENSE

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Current tax:				
Malaysian income tax:				
Current financial year	1,277,333	784,408	358,004	295,944
(Over)/Under provision in prior financial year	(32,190)	24,463	(41,329)	17,772
	1,245,143	808,871	316,675	313,716
Deferred tax (Note 14):				
Origination and reversal of temporary differences	316,548	(21,385)	5,529	5,720
Over provision in prior financial year	(57,305)	(10,227)	-	-
	259,243	(31,612)	5,529	5,720
Income tax expense recognised in profit or loss	1,504,386	777,259	322,204	319,436

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8. INCOME TAX EXPENSE *cont'd*

The reconciliations of the tax amount at statutory income tax rate to the Group's and the Company's tax expense are as follows:-

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Profit before tax	6,400,369	14,043,840	4,256,018	1,923,270
Tax at the Malaysian statutory income tax rate of 25%	1,600,092	3,511,000	1,064,005	480,800
Tax effect on non-deductible expenses	123,872	98,580	49,528	45,864
Tax effect on non-taxable income	(42,937)	(2,752,584)	(750,000)	(225,000)
Deferred tax assets recognised during the financial year	-	(18,710)	-	-
Tax effect on share of results of an associate	(87,146)	(75,263)	-	-
(Over)/Under provision in prior financial year				
- current tax	(32,190)	24,463	(41,329)	17,772
- deferred tax	(57,305)	(10,227)	-	-
Income tax expense recognised in profit or loss	1,504,386	777,259	322,204	319,436

The Group has estimated tax loss carry-forwards of RM546,785 (2013: RM1,184,780), capital allowances carry-forward of RMnil (2013: RM401,336) and reinvestment allowances carry-forward of RM2,295,772 (2013: RM2,749,472), available for set-off against future taxable profit.

9. EARNINGS PER SHARE

The basic earnings per share of the Group is calculated by dividing the Group's profit for the financial year attributable to ordinary equity holders of the Company of RM4,399,273 (2013: RM13,167,215) by the weighted average number of ordinary shares in issue during the financial year of 96,000,000 (2013: 96,000,000) ordinary shares of RM0.50 each.

The diluted earnings per share is equivalent to the basic earnings per share as the Company does not have any dilutive potential ordinary shares.

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10. PROPERTY, PLANT AND EQUIPMENT cont'd

Company	Freehold land	Buildings	Electrical installation	Plant and machinery and factory equipment	Electrical equipment, furniture and fittings and office equipment	Motor vehicles	Computers	Renovation	Total
Cost									
At 1 January 2013	1,981,721	6,333,121	29,810	255,400	108,174	66,325	8,800	393,217	9,176,568
Additions	-	-	-	-	2,010	-	-	-	2,010
At 31 December 2013/ 1 January 2014	1,981,721	6,333,121	29,810	255,400	110,184	66,325	8,800	393,217	9,178,578
Disposal	-	-	-	-	-	(66,325)	-	-	(66,325)
At 31 December 2014	1,981,721	6,333,121	29,810	255,400	110,184	-	8,800	393,217	9,112,253
Accumulated depreciation									
At 1 January 2013	-	1,237,169	29,806	255,398	90,618	66,324	8,797	393,200	2,081,312
Charge for the financial year	-	126,663	-	-	4,932	-	-	-	131,595
At 31 December 2013/ 1 January 2014	-	1,363,832	29,806	255,398	95,550	66,324	8,797	393,200	2,212,907
Charge for the financial year	-	126,663	-	-	4,930	-	-	-	131,593
Disposal	-	-	-	-	-	(66,324)	-	-	(66,324)
At 31 December 2014	-	1,490,495	29,806	255,398	100,480	-	8,797	393,200	2,278,176
Net carrying amount									
At 31 December 2013	1,981,721	4,969,289	4	2	14,634	1	3	17	6,965,671
At 31 December 2014	1,981,721	4,842,626	4	2	9,704	-	3	17	6,834,077

NOTES TO THE FINANCIAL STATEMENTS

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10. PROPERTY, PLANT AND EQUIPMENT *cont'd*

Capital work-in-progress is in respect of installation of new machinery for production.

During the financial year, the Group and the Company acquired property, plant and equipment with aggregate cost of RM1,642,458 (2013: RM2,750,755) and RMnil (2013: RM2,010) respectively which are satisfied as follows:-

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Cash payments	576,252	1,332,955	-	2,010
Finance lease arrangement	1,066,206	1,417,800	-	-
	1,642,458	2,750,755	-	2,010

Assets held under finance leases

Included in the property, plant and equipment of the Group are assets acquired under finance lease arrangement at the reporting date as follows:-

	Group	
	2014 RM	2013 RM
Net carrying amount		
Plant and machinery	2,034,067	1,442,740
Motor vehicles	1,134,577	832,992
	3,168,644	2,275,732

Assets pledged as security

In addition to assets held under finance leases, the Group's and the Company's property, plant and equipment are pledged as security for borrowings of the Group as mentioned in Note 23 as follows:-

	Group/Company	
	2014 RM	2013 RM
Freehold land	1,981,721	1,981,721
Buildings	4,842,626	4,969,289
	6,824,347	6,951,010

NOTES TO THE FINANCIAL STATEMENTS

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11. INVESTMENT IN SUBSIDIARIES

	Company	
	2014	2013
	RM	RM
Unquoted shares, at cost:	32,975,004	32,975,004

The details of the subsidiaries are as follows:

Name of Company	Principal Activities	Principal Place of Business/ Country of Incorporation	Proportion of Ownership Interest/ Voting Rights	
			2014	2013
K. Seng Seng Industries Sdn. Bhd.	Processing of secondary stainless steel long products, sales and marketing of stainless steel industrial fasteners, rigging accessories and components, and trading of industrial hardware	Malaysia	100%	100%
K. Seng Seng Manufacturing Sdn. Bhd.	Manufacturing of stainless steel industrial fasteners, glove conveyor chain, rigging accessories and components	Malaysia	100%	100%
Three & Three Hardware Sdn. Bhd.	Sales and marketing of secondary steel products namely tubes, pipes and sheets, and trading of industrial hardware	Malaysia	100%	100%
PTM Steel Industry Sdn. Bhd.	Manufacturing of stainless steel tubes and pipes, and processing of secondary stainless steel flat products	Malaysia	100%	100%
K. Seng Seng Parts Sdn. Bhd. (f.k.a SSG Industries Sdn. Bhd.)	Dormant	Malaysia	100%	100%
KSG Engineering Sdn. Bhd. @	Engineering works, fabrication and installation of glove dipping line and trading of glove dipping line parts namely former holders, tanks, connecting links, bearings, motor, speed reducer, sprocket gear, belting pulley, coupling and others	Malaysia	75%	75%
Koseng Sdn. Bhd. @	Trading of all kinds of industrial and marine hardware and consumables; sale and marketing of stainless steel products namely industrial fasteners, rigging accessories and components, flat and long products, tubes and pipes and supply of construction materials, machineries and machinery related parts.	Malaysia	75%	75%

@ Audited by a firm of chartered accountants other than Baker Tilly AC.

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11. INVESTMENT IN SUBSIDIARIES cont'd

(a) The subsidiaries of the Group that have material non-controlling interests ("NCI") are as follows:-

	KSG Engineering Sdn. Bhd.	Koseng Sdn. Bhd.	Total
2014			
NCI proportion of ownership interest and voting interest	25%	25%	
Carrying amount of NCI ("RM")	819,016	393,297	1,212,313
Profit allocated to NCI ("RM")	418,627	78,083	496,710
2013			
NCI proportion of ownership interest and voting interest	25%	25%	
Carrying amount of NCI ("RM")	400,389	315,214	715,603
Profit allocated to NCI ("RM")	45,549	53,817	99,366

(b) The summarised financial information before intra-group elimination of the subsidiaries that have material NCI as at the end of each reporting period are as follows:-

	KSG Engineering Sdn. Bhd. RM	Koseng Sdn. Bhd. RM
2014		
Assets and liabilities		
Non-current assets	470,612	515,872
Current assets	19,651,709	17,190,260
Non-current liabilities	(118,667)	(266,446)
Current liabilities	(16,727,592)	(15,866,498)
Net assets	3,276,062	1,573,188
Results		
Revenue	23,677,420	17,739,630
Profit for the financial year	1,674,506	312,332
Total comprehensive income	1,674,506	312,332
Cash flows from/(used in) operating activities	65,595	(50,443)
Cash flows used in investing activities	(13,055)	(108,173)
Cash flows from financing activities	67,932	172,101
Net increase in cash and cash equivalents	120,472	13,485

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11. INVESTMENT IN SUBSIDIARIES *cont'd*

- (b) The summarised financial information before intra-group elimination of the subsidiaries that have material NCI as at the end of each reporting period are as follows:- *cont'd*

	KSG Engineering Sdn. Bhd. RM	Koseng Sdn. Bhd. RM
2013		
Assets and liabilities		
Non-current assets	642,553	288,921
Current assets	21,030,499	9,939,184
Non-current liabilities	(247,749)	(138,254)
Current liabilities	(19,823,747)	(8,828,995)
Net assets	1,601,556	1,260,856
Results		
Revenue	19,828,937	10,350,952
Profit for the financial year	182,197	215,267
Total comprehensive income	182,197	215,267
Cash flows from operating activities	153,723	725,004
Cash flows used in investing activities	(236,765)	(127,257)
Cash flows used in financing activities	(72,641)	(19,090)
Net (decrease)/increase in cash and cash equivalents	(155,683)	578,657

- (c) There is no restriction in the ability of the Group to access or use the assets and settle the liabilities of the subsidiaries.

12. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Unquoted shares, at cost	820,000	820,000	820,000	820,000
Share of post-acquisition reserves	2,510,170	2,161,581	-	-
	3,330,170	2,981,581	820,000	820,000

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12. INVESTMENT IN AN ASSOCIATE cont'd

The details of the associate are as follows:-

Name of Company	Nature of the Relationship	Principal Place of Business/ Country of Incorporation	Proportion of Ownership Interest/ Voting Rights	
			2014	2013
EIE Asian Holding Sdn. Bhd.	Investment holding	Malaysia	50%	50%
Held by associate:-				
EIE Industrial Products Sdn. Bhd.	Retailers of and dealers in hardware used in industries, quarries and mines	Malaysia	100%	100%
EIE Pulp & Speciality Sdn. Bhd.	General trading and dealing in pulps and paper	Malaysia	71%	71%

(a) The summarised financial information of the associate and its subsidiaries is as follows:-

	2014	2013
	RM	RM
Assets and liabilities		
Non-current assets	242,749	147,906
Current assets	13,928,394	14,680,768
Non-current liabilities	(148,135)	(53,020)
Current liabilities	(7,180,172)	(8,645,503)
Net assets	6,842,836	6,130,151
Non-controlling interests	182,496	166,989
Results		
Revenue	17,610,978	19,316,136
Profit for the financial year/Total comprehensive income	712,685	654,080
Profit for the financial year/Total comprehensive income attributable to owners of associate	697,178	635,606

NOTES TO THE FINANCIAL STATEMENTS

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12. INVESTMENT IN AN ASSOCIATE *cont'd*

(b) The reconciliation of net assets of the associate and its subsidiaries to the carrying amount of the investment in associate is as follows:-

	2014	2013
	RM	RM
Group's share of net assets	3,330,170	2,981,581
Share of results of the Group for the financial year ended 31 December		
Share of results of the Group	348,589	300,899
Other information		
Dividend received by the Group	-	-

13. GOODWILL

	Group	
	2014	2013
	RM	RM
At beginning/end of the financial year	140,455	140,455

The goodwill is related to PTM Steel Industry Sdn. Bhd.

Impairment test for goodwill

The recoverable amount of goodwill is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a five-year period with expected growth. The pre-tax discount applied to the cash flow projections is 8.00% (2013: 7.35%).

Key assumptions used in value-in-use calculations

- Revenue : the bases used to determine the future earnings potential are historical sales and expected growth rates of the industry.
- Gross margins : gross margins are based on the average gross margin achieved in the past years.
- Operating expenses : the bases used to determine the values assigned are staff costs, depreciation and amortisation, and other operating expenses. The values assigned to the key assumption reflects past experience and management's commitment to maintain the operating expenses to an acceptable level.
- Discount rates : the calculation is based on the specific circumstances of the Group and its operating segments and derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity.

No impairment loss was required for the goodwill assessed as its recoverable value was in excess of its carrying amount (2013: RMnil).

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13. GOODWILL *cont'd*

Sensitivity of changes in assumptions

With regard to the assessment of value-in-use of the cash generating unit, management believes that no reasonably possible change in any of the above assumptions would cause the carrying value, including goodwill, of the unit to materially exceed its recoverable amount.

14. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Group				
Deferred tax assets				
At 1 January	701,797	666,883	-	-
Recognised in profit or loss	(173,202)	34,914	-	-
At 31 December	528,595	701,797	-	-
Deferred tax liabilities				
At 1 January	(109,820)	(106,518)	(109,820)	(104,100)
Recognised in profit or loss	(86,041)	(3,302)	(5,529)	(5,720)
At 31 December	(195,861)	(109,820)	(115,349)	(109,820)

This is in respect of estimated deferred tax assets and liabilities arising from temporary differences as follows:-

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Deferred tax assets				
Unabsorbed capital allowances	-	100,334	-	-
Unutilised tax losses	137,196	296,195	-	-
Unutilised reinvestment allowances	573,943	687,369	-	-
Difference between the carrying amounts of property, plant and equipment and their tax base	(182,544)	(382,101)	-	-
	528,595	701,797	-	-
Deferred tax liabilities				
Difference between the carrying amounts of property, plant and equipment and their tax base	(195,861)	(109,820)	(115,349)	(109,820)

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14. DEFERRED TAX ASSETS/(LIABILITIES) *cont'd*

The deferred tax assets and liabilities are not available for set-off as they arise from different taxable entities within the Group.

The deferred tax assets are recognised for unabsorbed capital allowances, unutilised tax losses and unutilised reinvestment allowances as the management considered it probable that the future taxable profits of the subsidiaries based on the projected future profits will be available against which they can be utilised and they are of the opinion that the previous years' losses are an aberration, rather than a continuing condition.

15. INVENTORIES

	Group	
	2014	2013
	RM	RM
At cost,		
Raw materials	3,587,289	4,519,865
Work-in-progress	1,655,701	1,638,920
Finished goods	5,236,123	3,370,335
Consumables	439,770	484,861
Packing materials	109,022	79,005
Trading goods	33,658,783	29,452,477
	44,686,688	39,545,463

During the financial year, the cost of inventories recognised as an expense in cost of sales of the Group is RM79,828,059 (2013: RM79,447,062).

16. TRADE RECEIVABLES

	Group		Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
External parties	36,091,747	37,518,995	1,500	-
Amount due from an associate	304,746	1,577,603	-	-
	36,396,493	39,096,598	1,500	-
Less: Allowance for impairment	(563,886)	(249,304)	-	-
Trade receivables, net	35,832,607	38,847,294	1,500	-

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16. TRADE RECEIVABLES *cont'd*

(a) Credit terms of trade receivables

The Group's normal credit term ranges from 30 to 150 days. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Amount due from associate are trade in nature and unsecured. The overdue balance due from associate bears an interest of 8.35% (2013: 8.10%) per annum.

(b) Ageing analysis of trade receivables

The ageing analysis of the Group and the Company trade receivables are as follows:-

	2014	2013
	RM	RM
Group		
Neither past due nor impaired	28,227,612	33,293,562
1 to 30 days past due not impaired	559,062	1,475,808
31 to 60 days past due not impaired	1,967,648	485,316
61 to 90 days past due not impaired	2,197,674	638,630
91 to 120 days past due not impaired	395,967	500,851
More than 120 days past due not impaired	2,484,644	2,453,127
	7,604,995	5,553,732
Impaired	563,886	249,304
	36,396,493	39,096,598

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Company.

None of the Group's and Company's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM7,604,995 (2013: RM5,553,732) which are past due but not impaired because there have been no significant changes in credit quality of the debtors and the amounts are still considered receivable.

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16. TRADE RECEIVABLES *cont'd*

(b) Ageing analysis of trade receivables *cont'd*

Receivables that are impaired

The Group has trade receivables that are impaired at the reporting date amounting to RM563,886 (2013: RM249,304) of which are individually impaired and the nominal amounts and the allowance for impairment are the same.

Movement in allowance accounts:-

	Group	
	2014	2013
	RM	RM
At 1 January	249,304	216,893
Charge for the financial year (Note 6)	321,182	36,011
Reversal (Note 6)	(6,600)	(3,600)
At 31 December	563,886	249,304

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

17. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Other receivables	113,075	101,809	84,400	84,400
Refundable deposits	238,332	119,133	17,270	18,070
Downpayment to suppliers	151,078	510,990	71,343	-
Prepayments	370,636	310,298	-	23,642
	873,121	1,042,230	173,013	126,112

Other receivables of the Group and of the Company are neither past due nor impaired.

Included in the other receivables of the Group is an amount of RM15,626 (2013: RM17,409) due from related party. Related party is a subsidiary of an associate.

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18. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

		Company	
		2014	2013
		RM	RM
Amount due from subsidiaries			
Trade	(a)	1,754,910	986,390
Non-trade	(b)	23,480,042	8,557,911
		25,234,952	9,544,301
Amounts due to subsidiaries			
Non-trade	(c)	(19,108,397)	(10,766,743)

(a) The credit terms range from 30 days to 90 days.

These amounts which are neither past due nor impaired, are creditworthy debtors with good payment records with the Company. None of them have been renegotiated during the financial year.

(b) These amounts are unsecured, interest free and are repayable on demand by cash except for an amount of RM15,541,032 (2013: RM6,899,564) which bear interest at rate of 8.35% (2013: 8.10%) per annum.

(c) These amounts are non-trade in nature, unsecured, interest free and repayable on demand by cash.

19. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Deposits with licensed banks (Islamic)	1,736,327	8,209,472	2,540,116	8,209,472
Deposits with licensed banks	4,093,919	7,019,887	1,736,327	3,007,368
Cash and bank balances	4,974,695	7,560,873	355,700	528,590
	10,804,941	22,790,232	4,632,143	11,745,430

The average maturity of deposits with licensed banks for the Group and the Company as at the financial year end is 46 days and 53 days (2013: 59 days and 72 days) respectively. The weighted average effective interest rate as at 31 December 2014 for the Group and the Company is 3.15% (2013: 3.08%) per annum.

As disclosed in Note 30(d), the Group manages its cash flow requirements of purchases in its operating activities mainly through bankers' acceptances which are drawdown to finance the import of goods.

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20. SHARE CAPITAL

	Group/Company			
	Number of shares		Amount	
	2014	2013	2014	2013
	unit	unit	RM	RM
Authorised:				
Ordinary shares at RM0.50 each				
At 1 January/31 December	100,000,000	100,000,000	50,000,000	50,000,000
Issued and fully paid:				
Ordinary shares at RM0.50 each				
At 1 January/31 December	96,000,000	96,000,000	48,000,000	48,000,000

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regards to the Company residual interests.

21. SHARE PREMIUM

This reserve comprises premium paid on subscription of shares of the Company above par value of the shares.

22. RETAINED EARNINGS

In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single-tier system"). As such, the Company may distribute dividends out of its entire retained earnings under the single-tier system.

23. BANK BORROWINGS (SECURED)

	2014	2013
	RM	RM
Group		
Current		
Bankers' acceptances (Islamic)	14,971,257	22,875,393
Bankers' acceptances	4,600,143	4,335,000
Finance lease payables (Note 24)	1,043,756	857,581
Trust receipts	51,369	-
Trust receipts (Islamic)	55,536	-
	20,722,061	28,067,974

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23. BANK BORROWINGS (SECURED) *cont'd*

	2014	2013
	RM	RM
Group		
Non-current		
Finance lease payables (Note 24)	1,909,626	1,699,470
Total borrowings:		
Bankers' acceptances (Islamic)	14,971,257	22,875,393
Bankers' acceptances	4,600,143	4,335,000
Finance lease payables (Note 24)	2,953,382	2,557,051
Trust receipts	51,369	-
Trust receipts (Islamic)	55,536	-
	22,631,687	29,767,444

The bankers' acceptances and trust receipts of the Group are secured and supported as follows:

- (a) legal charge over the freehold land and buildings of the Company; and
- (b) corporate guarantee by the Company.

The bankers' acceptances, term loans and trust receipts bear interest at rates as follows:-

	2014	2013
	per annum %	
Group		
Bankers' acceptances	3.28 - 4.97	3.22 - 3.59
Trust receipts	6.85 - 7.85	-

24. FINANCE LEASE PAYABLES

	Group	
	2014	2013
	RM	RM
Future minimum lease payments	3,269,594	2,848,249
Less: Future finance charges	(316,212)	(291,198)
Total present value of minimum lease payments	2,953,382	2,557,051

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24. FINANCE LEASE PAYABLES *cont'd*

	Group	
	2014	2013
	RM	RM
Payable within 1 year		
Future minimum lease payments	1,211,677	1,001,324
Less: Future finance charges	(167,921)	(143,743)
Present value of minimum lease payments	1,043,756	857,581
Payable more than 1 year but not more 5 years		
Future minimum lease payments	1,990,262	1,819,472
Less: Future finance charges	(143,508)	(145,197)
Present value of minimum lease payments	1,846,754	1,674,275
Payable more than 5 years		
Future minimum lease payments	67,655	27,453
Less: Future finance charges	(4,783)	(2,258)
Present value of minimum lease payments	62,872	25,195
Total present value minimum lease payments	2,953,382	2,557,051

The finance lease payables of the Group bear interest at rates ranging from 2.68% - 7.13% (2013: 2.68% - 7.13%) per annum.

25. TRADE PAYABLES

The normal trade credit term granted to the Group ranges from 30 to 120 days.

26. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Deposits	5,000	5,002	50,600	50,600
Other payables	702,578	921,681	96,139	88,159
Downpayment from customers	2,810,000	5,035,200	-	-
Accruals	3,094,954	3,771,703	743,283	718,619
	6,612,532	9,733,586	890,022	857,378

Included in other payables of the Group and of the Company is an amount of RM4,749 (2013: RM4,762) in nature and RM13 (2013: RM13) respectively due to certain directors of the Group. These amounts are non-trade in nature, unsecured, interest free and repayable on demand by cash.

Included in other payables of the Group is an amount of RM5,799 (2013: RMnil) due to related party. This amount is non-trade in nature, unsecured, interest free and repayable on demand in cash. Related party is a subsidiary of an associate.

NOTES TO THE FINANCIAL STATEMENTS

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27. DIVIDEND

	Group/Company	
	2014	2013
	RM	RM
First and final single-tier dividend of 3 sen per share in respect of financial year ended 31 December 2012	-	960,000
First and final single-tier dividend of 1 sen per share in respect of financial year ended 31 December 2013	960,000	-
Special single-tier dividend of 2.95 sen per share in respect of financial year ended 31 December 2013	2,832,000	-
	3,792,000	960,000

In addition, the directors have also proposed a single-tier first and final dividend of 2 sen per share amounting to RM1,920,000 in respect of financial year ended 31 December 2014 and payable upon approval by shareholders at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the next financial year ending 31 December 2015.

28. RELATED PARTY DISCLOSURES

(a) Identity of related parties

For the purpose of these financial statements, parties are considered to be related to the Group and the Company if the Group and the Company have the ability to directly control the party or exercise significant influence over the party in making financial and operating decision, or vice versa, or where the Group and the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities. The Company has a related party relationship with its subsidiaries, associate, and key management personnel.

(b) Related party transactions and balances are as follows:-

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place during the financial year:-

	Group	
	2014	2013
	RM	RM
Subsidiary of associate		
Sale of goods	-	(2,369,792)
Purchase of goods	263,728	-
Interest receivable	(60,735)	(60,712)

NOTES TO THE FINANCIAL STATEMENTS

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28. RELATED PARTY DISCLOSURES *cont'd*

(b) Related party transactions and balances are as follows:- *cont'd*

	Company	
	2014	2013
	RM	RM
Subsidiaries		
Interest receivable	(991,228)	(558,784)
Management fee	(1,677,310)	(1,881,810)
Rental of premises	(931,200)	(931,200)
Dividend received	(3,000,000)	(900,000)

Information regarding outstanding balances arising from related party transactions as at the reporting date is disclosed in Notes 16, 17, 18 and 26.

(c) Compensation of key management personnel

Key management personnel include personnel having authority and responsibility for planning, directing and controlling the activities of the entities, directly or indirectly, including any director of the Group.

The remuneration of the key management personnel is as follows:-

	Group		Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Directors of the Company:				
Non-executive directors' fees and other emoluments	128,700	123,000	128,700	123,000
Executive directors:-				
Short term employee benefits (including estimated monetary value of benefits-in-kind)	1,504,703	1,483,200	1,504,703	1,467,200
Post-employment benefits	175,644	174,060	175,644	172,140
	1,809,047	1,780,260	1,809,047	1,762,340

NOTES TO THE FINANCIAL STATEMENTS

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29. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The following table analyses the financial assets and liabilities in the statements of financial positions by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

Group 2014	Loans and receivables RM	Total RM
Financial assets		
Trade receivables	35,832,607	35,832,607
Other receivables and deposits	351,407	351,407
Cash and bank balances	10,804,941	10,804,941
	46,988,955	46,988,955
	Financial liabilities at amortised cost RM	Total RM
Financial liabilities		
Trade payables	5,380,297	5,380,297
Other payables and accruals	6,612,532	6,612,532
Bank borrowings	22,631,687	22,631,687
	34,624,516	34,624,516
	Loans and receivables RM	Total RM
Group 2013		
Financial assets		
Trade receivables	38,847,294	38,847,294
Other receivables and deposits	220,942	220,942
Cash and bank balances	22,790,232	22,790,232
	61,858,468	61,858,468

NOTES TO THE FINANCIAL STATEMENTS

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29. FINANCIAL INSTRUMENTS *cont'd*

(a) Categories of financial instruments *cont'd*

The following table analyses the financial assets and liabilities in the statements of financial positions by the class of financial instruments to which they are assigned, and therefore by the measurement basis:
cont'd

Group 2013	Financial liabilities at amortised cost RM	Total RM
Financial liabilities		
Trade payables	6,834,568	6,834,568
Other payables and accruals	9,733,586	9,733,586
Bank borrowings	29,767,444	29,767,444
	<u>46,335,598</u>	<u>46,335,598</u>
Company 2014	Loans and receivables RM	Total RM
Financial assets		
Other receivables and deposits	101,670	101,670
Amount due from subsidiaries	25,234,952	25,234,952
Cash and bank balances	4,632,143	4,632,143
	<u>29,968,765</u>	<u>29,968,765</u>
	Financial liabilities at amortised cost RM	Total RM
Financial liabilities		
Other payables and accruals	890,022	890,022
Amounts due to subsidiaries	19,108,397	19,108,397
	<u>19,998,419</u>	<u>19,998,419</u>

NOTES TO THE FINANCIAL STATEMENTS

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29. FINANCIAL INSTRUMENTS *cont'd*

(a) Categories of financial instruments *cont'd*

The following table analyses the financial assets and liabilities in the statements of financial positions by the class of financial instruments to which they are assigned, and therefore by the measurement basis:
cont'd

Company 2013	Loans and receivables RM	Total RM
Financial assets		
Other receivables and deposits	102,470	102,470
Amount due from subsidiaries	9,544,301	9,544,301
Cash and bank balances	11,745,430	11,745,430
	<u>21,392,201</u>	<u>21,392,201</u>
	Financial liabilities at amortised cost RM	Total RM
Financial liabilities		
Other payables and accruals	857,378	857,378
Amounts due to subsidiaries	10,766,743	10,766,743
	<u>11,624,121</u>	<u>11,624,121</u>

(b) Fair value of financial instruments

The methods and assumptions used to estimate the fair values of the following classes of financial assets and liabilities are as follows:-

(i) Cash and bank balances, trade and other receivables, trade and other payables

The carrying amounts are reasonable approximation of fair values due to short term nature of these financial instruments.

(ii) Borrowings

The carrying amounts of the current portion of borrowings are reasonable approximation of fair values due to the insignificant impact of discounting.

The carrying amounts of long term floating rate loans approximate their fair values as the loans will be re-priced to market interest rate on or near reporting date.

The fair value of finance lease payables is estimated using discounted cash flow analysis, based on current lending rate for similar types of lease arrangements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

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29. FINANCIAL INSTRUMENTS *cont'd*

(b) Fair value of financial instruments *cont'd*

The carrying amounts of financial assets and liabilities recognised in the statements of financial position approximate their fair values except for the following:-

Group	Carrying Amount RM	Fair Value RM
2014		
Financial liabilities		
Finance lease payables	2,953,382	2,983,240
2013		
Financial liabilities		
Finance lease payables	2,557,051	2,601,991

(c) Fair value measurements

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the fair value is observable.

- (a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- (c) Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at financial years ended 31 December 2014 and 2013, the Group and the Company held the following financial instruments for which fair value is disclosed in the financial statements:-

	2014 RM	Level 1 RM	Level 2 RM	Level 3 RM
Financial lease payables	2,983,240	-	2,983,240	-
	2013 RM	Level 1 RM	Level 2 RM	Level 3 RM
Finance lease payables	2,601,991	-	2,601,991	-

During the financial years ended 31 December 2014 and 2013, there was no transfer between Level 1 and 2 of the fair value measurement hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

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30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Management. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken. The Group and the Company do not apply hedge accounting.

The Group's and the Company's exposure to the financial risks and the objectives, policies and processes put in place to manage these risks are discussed below.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk primarily arises from its trade receivables. For other financial assets (including cash and bank balances), the Group minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit evaluation procedures. In addition, receivable balances are monitored on an ongoing basis to minimise the Group's exposure to bad debts.

Exposure to credit risk

At the reporting date, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position. The Company also expose to credit risks in relation to provision of financial guarantees to banks in respect of banking facilities granted to certain subsidiaries by the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

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30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *cont'd*

(a) Credit risk *cont'd*

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date are as follows:-

	Group			
	2014		2013	
	RM	% of total	RM	% of total
By country:				
Malaysia	35,587,288	98	37,825,782	97
Singapore	-	-	173,281	1
Indonesia	107,718	-	-	-
United Kingdom	567,467	2	863,638	2
Other countries	134,020	-	233,897	-
	36,396,493	100	39,096,598	100

The Group does not have any significant exposure to any individual customer at the reporting date.

Financial guarantee

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries as mentioned in the Note 23.

The Company monitors on an ongoing basis the repayments made by the subsidiaries and their financial performance.

The maximum exposure to credit risk amounts to RM21,120,070 (2013: RM28,492,174) representing the outstanding banking facilities at the reporting date. At the reporting date, there was no indication that the subsidiaries would default on their repayment.

The financial guarantee has not been recognised as the fair value on initial recognition since the financial guarantees provided by the Company did not contribute towards credit enhancement of the subsidiaries' borrowings in view of the security pledged by the subsidiaries and it is unlikely the subsidiaries will default within the guarantee period.

NOTES TO THE FINANCIAL STATEMENTS

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30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *cont'd*

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from its bank borrowings.

Bank borrowings at floating rate amounting to RM19,678,305 (2013: RM27,210,393) expose the Group to cash flow interest rate risk whilst finance lease at fixed rate amounting to RM2,953,382 (2013: RM2,557,051), expose the Group to fair value interest rate risk. The Group manages its interest rate risk exposure by maintaining a mix of fixed and floating rate loans and borrowings.

Sensitivity analysis for interest rate risk

If the interest rate had been 50 (2013: 50) basis points higher/lower and all other variables were held constant, the Group's profits net of tax ended 31 December 2014 would decrease/increase by RM73,794 (2013: RM102,039) as a result of exposure to floating rate borrowings.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to manage its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. In addition, the Group and the Company maintains sufficient levels of cash and available banking facilities at a reasonable level to their overall debt position to meet their working capital requirement.

The Group manages its cash flow requirements of purchases in its operating activities mainly through bankers' acceptances which are drawdown to finance the import of goods.

NOTES TO THE FINANCIAL STATEMENTS

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30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *cont'd*

(c) Liquidity risk *cont'd*

Analysis of financial instruments by remaining contractual maturity

The table below summarises the maturity profile of the Group's and of the Company's financial liabilities at the reporting date based on contractual undiscounted repayment obligations:-

	Carrying amount RM	Contractual cash flows RM	On demand and within 1 year RM	1 to 2 years RM	2 to 5 years RM	Over 5 years RM
2014						
Group						
Financial Liabilities:						
Trade payables	5,380,297	5,380,297	5,380,297	-	-	-
Other payables	6,612,532	6,612,532	6,612,532	-	-	-
Bankers' acceptances (Islamic)	14,971,257	15,080,302	15,080,302	-	-	-
Bankers' acceptances	4,600,143	4,651,897	4,651,897	-	-	-
Trust receipts	51,369	51,369	51,369	-	-	-
Trust receipts (Islamic)	55,536	56,803	56,803	-	-	-
Finance lease payables	2,953,382	3,269,594	1,211,677	1,188,571	801,691	67,655
	34,624,516	35,144,083	33,086,166	1,188,571	801,691	67,655
Company						
Financial Liabilities						
Other payables	890,022	890,022	890,022	-	-	-
Amount due to a subsidiary	19,108,397	19,108,397	19,108,397	-	-	-
	19,998,419	19,998,419	19,998,419	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

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30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *cont'd*

(c) Liquidity risk *cont'd*

Analysis of financial instruments by remaining contractual maturity *cont'd*

The table below summarises the maturity profile of the Group's and of the Company's financial liabilities at the reporting date based on contractual undiscounted repayment obligations:- *cont'd*

	Carrying amount	Contractual cash flows	On demand and within 1 year	1 to 2 years	2 to 5 years	Over 5 years
	RM	RM	RM	RM	RM	RM
2013						
Group						
Financial Liabilities:						
Trade payables	6,834,568	6,834,568	6,834,568	-	-	-
Other payables	4,698,386	4,698,386	4,698,386	-	-	-
Bankers' acceptances (Islamic)	22,875,393	23,085,154	23,085,154	-	-	-
Bankers' acceptances	4,335,000	4,367,408	4,367,408	-	-	-
Finance lease payables	2,557,051	2,848,249	1,001,324	853,345	966,127	27,453
	41,300,398	41,833,765	39,986,840	853,345	966,127	27,453
Company						
Financial Liabilities						
Other payables	857,378	857,378	857,378	-	-	-
Amount due to a subsidiary	10,766,743	10,766,743	10,766,743	-	-	-
	11,624,121	11,624,121	11,624,121	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

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30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *cont'd*

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the functional currency of Group entities, primarily RM. The foreign currencies in which these transactions are denominated are mainly United States Dollar ("USD"), Singapore Dollar ("SGD"), Brunei Dollar ("BND") and Chinese Renminbi ("RMB").

The Group also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the reporting date, such foreign currency balances (mainly in USD and SGD) amount to RM327,821 and RM177,728 (2013: RM68,246 and RM181,617) respectively for the Group.

Financial assets/(liabilities) denominated in USD, SGD, BND and RMB are as follows:-

	Group	
	2014	2013
	RM	RM
USD		
Trade payables	(760,447)	(293,196)
Trade receivables	639,928	955,431
Cash and bank balances	327,821	68,246
	207,302	730,481
SGD		
Trade payables	-	(134,456)
Trade receivables	-	158,925
Cash and bank balances	177,728	181,617
	177,728	206,086
BND		
Trade receivables	68,939	118,392
RMB		
Trade payables	(432,161)	(827,813)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

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30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *cont'd*

(d) Foreign currency risk *cont'd*

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the USD, SGD, BND and RMB exchange rate against the functional currency of the Group, with all other variables held constant.

		Group	
		2014	2013
		RM	RM
USD/RM	- strengthened 5% (2013: 5%)	7,774	27,393
	- weakened 5% (2013: 5%)	(7,774)	(27,393)
SGD/RM	- strengthened 2% (2013: 2%)	2,666	3,091
	- weakened 2% (2013: 2%)	(2,666)	(3,091)
BND/RM	- strengthened 2% (2013: 2%)	1,034	1,776
	- weakened 2% (2013: 2%)	(1,034)	(1,776)
RMB/RM	- strengthened 2% (2013: 2%)	(6,482)	(12,417)
	- weakened 2% (2013: 2%)	6,482	12,417

31. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic and business conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, or issue new shares. There is no change in the objectives, policies or procedures during the financial year ended 31 December 2014 and 31 December 2013.

The Group monitors capital using a gearing ratio, which is calculated as total debts (excluding bankers' acceptance and trust receipts) divided by total capital plus total debt. The Group monitors and maintains a prudent level of gearing ratio to optimise shareholders' value and to ensure compliance with covenants under debt agreements, if any. Total debts comprise finance lease payables. Total capital comprises total equity of the Group.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

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31. CAPITAL MANAGEMENT *cont'd*

	Group	
	2014	2013
Total debts (RM)	2,953,382	2,557,051
Total equity (RM)	74,472,082	73,368,099
Total equity and debts (RM)	77,425,464	75,925,150
Gearing ratio %	4%	3%

The Group is not subject to any externally imposed capital requirements.

32. SEGMENT INFORMATION

For management purposes, the Group is organised into operating units reportable operating segments as follows:

- (i) Stainless steel products
- (ii) Marine hardware and consumable
- (iii) Other industrial hardware
- (iv) Engineering and servicing
- (v) Investment holding

Management monitors the operating revenue of its operating units separately for the purpose of making decisions about resource allocation and performance assessment. Inter-segment transactions are entered in the ordinary course of business based on terms mutually agreed upon by the parties concerned.

Segment results, assets and liabilities information are neither included in the internal management reports nor provided regularly to the management. Hence, no disclosures are made on segment results, assets and liabilities. All results, assets and liabilities are managed on a group basis.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

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32. SEGMENT INFORMATION cont'd

	Stainless steel products RM	Marine hardware and consumable RM	Other industrial hardware RM	Investment holding RM	Engineering and servicing RM	Elimination RM	Total RM
2014							
Revenue							
External revenue	29,917,141	26,910,952	10,749,843	24,000	30,972,857	-	98,574,793
Inter-segment revenue	4,646,832	8,101,890	21,365,326	-	1,474,007	(35,588,055)	-
Total segment revenue	34,563,973	35,012,842	32,115,169	24,000	32,446,864	(35,588,055)	98,574,793
Gross profit	3,370,519	6,118,321	2,405,085	24,000	6,828,809	-	18,746,734
2013							
Revenue							
External revenue	35,162,751	27,037,010	8,741,655	16,100	21,876,146	-	92,833,662
Inter-segment revenue	28,190,788	11,547,128	4,598,063	-	75,163	(44,411,142)	-
Total segment revenue	63,353,539	38,584,138	13,339,718	16,100	21,951,309	(44,411,142)	92,833,662
Gross profit	3,066,526	5,582,743	1,614,809	16,100	3,106,422	-	13,386,600

Information about geographical areas

Revenue information based on the geographical location of customers is as follows:-

	2014 RM	2013 RM
Malaysia	94,300,106	87,225,897
Singapore	747,043	1,166,176
Indonesia	571,590	560,718
United Kingdom	2,546,514	3,548,728
Thailand	50,545	157,956
Maldives	185,795	-
Brunei	173,200	174,187
	98,574,793	92,833,662

All non-current assets (other than financial instruments and deferred tax assets) of the Group are located in Malaysia.

Information about major customers

Revenue from major customer with revenue equal or more than 10% of the Group revenue is as follows:-

Major customer	2014 RM	Operating segment
- Customer A	16,813,612	Engineering and servicing

In previous financial year, there were no single customer with revenue equal or more than 10% of the Group revenue.

SUPPLEMENTARY INFORMATION ON THE DISCLOSURE OF REALISED AND UNREALISED PROFIT OR LOSS

The following analysis of realised and unrealised retained earnings of the Group and of the Company is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad (“Bursa Securities”) dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants.

The retained earnings of the Group and of the Company as at reporting date are analysed as follows:-

	Group	
	2014 RM	2013 RM
Total retained earnings of the Company and its subsidiaries		
- realised	22,368,904	21,354,267
- unrealised	332,734	591,977
	22,701,638	21,946,244
Total share of retained earnings from associate		
- realised	2,507,426	2,161,204
- unrealised	2,744	377
	25,211,808	24,107,825
(Less)/Add: Consolidation adjustments	(466,678)	30,032
Total retained earnings of the Group	24,745,130	24,137,857
	Company	
	2014 RM	2013 RM
Total retained earnings of the Company		
- realised	2,065,494	1,918,151
- unrealised	(115,349)	(109,820)
Total retained earnings	1,950,145	1,808,331

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purpose.

LIST OF PROPERTIES

HELD BY THE GROUP AS AT 31 DECEMBER 2014

Registered Owner(s)	Location*	Description/ Existing Use	Tenure of Land	Land Area/ Built-up Area	Issuance date of Certificate of Fitness	Net book value as at 31 December 2014 (RM'000)
KSSC	Lot 3707, Jalan 7/5, Taman Industri Selesa Jaya, 43300 Balakong, Selangor Darul Ehsan	Double storey office cum factory/ Administration and Trading Office and Manufacturing and Processing Plant	Freehold	14,796 square metres/7,580 square metres	10 September 2003	6,447
KSSC	102 and 102A, Jalan Keris Taman Sri Tebrau, 80050 Johor Bahru, Johor Darul Takzim	Double storey shophouses/For rental income purposes	Freehold	163.509 square metre/237.832 square metres	9 January 1977	73

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty Annual General Meeting of the members of the Company will be held at Majestic III, Lower Ground Level, Palace of the Golden Horses, Jalan Kuda Emas, Mines Resort City, 43300 Seri Kembangan, Selangor on Thursday, 21 May 2015 at 10.00 a.m. for the following purposes:-

AGENDA

AS ORDINARY BUSINESS

- | | |
|--|--|
| 1. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2014 together with the Directors' and Auditors' Reports thereon. | Please refer to Note A |
| 2. To approve the payment of a first and final single tier dividend of 4% for the financial year ended 31 December 2014. | Resolution 1 |
| 3. To approve the payment of Directors' fees for the year ended 31 December 2014. | Resolution 2 |
| 4. To re-elect the following director retiring pursuant to Article 83 of the Company's Articles of Association and being eligible, has offered himself for re-election:-

Koh Seng Lee | Resolution 3 |
| 5. To re-elect the following directors retiring pursuant to Section 129 (6) of the Companies Act, 1965 :-

(i) Koh Seng Kar @ Koh Hai Sew

(ii) Zainal Rashid bin Haji Mohd Eusoff | Resolution 4

Resolution 5 |
| 6. To re-appoint Messrs Baker Tilly AC as Auditors of the Company and to authorise the Directors to fix their remuneration. | Resolution 6 |

AS SPECIAL BUSINESS

To consider, and if thought fit, to pass the following Resolution:-

- | | |
|--|---------------------|
| 7. AUTHORITY TO ISSUE SHARES BY THE COMPANY PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965 | Resolution 7 |
|--|---------------------|

"THAT pursuant to Section 132D of the Companies Act, 1965, and subject to the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue, new shares in the Company from time to time upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company and THAT the Directors be and are hereby also authorised to obtain the approval from Bursa Securities for the listing and quotation of the additional shares so issued."

NOTICE OF ANNUAL GENERAL MEETING

cont'd

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

Subject to the approval of the shareholders, a first and final single tier dividend of 4% for the financial year ended 31 December 2014 will be paid on 19 June 2015 to Depositors registered in the Record of Depositors at the close of business at 5.00 p.m. on 2 June 2015.

A depositor shall qualify for entitlement only in respect of:-

- (a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 2 June 2015 in respect of ordinary transfers; and
- (b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

By order of the Board

LIM SECK WAH (MAICSA 0799845)

M. CHANDRASEGARAN A/L S. MURUGASU (MAICSA 0781031)

Company Secretaries

Dated this: 30 April 2015

Kuala Lumpur

Notes

- A. *This Agenda item is meant for discussion only as there is no provision in the Company's Articles of Association for a formal approval from shareholders and hence, is not put forward for voting.*
1. *For the purpose of determining a member who shall be entitled to attend and vote at the Annual General Meeting, the Company shall be requesting the Record of Depositors as at 15 May 2015. Only a depositor whose name appears on the Record of Depositors as at 15 May 2015 shall be entitled to attend the said meeting or appoint proxies to attend and vote on his/her stead.*
2. *A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his/her stead. A member may appoint up to two proxies to attend the same meeting provided that he specifies the proportion of his shareholding to be represented by each proxy. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy and the provisions of Section 149(1)(a) & (b) of the Companies Act, 1965 shall not apply.*
3. *Where a member is an authorised nominee as defined under the Security Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each Securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
4. *A member who is an exempt authorized nominee is entitled to appoint multiple proxies for each omnibus account it holds.*
5. *The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorized in writing or, if the appointer is a corporation, either under the Corporation's Common Seal or under the hand of an officer or attorney so authorized.*
6. *The Form of Proxy must be deposited at the Registered Office of the Company at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur not less than 48 hours before the time set for holding the meeting or any adjournment thereof.*

NOTICE OF ANNUAL GENERAL MEETING

cont'd

7. **Explanatory Note To Special Businesses**

Ordinary Resolution 7

The proposed Ordinary Resolution no. 7, if duly passed, will give the Directors of the Company the flexibility to issue and allot new shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for such purposes as the Directors consider would be in the interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of next Annual General Meeting of the Company.

The Company continues to consider opportunities to broaden its earnings potential. If any of the expansion/diversification proposals involves the issue of new shares, the Directors, under certain circumstance when the opportunity arises, would have to convene a general meeting to approve the issue of new shares even though the number involved may be less than 10% of the issued capital.

In order to avoid any delay and costs involved in convening a general meeting to approve such issue of shares, it is thus considered appropriate that the Directors be empowered to issue shares in the Company, up to any amount not exceeding in total 10% of the issued share capital of the Company for the time being, for such purposes. The authority for allotment of shares will provide flexibility to the Company for the allotment of shares for the purpose of funding future investment, working capital and/or acquisitions.

No shares have been issued and allotted by the Company since obtaining the said authority from its shareholders at the last AGM held on 20 May 2014.

ANALYSIS OF SHAREHOLDINGS

AS AT 2 APRIL 2015

Authorised Share Capital	:	RM50,000,000.00
Issued and Fully Paid-up Share Capital	:	RM48,000,000.00
Class of Shares	:	Ordinary Shares of RM0.50 each
Voting Rights	:	One Vote Per Ordinary Share
No. of shareholders	:	1,588

DISTRIBUTION OF SHAREHOLDINGS AS AT 2 APRIL 2015

Category	No. of Shareholders	No. of Shares	Percentage (%)
Less than 100	3	97	0.00
100 - 1,000	185	101,803	0.11
1,001 - 10,000	762	5,050,400	5.26
10,001 - 100,000	570	18,750,900	19.53
100,001 - less than 5% of issued shares	66	19,296,800	20.10
5% and above of issued shares	2	52,800,000	55.00
Total	1,588	96,000,000	100.00

LIST OF SUBSTANTIAL SHAREHOLDINGS AS AT 2 APRIL 2015

No.	Names	No. of Shares	Direct		Indirect	
			%	No. of Shares	%	No. of Shares
1.	Koh Seng Kar @ Koh Hai Sew	36,960,000	38.50	-	-	-
2.	Koh Seng Lee	15,840,000	16.50	-	-	-

DIRECTORS' INTERESTS IN SHARES AS AT 2 APRIL 2015

No.	Names	No. of Shares	Direct		Indirect	
			%	No. of Shares	%	No. of Shares
1.	Koh Seng Kar @ Koh Hai Sew	36,960,000	38.50	-	-	-
2.	Koh Seng Lee	15,840,000	16.50	-	-	-
3.	Tsen Ket Shung @ Kon Shung	714,400	0.74	-	-	-
4.	Zainal Rashid bin Haji Mohd Eusoff	100,000	0.10	-	-	-
5.	Lim Ho Kin	60,000	0.06	-	-	-
6.	Yap Siok Teng	50,000	0.05	-	-	-

ANALYSIS OF SHAREHOLDINGS

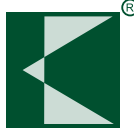
AS AT 2 APRIL 2015

cont'd

LIST OF TOP 30 SHAREHOLDERS/DEPOSITORS AS AT 2 APRIL 2015

Name	No. of Shares held	Percentage (%)
1. KOH SENG KAR @ KOH HAI SEW	36,960,000	38.50
2. KOH SENG LEE	15,840,000	16.50
3. BALAKRISNEN A/L SUBBAN	1,000,000	1.04
4. GUO YONGJIN	828,000	0.86
5. CHAN KEE SENG	800,000	0.83
6. LIM BOON TICK	721,000	0.75
7. TSEN KET SHUNG @ KON SHUNG	714,400	0.74
8. NG ALI CHUA @ NG AH CHUAH	700,000	0.73
9. LEE CHAN CHAR	623,200	0.65
10. UOB KAY HIAN NOMINEES (ASING) SDN BHD - EXEMPT AN FOR UOB KAY HIAN PTE LTD	550,000	0.57
11. UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD - EXEMPT AN FOR UOB KAY HIAN PTE LTD	530,000	0.55
12. YAK THYE PENG	500,000	0.52
13. YAK TIONG LIEW	500,000	0.52
14. MAYBANK SECURITIES NOMINEES (ASING) SDN BHD - MAYBANK KIM ENG SECURITIES PTE LTD FOR LOW KOK TIONG	500,000	0.52
15. YAP POH LEAN	500,000	0.52
16. M & A NOMINEE (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR TAN CHUAN AIK	454,000	0.47
17. PUBLIC NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR TAN CHOON TEE	400,000	0.42
18. TEOH HOOI BIN	382,500	0.40
19. WONG EE CHE	370,000	0.39
20. WONG SAU FANG	360,000	0.38
21. INNOSIN SDN. BHD.	328,000	0.34
22. TONG FONG REALTY SDN.BERHAD	324,900	0.34
23. LEE KOK CHUAN	320,000	0.33
24. TAILAMI A/P PALANIANDY	300,000	0.31
25. TAN LIAN CHOON	276,700	0.29
26. AZAM DEVELOPER & CONSTRUCTION SDN BHD	260,000	0.27
27. ENG MONG KEE	250,000	0.26
28. ENG CHEW KEE	250,000	0.26
29. LOO CHIENG PHAN	250,000	0.26
30. DING SIEW CHOO	222,900	0.23
TOTAL	66,015,600	68.75

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K. SENG SENG CORPORATION BERHAD

(Company No.: 133427-W)

FORM OF PROXY

(Before completing this form please refer to the notes below)

No. of Ordinary Shares Held

I/We _____ I.C No./Co.No./CDS No.: _____
(Full name in block letters)

of _____
(Full address)

being a member/members of **K. SENG SENG CORPORATION BERHAD** hereby appoint the following person(s):-

Name of proxy, NRIC No. & Address	No. of shares to be represented by proxy
1. _____	_____
2. _____	_____

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Thirty Annual General Meeting of the Company to be held at Majestic III, Lower Ground Level, Palace of the Golden Horses, Jalan Kuda Emas, Mines Resort City, 43300 Seri Kembangan, Selangor on Thursday, 21 May 2015 at 10.00 a.m. My/our proxy/proxies is/are to vote as indicated below:-

RESOLUTIONS RELATING TO:-	FIRST PROXY		SECOND PROXY	
	For	Against	For	Against
Ordinary Resolution 1 – To approve the payment of a first and final single tier dividend of 4%				
Ordinary Resolution 2 – To approve Directors' Fees				
Ordinary Resolution 3 – Re-election of Director, Koh Seng Lee				
Ordinary Resolution 4 – Re-election of Director, Koh Seng Kar @ Koh Hai Sew				
Ordinary Resolution 5 – Re-election of Director, Zainal Rashid bin Haji Mohd Eusoff				
Ordinary Resolution 6 – To re-appoint the retiring auditors, Messrs Baker Tilly AC				
Ordinary Resolution 7 – Authority to issue shares pursuant to Section 132D of the Companies Act 1965				

(Please indicate with a "✓" or "X" in the space provided how you wish your vote to be cast. If no instruction as to voting is given, the proxy/proxies may vote or abstain from voting at his/her/their discretion). The first named proxy shall be entitled to vote on a show of hands on my/our behalf.

Dated this _____ day of _____ 2015

Signature of Shareholder(s)/Common Seal

Notes:-

- For the purpose of determining a member who shall be entitled to attend and vote at the Annual General Meeting, the Company shall be requesting the Record of Depositors as at 15 May 2015. Only a depositor whose name appears on the Record of Depositors as at 15 May 2015 shall be entitled to attend the said meeting or appoint proxies to attend and vote on his/her stead.
- A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his/her stead. A member may appoint up to two proxies to attend the same meeting provided that he specifies the proportion of his shareholding to be represented by each proxy. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy and the provisions of Section 149(1)(a) & (b) of the Companies Act, 1965 shall not apply.
- Where a member is an authorised nominee as defined under the Security Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each Securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- A member who is an exempt authorized nominee is entitled to appoint multiple proxies for each omnibus account it holds.
- The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorized in writing or, if the appointer is a corporation, either under the Corporation's Common Seal or under the hand of an officer or attorney so authorized.
- The Form of Proxy must be deposited at the Registered Office of the Company at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur not less than 48 hours before the time set for holding the meeting or any adjournment thereof.

Fold This Flap For Sealing

Then Fold Here

Affix
Stamp

The Secretary

K. SENG SENG CORPORATION BERHAD (133427-W)

Level 15-2, Bangunan Faber Imperial Court,
Jalan Sultan Ismail,
50250 Kuala Lumpur.

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