Lot 3707, Jalan 7/5,
Taman Industri Selesa Jaya,
43300 Balakong, Selangor, Malaysia.
Tel : 603-8961 5555 (Hunting Line)
Fax : 603-8962 6666 (Marketing)
603-8962 1111 (Accounts)
E-mail : sales@kssc.com.my

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

Annual Report 2013

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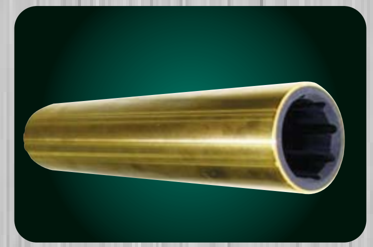
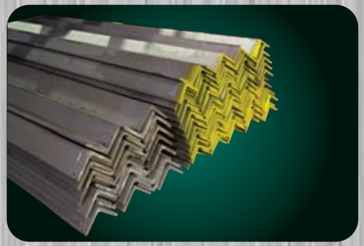
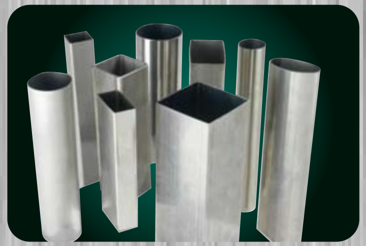
K. SENG SENG CORPORATION BERHAD

(Company No.: 133427-W)







ANNUAL REPORT 2013

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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
Independent Non-Executive Director

AUDIT COMMITTEE

Chairman
Yap Siok Teng
Members
Zainal Rashid Bin Haji Mohd Eusoff
Lim Ho Kin

REMUNERATION COMMITTEE

Chairman
Zainal Rashid Bin Haji Mohd Eusoff
Members
Yap Siok Teng
Lim Ho Kin
Koh Seng Kar @ Koh Hai Sew

NOMINATION COMMITTEE

Chairman
Yap Siok Teng
Members
Zainal Rashid Bin Haji Mohd Eusoff
Lim Ho Kin

COMPANY SECRETARIES

Lim Seck Wah
(MAICSA NO.: 0799845)
M. Chandrasegaran A/L S. Murugasu
(MAICSA NO.: 0781031)

REGISTERED OFFICE

Level 15-2
Bangunan Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel : 03-2692 4271
Fax : 03-2732 5388

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

PRINCIPAL BANKERS

Hong Leong Bank Berhad
Malayan Banking Berhad

SOLICITORS

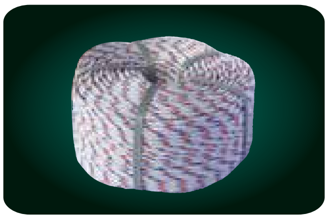
S L Kang (Johor)
Teh Cheng Aik & Co

AUDITORS

Baker Tilly AC (AF: 001826)
Chartered Accountants

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad,
Stock Code: 5192



CORPORATE STRUCTURE

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

- 100% K. Seng Seng Industries Sdn Bhd (KSSI) (490138-K)
- 100% K. Seng Seng Manufacturing Sdn Bhd (KSSM) (791541-W)
- 100% PTM Steel Industry Sdn Bhd (PTM) (244942-P)
- 100% Three & Three Hardware Sdn Bhd (TTH) (352333-P)
- 100% K. Seng Seng Parts Sdn Bhd *(f.k.a. SSG Industries Sdn Bhd)* (KSSP) (722242-D)
- 75% KSG Engineering Sdn Bhd (KSG) (922460-A)
- 75% Koseng Sdn Bhd (970606-A)
- 50% EIE Asian Holding Sdn Bhd (EIE) (569526-P)

4-YEAR FINANCIAL HIGHLIGHTS

QUARTERLY PERFORMANCE

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	1.02	13.72
Net Dividend Per Share (Sen)	-	-	-	3.95	3.95

2012	Q1	Q2	Q3	Q4	Full Year
Sales Revenue (RM’000)	15,810	18,765	22,751	25,999	83,325
Profit Before Taxation (RM’000)	100	1,020	667	1,254	3,041
Net Profit (RM’000)	85	736	453	941	2,216
Net Earnings Per Share (Sen)	0.10	0.75	0.46	0.87	2.18
Net Dividend Per Share (Sen)	-	-	-	1.00	1.00

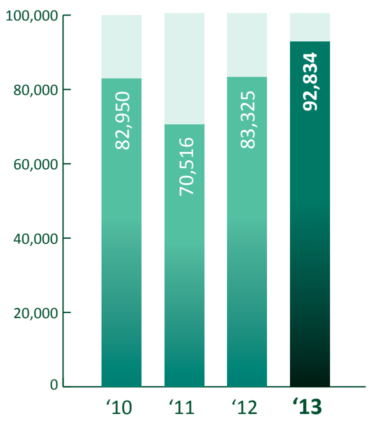
4-YEAR FINANCIAL HIGHLIGHTS

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

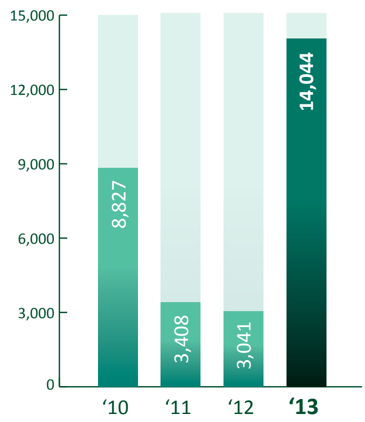
* *Number of shares for Net Earnings Per Share is 75,876,000 before issuance of new 20,124,000 ordinary shares.*

4-YEAR FINANCIAL HIGHLIGHTS
cont'd

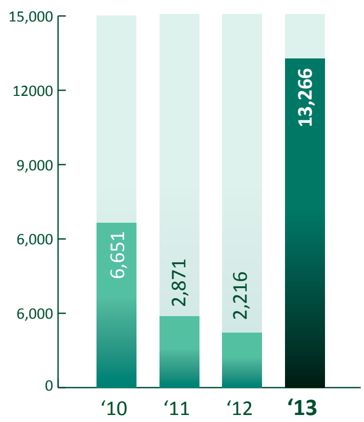
SALES REVENUE
(RM'000)



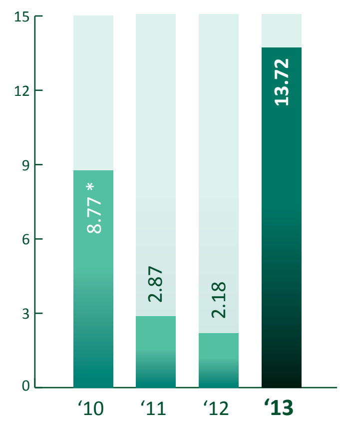
PROFIT BEFORE TAXATION
(RM'000)



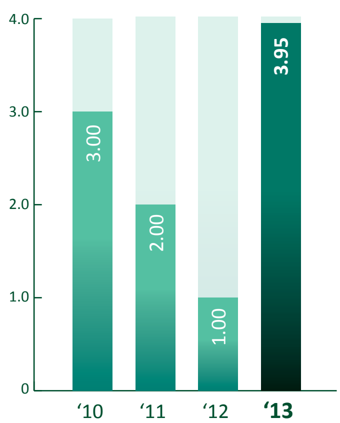
NET PROFIT
(RM'000)



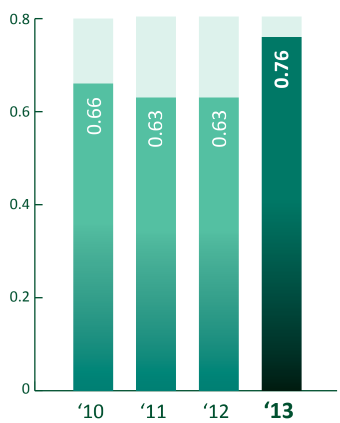
NET EARNINGS PER SHARE
(Sen)



NET DIVIDEND PER SHARE
(Sen)



NET ASSETS PER SHARE
(Sen)



CHAIRMAN'S STATEMENT

OUR CORE BUSINESS

Our Group performance continues to be principally involved in the secondary stainless steel 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.

ECONOMY

The Malaysian economy is set to expand and is poised for higher growth in 2014. The domestic demand will continue to anchor growth amid the continued moderation in external demand with the growth mainly driven by the private sector and supported by the public sector.

Currently, Malaysia has rolled out many infrastructure and projects. Construction and building industries have moved towards higher usage of stainless steel products. These are expected to indirectly increase our products demand.

OUR GROUP PERFORMANCE

The Group revenue has increased by 11.40% from RM83.32 million (2012) to RM92.83 million (2013). The increase in revenue was principally attributable to the following:-

(a) Increase in purchase orders particularly from the domestic hand gloves manufacturing companies for Engineering Works segment, contributed to a significant increase in revenue of approximately RM12.37 million.

(b) Increase sales both locally and overseas, OEM market for Stainless Steel Products segment, particularly the stainless steel tubes and pipes which contributed an increase in revenue of approximately RM1.81 million, representing 5.15% increase in revenue of Stainless Steel Products segment.

The group profit before tax (2013) has increased from RM3.04 million (2012) to RM14.04 million (2013), represents a growth of 361.84% mainly due to gain on the sale 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.

CHAIRMAN'S STATEMENT
cont'd

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 installation and commissioning of rubber 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

CORPORATE ACTIVITIES

The wholly owned subsidiary, K. Seng Seng Industries Sdn.Bhd. disposed a freehold industrial land in Nilai, Negeri Sembilan for a total consideration of RM15.45 million. The sale was completed in 30 September 2013 with a gain of approximately RM11.01 million.

Part of the proceed from the disposal will be spent on acquiring another Industrial Land for manufacturing and warehouse expansion.

Currently, the Group has yet to indentify the suitable industrial land to meet the purpose.

DIVIDEND

The Board of Directors would like to reward the valued shareholders for their support. The Directors propose a first and final of single tier dividend of 2% amounting to RM 960,000.00 and a special single tier dividend of 5.9% amounting to RM2,832,000.00. The proposed dividend, if approved by shareholders at the AGM, to be held on 20 May 2014, will be paid on 24 June 2014.

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
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 70, 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 twenty nine (29) 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 52, 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 eight (28) 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 42, 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 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 73. 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 53. 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 both Audit Committee and Nomination Committee, and a member of the Remuneration Committee. She brings with her approximately twenty nine (29) 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 currently sits on the board of Nextnation Communication Berhad and R&A Telecommunication Group Berhad, both companies are listed on the ACE market of Bursa Securities.

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
Independent Non-Executive Director

Lim Ho Kin, a Malaysian, aged 67. He has been an Associate Member of The Chartered Institute of Bankers, London. He began his career at Bank Negara Malaysia from 1965 to 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 is a member of the Audit, Nomination and Remuneration Committees. 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 2013. 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 Board recognizes the importance of having in place a Code of Conduct, setting out the standards of conduct expected from Directors and employees, to engender good corporate behavior. The Board Charter sets out a Code of Ethics to be observed by Directors whilst steps are being taken to develop and formalize a Code of Conduct for employees. The Board has approved and adopted relevant Whistle-Blowing Policies and Procedures, which outline when, how and to whom a concern may be properly raised about the actual or potential corporate fraud or breach of regulatory requirements involving employee, Management or Director in the Group. The Board is aware of the need for adherence to the Code of Conduct by all personnel in the Group and will take measures to put in place a process to ensure its compliance, including steps to upload a summary of the Code of Conduct on the Company's website once the Code of Conduct for employees is formalized in writing.

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. Accordingly, the Board will take steps to formalize the Company's sustainability policy and embed the environment, social and governance elements in its strategic initiatives.

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:

- Yap Siok Teng – *Chairman;*
- Lim Ho Kin – *Member*; and
- Zainal Rashid bin Haji Mohd Eusoff – *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 set but believes in merits and commitment of its members to assist the Company to 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 (Independent Non-Executive Director);* and
- Koh Seng Kar @ Koh Hai Sew – *Member (Chairman and 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 and also performance of 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. During the 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 2013 are as follows:

	Executive Directors (RM)	Non-Executive Directors (RM)
Directors' fees	-	114,000
Salaries	1,450,500	-
Other emoluments	183,060	9,000
Benefits-in-kind	23,700	-
Total	**1,657,260**	**123,000**

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

Range of Remuneration (RM)	Executive Director	Non-Executive Director
50,000 and below	-	3
250,001 – 300,000	1	-
400,001 – 450,000	-	-
450,001 – 500,000	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 MCCG 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 MCCG 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 check 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 check 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.

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.

CORPORATE GOVERNANCE STATEMENT
cont'd

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

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 2013, 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.

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 conducted by Bursa Malaysia Training Sdn Bhd within the stipulated timeframe required by the Listing Requirements.

CORPORATE GOVERNANCE STATEMENT
cont'd

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

Directors' Training – Continuing Education Programmes *cont'd*

During the year, Directors attended the following training:

	Name of Director	Training attended
(a)	Koh Seng Kar @ Koh Hai Sew	• The Malaysian Code on Corporate Governance 2012 & Statement on Risk Management • Future of Corporate Reporting • Corporate Governance, Risk & Internal Control
(b)	Koh Seng Lee	• The Malaysian Code on Corporate Governance 2012 & Statement on Risk Management • Future of Corporate Reporting • Corporate Governance, Risk & Internal Control
(c)	Tsen Ket Shung @ Kon Shung	• The Malaysian Code on Corporate Governance 2012 & Statement on Risk Management • Future of Corporate Reporting • Corporate Governance, Risk & Internal Control • ACCA Malaysia Annual Conference 2013
(d)	Lim Ho Kin	• The Malaysian Code on Corporate Governance 2012 & Statement on Risk Management • Future of Corporate Reporting
(e)	Yap Siok Teng	• Future of Corporate Reporting • 2014 Budget Seminar • National Tax Conference 2013
(f)	Zainal Rashid bin Haji Mohd Eusoff	• The Malaysian Code on Corporate Governance 2012 & Statement on Risk Management • Future of Corporate Reporting

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.

CORPORATE GOVERNANCE STATEMENT
cont'd

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

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.

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 will in future require written 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 yet to establish a structured risk management framework to identify, evaluate, control, report and monitor significant risks faced by the Group. This represents a departure from Recommendation 6.1 of the MCCG 2012 which stipulates the need for the Board to establish a sound framework to actively identify, assess and monitor key business risks faced by the Group to safeguard shareholder's investment and the Group's assets. In the absence of such a structured framework, Management has deployed a process to identify and evaluate significant business risks faced by the Group and report to the Board twice a year. In addition, issues on risks were discussed at Board meetings where the Group Managing Director would articulate the risks associated with projects and investment, including any risk exposure that the Group faced in its operations. Nonetheless, the Board is aware of the importance of having in place a structured framework to tackle risk management in a more holistic manner, i.e. addressing the risk management policies and procedures, formalization of the Board's risk appetite, use of key risk indicators and risk parameters, and mitigating measures to manage the risks so identified for onward reporting to the Board. For a start, the Board has formed a Risk Management Committee to oversee the formalization of this framework and has agreed to appoint an independent service provider to assist in developing such a framework.

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 on the internal audit function can be seen in the Audit Committee Report and the Internal Control Statement included in this Annual Report.

CORPORATE GOVERNANCE STATEMENT
cont'd

PRINCIPLE 7 – ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

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

To augment the process of disclosure, the Board will earmark a dedicated section for corporate governance on the Company's website where information on the Company's announcements to the regulators, rights of shareholders, the Company's Annual Report, etc., may be accessed.

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 10 April 2014.

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 2013 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 meeting. 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.

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 2013 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 the Board 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 twice 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 meetings 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 Annual Internal Audit Plan tabled to, and approved by the Audit Committee during the financial year. 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:

- procurement and payment;
- inventory management;
- production management; and
- sales and marketing.

The costs incurred for the internal audit function for the financial year 2013 amounted to approximately RM69,000.

Assurance by the 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 2013. 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 10 April 2014.

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 2013 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
a)	Business Expansion and Capital Expenditures	3,310	-	3,310	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)
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**	**8,160**	**3,310**				

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")

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 RM9,000 paid to external auditor for the financial year ended 31 December 2013.

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 2013 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

The recurrent related party transaction of the Company during the year amounted to RM2,369,792 with details as stated in Note 29 of the financial statements.

The names of the related parties involved and their relationship with the Company are detailed in Section 2.2.1 of the Circular to Shareholders dated 28 April 2014.

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 2013.

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	**13,266,581**	**1,603,834**
Profit attributable to:		
Owners of the parent	**13,167,215**	**1,603,834**
Non-controlling interest	**99,366**	**-**
	13,266,581	**1,603,834**

DIVIDEND

Since the end of the previous financial year, the Company paid a first and final single-tier dividend of 1 sen on 96,000,000 ordinary shares amounting to RM960,000 on 25 June 2013 in respect of the financial year ended 31 December 2012 as reported in the directors' report of that year.

The directors proposed a first and final single-tier dividend of 1 sen on 96,000,000 ordinary shares amounting to RM960,000 and a special single-tier dividend of 2.95 sen amounting to RM2,832,000 in respect of the financial year ended 31 December 2013 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 2014.

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 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 1.1.2013	**Bought**	**Sold**	**At 31.12.2013**
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**

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.

SIGNIFICANT EVENT

Details of significant event during the financial year are disclosed in Note 28 to the financial statements.

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 10 April 2014

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 Company, 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 2013 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 10 April 2014

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 10 April 2014

TSEN KET SHUNG @ KON SHUNG

Before me

TENGKU FARIDDUDIN BIN TENGKU SULAIMAN (NO.W533)
Commissioner for Oaths

INDEPENDENT AUDITOR'S 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 2013 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 2013 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 AUDITOR'S 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 auditor's reports of all 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
10 April 2014

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

		Group		Company	
		2013	2012	2013	2012
	Note	RM	RM	RM	RM
Revenue	4	**92,833,662**	83,324,873	**3,729,110**	3,224,680
Cost of sales	5	**(79,447,062)**	(71,641,335)	**-**	-
Gross profit		**13,386,600**	11,683,538	**3,729,110**	3,224,680
Other income		**11,574,056**	284,562	**666,471**	381,935
Selling and distribution costs		**(2,023,423)**	(1,640,128)	**(6,308)**	(2,056)
Administrative costs		**(5,896,693)**	(4,683,731)	**(2,240,880)**	(1,286,186)
Other costs		**(1,971,666)**	(1,471,400)	**(225,123)**	(241,170)
		(9,891,782)	(7,795,259)	**(2,472,311)**	(1,529,412)
Profit from operations		**15,068,874**	4,172,841	**1,923,270**	2,077,203
Finance costs		**(1,325,933)**	(1,217,772)	**-**	-
Share of result of an associate		**300,899**	86,046	**-**	-
Profit before tax	6	**14,043,840**	3,041,115	**1,923,270**	2,077,203
Income tax expense	8	**(777,259)**	(824,742)	**(319,436)**	(94,406)
Profit net of tax, representing total comprehensive income for the financial year		**13,266,581**	2,216,373	**1,603,834**	1,982,797
Profit/Total comprehensive income attributable to:					
Owners of the parent		**13,167,215**	2,088,150	**1,603,834**	1,982,797
Non-controlling interest		**99,366**	128,223	**-**	-
		13,266,581	2,216,373	**1,603,834**	1,982,797
Earnings per share attributable to owners of the parent (sen per share)					
Basic	9	**13.72**	2.18		
Diluted	9	**13.72**	2.18		

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 2013

	Note	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
ASSETS					
Non-current assets					
Property, plant and equipment	10	**13,484,009**	16,538,394	**6,965,671**	7,095,256
Investment in subsidiaries	11	**-**	-	**32,975,004**	32,975,004
Investment in an associate	12	**2,981,581**	2,680,682	**820,000**	820,000
Goodwill	13	**140,455**	140,455	**-**	-
Deferred tax assets	14	**701,797**	666,883	**-**	-
		17,307,842	20,026,414	**40,760,675**	40,890,260
Current assets					
Inventories	15	**39,545,463**	31,032,069	**-**	-
Trade receivables	16	**38,847,294**	34,806,762	**-**	-
Other receivables, deposits and prepayments	17	**1,042,230**	485,498	**126,112**	122,338
Amounts due from subsidiaries	18	**-**	-	**9,544,301**	8,789,658
Tax recoverable		**318,720**	1,368,949	**-**	41,436
Cash and bank balances	19	**22,790,232**	8,910,258	**11,745,430**	3,583,983
		102,543,939	76,603,536	**21,415,843**	12,537,415
TOTAL ASSETS		**119,851,781**	96,629,950	**62,176,518**	53,427,675

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013
cont'd

		Group		Company	
		2013	2012	2013	2012
	Note	RM	RM	RM	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	**24,137,857**	11,930,642	**1,808,331**	1,164,497
Equity attributable to owners of the parent		**72,652,496**	60,445,281	**50,322,970**	49,679,136
Non-controlling interest		**715,603**	616,237	**-**	-
Total equity		**73,368,099**	61,061,518	**50,322,970**	49,679,136
Liabilities					
Non-current liabilities					
Bank borrowings	23	**1,699,470**	1,313,812	**-**	-
Deferred tax liabilities	14	**109,820**	106,518	**109,820**	104,100
		1,809,290	1,420,330	**109,820**	104,100
Current liabilities					
Trade payables	25	**6,834,568**	5,027,980	**-**	-
Other payables and accruals	26	**9,733,586**	2,861,896	**857,378**	445,847
Bank borrowings	23	**28,067,974**	26,244,431	**-**	-
Amount due to subsidiaries	18	**-**	-	**10,766,743**	3,198,592
Tax payable		**38,264**	13,795	**119,607**	-
		44,674,392	34,148,102	**11,743,728**	3,644,439
Total liabilities		**46,483,682**	35,568,432	**11,853,548**	3,748,539
TOTAL EQUITY AND LIABILITIES		**119,851,781**	96,629,950	**62,176,518**	53,427,675

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 2013

		← Attributable to Owners of the Parent →					
		Share Capital	Non-distributable Share Premium	Distributable Retained Earnings	Equity Attributable to Owners of the Parent	Non-controlling Interest	Total Equity
Group	**Note**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
Balance at 1.1.2012		48,000,000	514,639	11,762,492	60,277,131	138,014	60,415,145
Profit net of tax, representing total comprehensive income for the financial year		-	-	2,088,150	2,088,150	128,223	2,216,373
Transactions with owners							
Subscription of shares by non-controlling shareholder		-	-	-	-	350,000	350,000
Dividend on ordinary shares	27	-	-	(1,920,000)	(1,920,000)	-	(1,920,000)
Total transactions with owners		-	-	(1,920,000)	(1,920,000)	350,000	(1,570,000)
Balance at 31.12.2012/ 1.1.2013		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)
Balance at 31.12.2013		**48,000,000**	**514,639**	**24,137,857**	**72,652,496**	**715,603**	**73,368,099**

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 2013

Company	Note	Share Capital RM	Non-distributable Share Premium RM	Distributable Retained Earnings RM	Total Equity RM
Balance at 1.1.2012		48,000,000	514,639	1,101,700	49,616,339
Profit net of tax, representing total comprehensive income for the financial year		-	-	1,982,797	1,982,797
Transactions with owners					
Dividend on ordinary shares	27	-	-	(1,920,000)	(1,920,000)
Balance at 31.12.2012/1.1.2013		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)
Balance at 31.12.2013		**48,000,000**	**514,639**	**1,808,331**	**50,322,970**

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 2013

		Group		Company	
		2013	2012	2013	2012
	Note	RM	RM	RM	RM
Cash Flows from Operating Activities					
Profit before tax		**14,043,840**	3,041,115	**1,923,270**	2,077,203
Adjustments for:					
Depreciation of property, plant and equipment		**1,755,781**	1,418,202	**131,595**	131,192
Impairment loss on trade receivables		**36,011**	93,863	**-**	-
Interest expense		**1,325,933**	1,217,772	**-**	-
Property, plant and equipment written off		**-**	4,643	**-**	132
Gain on disposal of property, plant and equipment		**(11,018,251)**	-	**-**	-
Interest income		**(184,888)**	(268,249)	**(666,471)**	(381,935)
Reversal of impairment loss on trade receivables		**(3,600)**	(2,076)	**-**	-
Share of result of an associate		**(300,899)**	(86,046)	**-**	-
Operating profit before working capital changes		**5,653,927**	5,419,224	**1,388,394**	1,826,592
Change in working capital:					
Increase in inventories		**(8,513,394)**	(4,789,043)	**-**	-
(Increase)/Decrease in receivables		**(4,629,675)**	(6,164,982)	**(3,774)**	24,344
Increase in payables		**8,678,278**	1,604,471	**411,531**	62,842
Cash generated from/(used in) operations		**1,189,136**	(3,930,330)	**1,796,151**	1,913,778
Tax paid		**(1,154,889)**	(1,251,694)	**(152,673)**	(73,804)
Tax refunded		**1,420,716**	-	**-**	-
Interest received		**184,888**	268,249	**666,471**	381,935
Net cash from/(used in) operating activities, balance carried down		**1,639,851**	(4,913,775)	**2,309,949**	2,221,909

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013
cont'd

		Group		Company	
		2013	2012	2013	2012
	Note	RM	RM	RM	RM
Balance brought down		**1,639,851**	(4,913,775)	**2,309,949**	2,221,909
Cash Flows from Investing Activities					
Advances to subsidiaries		**-**	-	**(754,643)**	(6,898,912)
Capital work-in-progress incurred	10	**(173,290)**	(1,741)	**-**	-
Proceeds from disposal of property, plant and equipment		**15,067,610**	-	**-**	-
Purchase of property, plant and equipment	10	**(1,159,665)**	(578,687)	**(2,010)**	(20,412)
Subscription of shares in subsidiaries		**-**	-	**-**	(1,050,000)
Net cash from/(used in) investing activities		**13,734,655**	(580,428)	**(756,653)**	(7,969,324)
Cash Flows from Financing Activities					
Net drawdown of bankers' acceptances and trust receipts		**1,521,366**	6,510,222	**-**	-
Drawdown of bank borrowings		**-**	1,046,098	**-**	-
Subscription of shares by non-controlling shareholders		**-**	350,000	**-**	-
Repayment of term loans		**(18,816)**	(2,409,806)	**-**	-
Payment of finance lease		**(711,149)**	(433,065)	**-**	-
Advances from subsidiaries		**-**	-	**7,568,151**	2,311,209
Dividend paid		**(960,000)**	(1,920,000)	**(960,000)**	(1,920,000)
Interest paid		**(1,325,933)**	(1,217,772)	**-**	-
Net cash (used in)/from financing activities		**(1,494,532)**	1,925,677	**6,608,151**	391,209
Net increase/(decrease) in cash and cash equivalents, balance carried down		**13,879,974**	(3,568,526)	**8,161,447**	(5,356,206)
Cash and cash equivalents at beginning of the financial year		**8,910,258**	12,478,784	**3,583,983**	8,940,189
Cash and cash equivalents at end of the financial year	19	**22,790,232**	8,910,258	**11,745,430**	3,583,983

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 2012

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 10 April 2014.

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 ("MFRS"), 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 2013
cont'd

2. BASIS OF PREPARATION *cont'd*

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

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

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

<u>New MFRSs</u>

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement

<u>Revised MFRSs</u>

MFRS 119	Employee Benefits
MFRS 127	Separate Financial Statements
MFRS 128	Investments in Associates and Joint Ventures

<u>Amendments/Improvements to MFRSs</u>

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 7	Financial Instruments: Disclosures
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 101	Presentation of Financial Statements
MFRS 116	Property, Plant and Equipment
MFRS 132	Financial Instruments: Presentation
MFRS 134	Interim Financial Reporting

<u>New IC Int</u>

IC Int 20	Stripping Costs in the Production Phase of a Surface Mine

<u>Amendments to IC Int</u>

IC Int 2	Members' Shares in Co-operative Entities & Similar Instruments

The adoption of the above new and revised MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int do not have any significant effect on the financial statements of the Group and of the Company except for those as discussed below:

MFRS 10 Consolidated Financial Statements and MFRS 127 Separate Financial Statements (Revised)

MFRS 10 replaces the consolidation part of the former MFRS 127 Consolidated and Separate Financial Statements. The revised MFRS 127 will deal only with accounting for investment in subsidiaries, joint controlled entities and associates in the separate financial statements of an investor and require the entity to account for such investments either at cost, or in accordance with MFRS 139 *Financial Instruments: Recognition and Measurement*.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013
cont'd

2. BASIS OF PREPARATION *cont'd*

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

(i) Adoption of New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Int and Amendments to IC Int cont'd

MFRS 10 Consolidated Financial Statements and MFRS 127 Separate Financial Statements (Revised) cont'd

MFRS 10 brings about convergence between MFRS 127 and IC Int 12 Consolidation- Special Purpose Entities, which interprets the requirements of MFRS 10 in relation to special purpose entities. MFRS 10 introduces a new single entity control model to identify a parent-subsidiary relationship by specifying that "an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee". It provides guidance on situations when control is difficult to assess such as those where the investor has control over specific assets of the entity, or where the investee entity is designed in such a manner where voting rights are not the dominant factor in determining control.

The Group adopted MFRS 10 in the current financial year. This resulted in changes to the accounting policies as disclosed in Note 3(a). The adoption of MFRS 10 has no significant impact to the financial statements of the Group.

MFRS 12 Disclosures of Interests in Other Entities

MFRS 12 is a single disclosure standard for interests in subsidiaries, jointly controlled entities, associates and unconsolidated structured entities. The disclosure requirements in this MFRS are aimed at providing standardized and comparable information that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's interests in other entities, and the effects of those interests on its financial position, financial performance and cash flows. The requirements in MFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries. MFRS 12 disclosures are provided in Note 11 and 12.

Amendments to MFRS 13 Fair Value Measurement

MFRS 13 defined fair value and sets out a framework for measuring fair value, and the disclosure requirements about fair value. This standard is intended to address the inconsistencies in the requirements for measuring fair value across different accounting standards. As defined in this standard, fair value is the price that would be received to sell participants at the measurement date. As a result of the guidance in MFRS 13, the Group reassessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair values measurement of liabilities.

Application of MFRS 13 has not materially impacted the fair value measurements of the Group. MFRS 13 requires more extensive disclosures. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 30(b)(iv).

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013
cont'd

2. BASIS OF PREPARATION *cont'd*

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

(i) Adoption of New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Int and Amendments to IC Int *cont'd*

Amendments to MFRS 101 Presentation of Financial Statements

The amendments to MFRS 101 introduces a grouping of items presented in other comprehensive income. Items that will reclassified to profit or loss at future point in time have to be presented separately from items that will not be reclassified.

The amendments also introduce new terminology, whose use is not mandatory, for the statement of comprehensive and income statement. Under the amendments, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'.

The above amendments affect presentation only and have no impact on the Group's financial position or performance.

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

The Group and the Company have not adopted the following new MFRS, amendments/ improvements to MFRSs, and new IC Int 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 MFRS</u>		
MFRS 9	Financial Instruments	To be announced by the MASB
<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 7	Financial Instruments: Disclosures	Applies when MFRS 9 is applied
MFRS 8	Operating segments	1 July 2014
MFRS 9	Financial Instruments	To be announced by the MASB
MFRS 10	Consolidated Financial Statements	1 January 2014
MFRS 12	Disclosure of Interests in Other Entities	1 January 2014
MFRS 13	Fair Value Measurement	1 July 2014

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013
cont'd

2. BASIS OF PREPARATION *cont'd*

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

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

		Effective for financial periods beginning on or after
Amendments/Improvements to MFRSs		
MFRS 116	Property, Plant and Equipment	1 July 2014
MFRS 119	Employee Benefits	1 July 2014
MFRS 124	Related Party Disclosures	1 July 2014
MFRS 127	Separate Financial Statements	1 January 2014
MFRS 132	Financial Instruments: Presentation	1 January 2014
MFRS 136	Impairment of Assets	1 January 2014
MFRS 138	Intangible Assets	1 July 2014
MFRS 139	Financial Instruments: Recognition and Measurement	1 January 2014
MFRS 139	Financial Instruments: Recognition and Measurement	Applies when MFRS 9 is applied
MFRS 140	Investment Property	1 July 2014
New IC Int		
IC Int 21	Levies	1 January 2014

A brief discussion on the above significant new MFRS, amendments/improvements to MFRSs and new IC Int 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 specifies how an entity should classify and measure financial assets and financial liabilities.

This standard requires all financial assets to be classified based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial asset. Financial assets are to be initially measured at fair value. Subsequent to initial recognition, depending on the business model under which these assets are acquired, they will be measured at either fair value or at amortised cost.

In respect of the financial liabilities, the requirements are generally similar to the former MFRS 139. However, this standard requires that for financial liabilities designated as at fair value through profit or loss, changes in fair value attributable to the credit risk of that liability are to be presented in other comprehensive income, whereas the remaining amount of the change in fair value will be presented in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013
cont'd

2. BASIS OF PREPARATION *cont'd*

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

(ii) New MFRS, Amendments/Improvements to MFRSs and New IC Int 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 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 8 Operating Segments

Amendments to MFRS 8 requires an entity to disclose the judgements made by management in applying the aggregation 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 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 132 Financial Instruments: Presentation

Amendments to MFRS 132 does not change the current offsetting model in MFRS 132. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off', that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. The amendments clarify that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

Amendments to MFRS 136 Impairment of Assets

Amendments to MFRS 136 clarifies that disclosure of the recoverable amount (based on fair value less costs of disposal) of an asset or cash generating unit is required to be disclosed only when an impairment loss is recognised or reversed. In addition, there are new disclosure requirements about fair value measurement when impairment or reversal of impairment is recognised.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013
cont'd

2. BASIS OF PREPARATION *cont'd*

(c) Basis of Measurement

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

(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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013
cont'd

2. BASIS OF PREPARATION *cont'd*

(e) Significant Accounting Estimates and Judgements *cont'd*

(v) Annual testing for impairment of 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(a) Basis of Consolidation *cont'd*

(ii) Business Combinations *cont'd*

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(a) Basis of Consolidation *cont'd*

(v) Associates *cont'd*

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(b) Foreign Currency *cont'd*

(i) Foreign Currency Transactions *cont'd*

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.

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(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.

(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).

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(f) Borrowing Costs

Borrowing costs are capitalised as part of a 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(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

The residual value, useful live 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(i) Impairment of Non-Financial Assets *cont'd*

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.

(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. Loans and receivables comprise trade and other receivables including deposits and amounts due from subsidiaries and cash and bank balances.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(k) Financial Assets *cont'd*

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
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cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(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.

(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 33, including the factors used to identify the reportable segments and the measurement basis of segment information.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013
cont'd

4. REVENUE

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Dividend income	-	-	900,000	1,900,000
Management fee	-	-	1,881,810	380,880
Rental income	16,100	12,600	947,300	943,800
Sale of goods	92,817,562	83,312,273	-	-
	92,833,662	83,324,873	3,729,110	3,224,680

5. COST OF SALES

	Group	
	2013	2012
	RM	RM
Cost of production	31,416,952	28,019,533
Cost of trading goods sold	48,030,110	43,621,802
	79,447,062	71,641,335

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013
cont'd

6. PROFIT BEFORE TAX

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

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**
Auditors' remuneration				
- Statutory audit	**119,500**	107,000	**40,000**	35,000
- Other services by auditors of the Company	**9,000**	5,000	**9,000**	5,000
Depreciation of property, plant and equipment	**1,755,781**	1,418,202	**131,595**	131,192
Employee benefits expense (including key management personnel)				
- Contribution to defined contribution plan	**656,851**	502,876	**198,117**	98,515
- Salaries, allowance and bonus	**6,701,763**	4,956,298	**1,651,260**	828,212
- Other employee benefits	**255,679**	224,470	**5,787**	1,146
Impairment loss on trade receivables	**36,011**	93,863	**-**	-
Rental expense	**475,108**	245,800	**-**	-
Interest expense				
- Banker acceptances interest	**1,155,483**	1,039,518	**-**	-
- Bank overdraft interest	**23,380**	21,825	**-**	-
- Term loan interest	**-**	37,355	**-**	-
- Term loan interest - overprovision	**(1,322)**	-	**-**	-
- Finance lease interest	**148,392**	119,074	**-**	-
Property, plant and equipment written off	**-**	4,643	**-**	132
Bad debts recovered	**(209,025)**	-	**-**	-
Interest income:				
- deposits with licensed banks	**(124,176)**	(127,703)	**(107,687)**	(127,703)
- associate	**(60,712)**	(140,546)	**-**	-
- subsidiary	**-**	-	**(558,784)**	(254,232)
Gain on foreign exchange - realised	**(117,041)**	(6,650)	**-**	-
Gain on disposal of property, plant and equipment	**(11,018,251)**	-	**-**	-
Reversal of impairment loss on trade receivables	**(3,600)**	(2,076)	**-**	-

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7. DIRECTORS' REMUNERATION

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**
Executive:				
- Other emoluments	**1,459,500**	1,058,000	**1,443,500**	818,000
Total executive directors' remuneration	**1,459,500**	1,058,000	**1,443,500**	818,000
Non-executive:				
- Fees	**114,000**	97,200	**114,000**	97,200
- Other emoluments	**9,000**	9,000	**9,000**	9,000
Total non-executive directors' remuneration	**123,000**	106,200	**123,000**	106,200
Total directors' remuneration	**1,582,500**	1,164,200	**1,566,500**	924,200

The estimated monetary value of benefits-in-kind received and receivable by directors of the Company from the Group and the Company amounted to RM23,700 (2012: RM34,175).

8. INCOME TAX EXPENSE

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**
Current tax:				
Malaysian income tax:				
Current financial year	**784,408**	789,520	**295,944**	79,900
Under provision in prior financial year	**24,463**	27,831	**17,772**	7,906
	808,871	817,351	**313,716**	87,806
Deferred tax (Note 14):				
Origination and reversal of temporary differences	**(21,385)**	16,928	**5,720**	19,300
Over provision in prior financial year	**(10,227)**	(9,537)	**-**	(12,700)
	(31,612)	7,391	**5,720**	6,600
Income tax expense recognised in profit or loss	**777,259**	824,742	**319,436**	94,406

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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	
	2013	2012	2013	2012
	RM	RM	RM	RM
Profit before tax	14,043,840	3,041,115	1,923,270	2,077,203
Tax at the Malaysian statutory income tax rate of 25%	3,511,000	760,300	480,800	519,300
Tax effect on non-deductible expenses	92,580	67,659	47,464	54,900
Effect of changes in tax rate	6,000	-	(1,600)	-
Tax effect on non-taxable income	(2,752,584)	-	(225,000)	(475,000)
Deferred tax assets recognised during the financial year	(18,710)	-	-	-
Tax effect on share of results of an associate	(75,263)	(21,511)	-	-
Under/(Over) provision in prior financial year				
- current tax	24,463	27,831	17,772	7,906
- deferred tax	(10,227)	(9,537)	-	(12,700)
Income tax expense recognised in profit or loss	777,259	824,742	319,436	94,406

Domestic income tax is calculated at the Malaysian statutory income tax rate of 25% (2012: 25%) of the estimated assessable profit for the financial year. The domestic statutory tax rate will be reduced to 24% from the current year's rate of 25% with effect from year of assessment 2016. The computation of deferred tax as at 31 December 2013 has reflected these changes.

The Group has estimated tax loss carry-forwards of RM1,184,780 (2012: RM1,185,400), capital allowances carry-forward of RM401,336 (2012: RM434,300) and reinvestment allowances carry-forward of RM2,749,472 (2012: RM2,625,500), 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 RM13,167,215 (2012: RM2,088,150) by the weighted average number of ordinary shares in issue during the financial year of 96,000,000 (2012: 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

Group	Freehold land	Buildings	Electrical installation	Plant and machinery and factory equipment	Electrical equipment, furniture and fittings, and office equipment	Motor vehicles	Computers	Renovation	Capital work-in-progress	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Cost										
At 1 January 2012	5,966,362	6,333,121	113,153	8,324,329	790,077	2,161,673	408,258	430,763	1,000,227	25,527,963
Additions	-	-	-	519,735	60,235	202,100	67,917	-	1,741	851,728
Written off	-	-	-	(12,185)	(305,725)	-	(49,115)	-	-	(367,025)
Reclassification	-	-	-	995,267	-	-	-	-	(995,267)	-
At 31 December 2012/ 1 January 2013	5,966,362	6,333,121	113,153	9,827,146	544,587	2,363,773	427,060	430,763	6,701	26,012,666
Additions	-	-	-	1,747,620	112,198	658,749	58,898	-	173,290	2,750,755
Disposals	(3,984,641)	-	-	(107,249)	(79,752)	-	(13,140)	-	-	(4,184,782)
Reclassification	-	-	-	6,701	-	-	-	-	(6,701)	-
At 31 December 2013	**1,981,721**	**6,333,121**	**113,153**	**11,474,218**	**577,033**	**3,022,522**	**472,818**	**430,763**	**173,290**	**24,578,639**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013
cont'd

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

Group	Freehold land	Buildings	Electrical installation	Plant and machinery and factory equipment	Electrical equipment, furniture and fittings, and office equipment	Motor vehicles	Computers	Renovation	Capital work-in-progress	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Accumulated depreciation										
At 1 January 2012	-	1,110,507	79,811	4,192,325	621,675	1,634,552	348,839	430,743	-	8,418,452
Charge for the financial year	-	126,662	8,335	936,102	61,272	192,758	93,073	-	-	1,418,202
Disposals	-	-	-	(7,779)	(305,548)	-	(49,055)	-	-	(362,382)
At 31 December 2012/1 January 2013	-	1,237,169	88,146	5,120,648	377,399	1,827,310	392,857	430,743	-	9,474,272
Charge for the financial year	-	126,663	8,334	1,167,668	65,266	324,507	63,343	-	-	1,755,781
Disposals	-	-	-	(91,759)	(30,529)	-	(13,135)	-	-	(135,423)
Reclassification	-	-	-	92	(93)	-	1	-	-	-
At 31 December 2013	-	1,363,832	96,480	6,196,649	412,043	2,151,817	443,066	430,743	-	11,094,630
Net carrying amount										
At 31 December 2012	5,966,362	5,095,952	25,007	4,706,498	167,188	536,463	34,203	20	6,701	16,538,394
At 31 December 2013	**1,981,721**	**4,969,289**	**16,673**	**5,277,569**	**164,990**	**870,705**	**29,752**	**20**	**173,290**	**13,484,009**

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
	RM	RM	RM	RM	RM	RM	RM	RM	RM
Cost									
At 1 January 2012	1,981,721	6,333,121	29,810	255,400	334,470	66,325	8,800	393,217	9,402,864
Additions	-	-	-	-	20,412	-	-	-	20,412
Written off	-	-	-	-	(246,708)	-	-	-	(246,708)
At 31 December 2012/ 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	1,981,721	6,333,121	29,810	255,400	110,184	66,325	8,800	393,217	9,178,578
Accumulated depreciation									
At 1 January 2012	-	1,110,507	29,806	255,398	332,664	66,324	8,797	393,200	2,196,696
Charge for the financial year	-	126,662	-	-	4,530	-	-	-	131,192
Written off	-	-	-	-	(246,576)	-	-	-	(246,576)
At 31 December 2012/ 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	-	1,363,832	29,806	255,398	95,550	66,324	8,797	393,200	2,212,907
Net carrying amount									
At 31 December 2012	1,981,721	5,095,952	4	2	17,556	1	3	17	7,095,256
At 31 December 2013	**1,981,721**	**4,969,289**	**4**	**2**	**14,634**	**1**	**3**	**17**	**6,965,671**

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

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

During the financial year, the Group and the Company acquired property, plant and equipment with aggregate cost of RM2,750,755 (2012: RM851,728) and RM2,010 (2012: RM20,412) respectively which are satisfied as follows:-

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**
Cash payments	**1,332,955**	580,428	**2,010**	20,412
Finance lease arrangement	**1,417,800**	271,300	**-**	-
	2,750,755	851,728	**2,010**	20,412

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	
	2013	**2012**
	RM	**RM**
Net carrying amount		
Plant and machinery	**1,442,740**	1,061,384
Motor vehicles	**832,992**	533,980
	2,275,732	1,595,364

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	
	2013	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**
Freehold land	**1,981,721**	5,966,362	**1,981,721**	1,981,721
Buildings	**4,969,289**	5,095,952	**4,969,289**	5,095,952
	6,951,010	11,062,314	**6,951,010**	7,077,673

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013
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11. INVESTMENT IN SUBSIDIARIES

	Company 2013 RM	Company 2012 RM
Unquoted shares, at cost:		
At 1 January	**32,975,004**	31,925,004
Additions	**-**	1,050,000
At 31 December	**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 2013	Proportion of Ownership Interest/ Voting Rights 2012
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, rigging accessories and components	Malaysia	**100%**	100%
Three & Three Hardware Sdn. Bhd.	Sales and marketing of secondary stainless 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 and trading of all kinds of 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 firm of auditors other than Baker Tilly AC.*

NOTES TO THE FINANCIAL STATEMENTS
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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. RM	Koseng Sdn. Bhd. RM	Total RM
2013			
NCI proportion of ownership interest and voting interest	**25%**	**25%**	
Carrying amount of NCI	**400,389**	**315,214**	**715,603**
Profit allocated of NCI	**45,549**	**53,817**	**99,366**
2012			
NCI proportion of ownership interest and voting interest	25%	25%	
Carrying amount of NCI	354,840	261,397	616,237
Profit allocated to NCI	116,826	11,397	128,223

(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
2013		
Assets and liabilities		
Non-current assets	**642,553**	**288,921**
Current assets	**21,030,499**	**9,939,184**
Non-current liabilties	**(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**

NOTES TO THE FINANCIAL STATEMENTS
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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
2012		
Assets and liabilities		
Non-current assets	322,583	44,965
Current assets	10,623,728	3,316,807
Non-current liabilties	(149,953)	(2,418)
Current liabilities	(9,376,999)	(2,313,765)
Net assets	1,419,359	1,045,589
Results		
Revenue	9,805,168	3,112,918
Profit for the financial year	467,303	45,589
Total comprehensive income	467,303	45,589
Cash flows from/(used in) operating activities	228,737	(733,858)
Cash flows used in investing activities	(163,684)	(68,343)
Cash flows from financing activities	367,481	1,000,000
Net increase in cash and cash equivalents	432,534	197,799

12. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Unquoted shares, at cost	**820,000**	820,000	**820,000**	820,000
Share of post-acquisition reserves	**2,161,581**	1,860,682	**-**	-
	2,981,581	2,680,682	**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 2013	2012
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, quaries 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:-

	2013 RM	2012 RM
Assets and liabilities		
Non-current assets	**147,906**	301,199
Current assets	**14,680,768**	14,306,348
Non-current liabilities	**(53,020)**	(286,560)
Current liabilities	**(8,645,503)**	(8,844,916)
Net assets	**6,130,151**	5,476,071
Non-controlling interests	**166,989**	148,515
Results		
Revenue	**19,316,136**	20,812,137
Profit for the financial year/Total comprehensive income	**654,080**	172,092
Profit for the financial year/Total comprehensive income attributable to owners of associate	**635,606**	154,259

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

	2013 RM	2012 RM
2013		
Group's share of net assets	**2,981,581**	2,680,682
Share of results of the Group for the financial year ended 31 December 2013		
Share of results of the Group	**300,899**	86,046

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13. GOODWILL

	Group	
	2013	**2012**
	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 7.35% (2012: 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, staff costs, depreciation and amortisation, and other operating expenses. The value assigned to the key assumption reflects past experience and management's commitment to maintain the operating expenses to an acceptable level.
Discount rates	:	in determining appropriate discount rates, consideration has been given to applicable borrowing rates.

No impairment loss was required for the goodwill assessed as its recoverable value was in excess of its carrying amount (2012: RM Nil).

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.

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14. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**
Group				
Deferred tax assets				
At 1 January	**666,883**	665,256	**-**	-
Recognised in profit or loss	**34,914**	1,627	**-**	-
At 31 December	**701,797**	666,883	**-**	-
Deferred tax liabilities				
At 1 January	**(106,518)**	(97,500)	**(104,100)**	(97,500)
Recognised in profit or loss	**(3,302)**	(9,018)	**(5,720)**	(6,600)
At 31 December	**(109,820)**	(106,518)	**(109,820)**	(104,100)

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

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**
Deferred tax assets				
Unabsorbed capital allowances	**100,334**	108,575	**-**	-
Unutilised tax losses	**296,195**	296,350	**-**	-
Unutilised reinvestment allowances	**687,369**	656,400	**-**	-
Difference between the carrying amounts of property, plant and equipment and their tax base	**(382,101)**	(394,442)	**-**	-
	701,797	666,883	**-**	-
Deferred tax liabilities				
Difference between the carrying amounts of property, plant and equipment and their tax base	(109,820)	(106,518)	(109,820)	(104,100)

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.

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15. INVENTORIES

	Group	
	2013	**2012**
	RM	**RM**
At cost,		
Raw materials	**4,519,865**	2,479,344
Work-in-progress	**1,638,920**	851,604
Finished goods	**3,370,335**	1,576,689
Consumables	**484,861**	293,871
Packing materials	**79,005**	59,351
Trading goods	**29,452,477**	25,771,210
	39,545,463	31,032,069

During the financial year, the cost of inventories recognised as an expense in cost of sales of the Group is RM79,447,062 (2012: RM71,641,335).

16. TRADE RECEIVABLES

	2013	**2012**
	RM	**RM**
Group		
External parties	**37,518,995**	32,473,755
Amount due from an associate	**1,577,603**	2,549,900
	39,096,598	35,023,655
Less: Allowance for impairment	**(249,304)**	(216,893)
Trade receivables, net	**38,847,294**	34,806,762

(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 10% per annum (2012: 10% per annum).

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16. TRADE RECEIVABLES *cont'd*

(b) Ageing analysis of trade receivables

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

	2013 RM	2012 RM
Group		
Neither past due nor impaired	**33,293,562**	31,660,130
1 to 30 days past due not impaired	**1,475,808**	1,754,593
31 to 60 days past due not impaired	**485,316**	599,889
61 to 90 days past due not impaired	**638,630**	313,675
91 to 120 days past due not impaired	**500,851**	212,300
More than 120 days past due not impaired	**2,453,127**	266,175
	5,553,732	3,146,632
Impaired	**249,304**	216,893
	39,096,598	35,023,655

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 RM5,553,732 (2012: RM3,146,632) 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.

Receivables that are impaired
The Group has trade receivables that are impaired at the reporting date amounting to RM249,304 (2012: RM216,893) of which are individually impaired and the nominal amounts and the allowance for impairment are the same.

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16. TRADE RECEIVABLES *cont'd*

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

Movement in allowance accounts:-

	Group	
	2013	**2012**
	RM	**RM**
At 1 January	**216,893**	174,560
Charge for the financial year (Note 6)	**36,011**	93,863
Reversal (Note 6)	**(3,600)**	(2,076)
Written off	**-**	(49,454)
At 31 December	**249,304**	216,893

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	
	2013	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**
Other receivables	**101,809**	96,919	**84,400**	84,988
Refundable deposits	**119,133**	218,623	**18,070**	37,350
Downpayment to suppliers	**510,990**	-	**-**	-
Prepayments	**310,298**	169,956	**23,642**	-
	1,042,230	485,498	**126,112**	122,338

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 RM17,249 (2012: RM11,909) due from related party. Related party is a subsidiary of associate company.

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18. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

		2013 RM	2012 RM
Amount due from subsidiaries			
Company			
Trade	(a)	**986,390**	455,380
Non-trade	(b)	**8,557,911**	8,334,278
		9,544,301	8,789,658

(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 RM6,899,564 (2012: RM3,650,054) which bear interest at rate of 8.1% (2012: 8.1%) per annum.

19. CASH AND BANK BALANCES

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Deposits with licensed banks (Islamic)	**8,209,472**	354,508	**8,209,472**	354,508
Deposits with licensed banks	**7,019,887**	3,175,204	**3,007,368**	3,175,204
Cash and bank balances	**7,560,873**	5,380,546	**528,590**	54,271
Cash and cash equivalents	**22,790,232**	8,910,258	**11,745,430**	3,583,983

The average maturity of deposits with licensed banks for the Group and the Company as at the financial year end is 59 days (2012: 78 days) and 72 days (2012: 78 days) respectively. The weighted average effective interest rate as at 31 December 2013 for the Group and the Company is 3.08% (2012: 3.03%) per annum.

As disclosed in Note 31(c), 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	
	2013	2012	2013	2012
			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)

	2013	2012
	RM	RM
Group		
Current		
Bankers' acceptances (Islamic)	**22,875,393**	19,045,196
Bankers' acceptances	**4,335,000**	6,509,000
Finance lease payables (Note 24)	**857,581**	536,588
Trust receipts	**-**	134,831
Term loans	**-**	18,816
	28,067,974	26,244,431

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

	2013 RM	2012 RM
Group		
Non-current		
Finance lease payables (Note 24)	**1,699,470**	1,313,812
Total borrowings:		
Bankers' acceptances (Islamic)	**22,875,393**	19,045,196
Bankers' acceptances	**4,335,000**	6,509,000
Finance lease payables (Note 24)	**2,557,051**	1,850,400
Trust receipts	**-**	134,831
Term loans	**-**	18,816
	29,767,444	27,558,243

Term loan of RM18,816 as at 31 December 2012 has been fully settled during current financial year. It was repayable by way of 180 monthly instalments of RM22,184 for the 1st year effective from date of first drawdown of the term loan. Subsequently, by successive monthly instalments of RM24,300 each for the 2nd year and RM24,461 each for 3rd year. Thereafter by successive monthly instalment of RM27,057 each until full settlement of the term loan. This term loan was secured and supported as follows:

(a) legal charge over the freehold land of the Group (Note 10); and
(b) corporate guarantee by the Company

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;
(b) corporate guarantee by the Company;
(c) negative pledge over assets of certain subsidiary.

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

	2013	2012
	% per annum	
Group		
Bankers' acceptances	**3.22 - 3.59**	2.98 - 3.48
Trust receipts	**-**	6.60
Term loans	**-**	7.35

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24. FINANCE LEASE PAYABLES

	Group	
	2013	**2012**
	RM	**RM**
Future minimum lease payments	**2,848,249**	2,103,584
Less: Future finance charges	**(291,198)**	(253,184)
Total present value minimum lease payments	**2,557,051**	1,850,400
Payable within 1 year		
Future minimum lease payments	**1,001,324**	651,727
Less: Future finance charges	**(143,743)**	(115,139)
Present value of minimum lease payments	**857,581**	536,588
Payable more than 1 year but not more 5 years		
Future minimum lease payments	**1,819,472**	1,446,867
Less: Future finance charges	**(145,197)**	(137,979)
Present value of minimum lease payments	**1,674,275**	1,308,888
Payable more than 5 years		
Future minimum lease payments	**27,453**	4,990
Less: Future finance charges	**(2,258)**	(66)
Present value of minimum lease payments	**25,195**	4,924
Total present value minimum lease payments	**2,557,051**	1,850,400

The finance lease payables of the Group bear interest at rates ranging from 2.82% - 7.13% per annum (2012: 4.24% - 7.13% per annum).

25. TRADE PAYABLES

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

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26. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**
Deposits	**5,002**	48,200	**50,600**	48,200
Other payables	**921,681**	937,403	**88,159**	83,021
Downpayment from customer	**5,035,200**	-	**-**	-
Accruals	**3,771,703**	1,876,293	**718,619**	314,626
	9,733,586	2,861,896	**857,378**	445,847

Included in other payables of the Group and of the Company is an amount of RM4,762 (2012: RM4,762) and RM13 (2012: RM13) respectively due to certain directors of the Group.

27. DIVIDEND

	Group/Company	
	2013	**2012**
	RM	**RM**
First and final dividend of 2 sen per share single-tier in respect of financial year ended 31 December 2011	**-**	1,920,000
First and final dividend of 1 sen per share single-tier in respect of financial year ended 31 December 2012	**960,000**	-

In addition, the Directors have also proposed a single-tier first and final dividend of 1 sen per share amounting to RM960,000 and a special single-tier dividend of 2.95 sen per share amounting to RM2,832,000 in respect of financial year ended 31 December 2013 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 2014.

28. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 30 April 2013, K. Seng Seng Industries Sdn. Bhd., a wholly-owned subsidiary of the Company entered into a conditional sale and purchase agreement with Wong Choon Wah, Wong Choon Wai and Wong Mei Ling to dispose off a parcel of freehold vacant industrial land held under Geran 129558, Lot 11431, Mukim Setul, Daerah Seremban, Negeri Sembilan, for a total cash consideration of RM15,447,979. The disposal transaction was completed during the financial year.

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29. 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	
	2013	2012
	RM	RM
Subsidiary of associate		
Sale of goods	**(2,369,792)**	(4,672,890)
Interest receivable	**(60,712)**	(140,546)

	Company	
	2013	2012
	RM	RM
Subsidiaries		
Interest receivable	**(558,784)**	(254,232)
Management fee	**(1,881,810)**	(380,880)
Rental of premises	**(931,200)**	(931,200)
Dividend received	**(900,000)**	(1,900,000)

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.

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29. RELATED PARTY DISCLOSURES *cont'd*

(c) Compensation of key management personnel *cont'd*

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

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**
Directors of the Company:				
Non-executive directors' fees and other emoluments	**123,000**	106,200	**123,000**	106,200
Short term employee benefits (including estimated monetary value of benefits-in-kind)	**1,483,200**	1,092,175	**1,467,200**	845,575
Post-employment benefits	**174,060**	126,000	**172,140**	97,200
	1,780,260	1,324,375	**1,762,340**	1,048,975

30. 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	**Loans and receivables**	**Total**
2013	**RM**	**RM**
Financial assets		
Trade receivables	**38,847,294**	**38,847,294**
Other receivables and deposits	**731,932**	**731,932**
Cash and bank balances	**22,790,232**	**22,790,232**
	62,369,458	**62,369,458**

	Financial liabilities at amortise cost	**Total**
	RM	**RM**
Financial liabilities		
Trade payables	**6,834,568**	**6,834,568**
Other payables and accruals	**4,698,386**	**4,698,386**
Bank borrowings	**29,767,444**	**29,767,444**
	41,300,398	**41,300,398**

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30. 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	**Loans and receivables**	**Total**
2012	**RM**	**RM**
Financial assets		
Trade receivables	34,806,762	34,806,762
Other receivables and deposits	315,542	315,542
Cash and bank balances	8,910,258	8,910,258
	44,032,562	44,032,562

	Financial liabilities at amortise cost	**Total**
	RM	**RM**
Financial liabilities		
Trade payables	5,027,980	5,027,980
Other payables and accruals	2,861,896	2,861,896
Bank borrowings	27,558,243	27,558,243
	35,448,119	35,448,119

Company	**Loans and receivables**	**Total**
2013	**RM**	**RM**
Financial assets		
Other receivables, deposits and prepayments	**102,470**	**102,470**
Amount due from subsidiaries	**9,544,301**	**9,544,301**
Cash and bank balances	**11,745,430**	**11,745,430**
	21,392,201	**21,392,201**

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30. 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	**Financial liabilities at amortise cost**	**Total**
2013	**RM**	**RM**
Financial liabilities		
Other payables and accruals	**857,378**	**857,378**
Amount due to subsidiairies	**10,766,743**	**10,766,743**
	11,624,121	**11,624,121**

	Loans and receivables	**Total**
2012	**RM**	**RM**
Financial assets		
Other receivables, deposits and prepayments	122,338	122,338
Amount due from subsidiaries	8,789,658	8,789,658
Cash and bank balances	3,583,983	3,583,983
	12,495,979	12,495,979

	Financial liabilities at amortise cost	**Total**
	RM	**RM**
Financial liabilities		
Other payables and accruals	445,847	445,847
Amount due to subsidiaries	3,198,592	3,198,592
	3,644,439	3,644,439

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30. FINANCIAL INSTRUMENTS *cont'd*

(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.

(iii) 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
2013		
Financial liabilities		
Finance lease payables	**2,557,051**	**2,601,991**
2012		
Financial liabilities		
Finance lease payables	1,850,400	1,933,212

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30. FINANCIAL INSTRUMENTS *cont'd*

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

(iv) 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)

During the financial years ended 31 December 2013 and 2012, there was no transfer between fair value measurement hierarchy.

Liabilities for which fair value is disclosed

	2013 RM	Level 1 RM	Level 2 RM	Level 3 RM
Financial lease payables	**2,601,991**	**-**	**2,601,991**	**-**

	2012 RM	Level 1 RM	Level 2 RM	Level 3 RM
Finance lease payables	1,933,212	-	1,933,212	-

31. 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.

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

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.

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			
	2013		2012	
	RM	% of total	RM	% of total
By country:				
Malaysia	**37,825,782**	**97**	33,665,475	96
Singapore	**173,281**	**1**	327,822	1
United Kingdom	**863,638**	**2**	770,549	2
Other countries	**233,897**	**-**	259,809	1
	39,096,598	**100**	35,023,655	100

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

(a) Credit risk *cont'd*

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 RM28,365,707 (2012: RM26,665,486) 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.

(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 RM27,210,393 (2012: RM25,707,843) expose the Group to cash flow interest rate risk whilst finance lease at fixed rate amounting to RM2,557,051 (2012: RM1,850,400), 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 (2012: 50) basis points higher/lower and all other variables were held constant, the Group's profits net of tax ended 31 December 2013 would decrease/increase by RM102,039 (2012: RM96,404) 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.

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

(c) Liquidity risk *cont'd*

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

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
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	-	-	-

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31. 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 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
2012						
Group						
Financial Liabilities:						
Trade payables	5,027,980	5,027,980	5,027,980	-	-	-
Other payables	2,861,896	2,861,896	2,861,896	-	-	-
Bankers' acceptances (Islamic)	19,045,196	19,231,847	19,231,847	-	-	-
Bankers' acceptances	6,509,000	6,559,818	6,559,818	-	-	-
Trust receipts	134,831	137,199	137,199			
Finance lease payables	1,850,400	2,103,584	651,727	641,523	805,344	4,990
Term loans	18,816	18,816	18,816	-	-	-
	35,448,119	35,941,140	34,489,283	641,523	805,344	4,990
Company						
Financial Liabilities						
Other payables	445,847	445,847	445,847	-	-	-
Amount due to a subsidiary	3,198,592	3,198,592	3,198,592	-	-	-
	3,644,439	3,644,439	3,644,439	-	-	-

(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 RM68,246 and RM181,617 (2012: RM220,818 and RM41,618) respectively for the Group.

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

(d) Foreign currency risk *cont'd*

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

	Group	
	2013	**2012**
	RM	**RM**
USD		
Trade payables	**(293,196)**	(612,161)
Trade receivables	**955,431**	866,666
Cash and bank balances	**68,246**	220,818
	730,481	475,323
SGD		
Trade payables	**(134,456)**	-
Trade receivables	**158,925**	104,453
Cash and bank balances	**181,617**	41,618
	206,086	146,071
BND		
Trade receivables	**118,392**	139,984
RMB		
Trade payables	**(827,813)**	-

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 and BND exchange rate against the functional currency of the Group, with all other variables held constant.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013
cont'd

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

(d) Foreign currency risk *cont'd*

		Group	
		2013	2012
		RM	RM
USD/RM	- strengthened 5% (2012: 5%)	**27,393**	17,825
	- weakened 5% (2012: 5%)	**(27,393)**	(17,825)
SGD/RM	- strengthened 2% (2012: 2%)	**3,091**	2,191
	- weakened 2% (2012: 2%)	**(3,091)**	(2,191)
BND/RM	- strengthened 2% (2012: 2%)	**1,776**	2,100
	- weakened 2% (2012: 2%)	**(1,776)**	(2,100)
RMB/RM	- strengthened 2% (2012: nil)	**(12,417)**	-
	- weakened 2% (2012: nil)	**12,417**	-

32. 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.

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, include term loans and finance lease. Total capital comprises total equity of the Group.

	Group	
	2013	2012
Total debts (RM)	**2,557,051**	1,869,216
Total equity (RM)	**73,368,099**	61,061,518
Total equity and debts (RM)	**75,925,150**	62,930,734
Gearing ratio %	**3%**	3%

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013
cont'd

33. 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.

	Stainless steel products RM	Marine hardware and consumable RM	Other industrial hardware RM	Investment holding RM	Engineering and servicing RM	Elimination RM	Total RM
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**
2012							
Revenue							
External revenue	33,115,651	31,270,043	9,421,390	12,600	9,505,189	-	83,324,873
Inter-segment revenue	20,736,687	1,973,843	2,138,925	-	299,979	(25,149,434)	-
Total segment revenue	53,852,338	33,243,886	11,560,315	12,600	9,805,168	(25,149,434)	83,324,873
Gross profit	3,225,931	5,016,609	1,317,711	12,600	2,110,687	-	11,683,538

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013
cont'd

33. SEGMENT INFORMATION *cont'd*

Information about geographical areas

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

	2013 RM	2012 RM
Malaysia	**87,225,897**	76,889,680
Singapore	**1,166,176**	2,301,749
Indonesia	**560,718**	189,545
United Kingdom	**3,548,728**	3,189,264
Thailand	**157,956**	439,496
Other countries	**174,187**	315,139
	92,833,662	83,324,873

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

Information about major customers

There is 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	
	2013	**2012**
	RM	**RM**
Total retained earnings of the Company and its subsidiaries		
- realised	**21,354,267**	9,380,197
- unrealised	**591,977**	560,365
	21,946,244	9,940,562
Total share of retained earnings from associate		
- realised	**2,161,204**	1,860,303
- unrealised	**377**	379
	24,107,825	11,801,244
Add: Consolidation adjustments	**30,032**	129,398
Total retained earnings of the Group	**24,137,857**	11,930,642

	Company	
	2013	**2012**
	RM	**RM**
Total retained earnings of the Company		
- realised	**1,918,151**	1,268,597
- unrealised	**(109,820)**	(104,100)
Total retained earnings	**1,808,331**	1,164,497

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 2012

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 2013 (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	6,546
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	76

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Ninth 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 Tuesday, 20 May 2014 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 2013 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 2% and a special single tier dividend of 5.9% for the financial year ended 31 December 2013. **Resolution 1**

3. To approve the payment of Directors' fees for the year ended 31 December 2013. **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:-

   Yap Siok Teng **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 **Resolution 4**

   (ii) Zainal Rashid bin Haji Mohd Eusoff **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 as at the date of this Annual General Meeting 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

8. RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS **Resolution 8**

"THAT the Company and/or its subsidiaries ('the Group') be and is/are hereby authorised to enter into all arrangements and/or transactions involving the interests of Directors, major shareholders or persons connected with Directors and/or major shareholders of the Group ('Related Parties') as specified in Section 2.2.1 of the Circular to Shareholders dated 28 April 2014 ('Circular'), provided that such arrangements and/or transactions are:

(i) recurrent transactions of a revenue or trading nature;
(ii) necessary for the Group's day-to-day operations;
(iii) carried out in the ordinary course of business on normal commercial terms not more favourable to the Related Parties than those generally available to the public; and
(iv) not detrimental to the minority shareholders

('Recurrent Related Party Transactions ("RRPT") Mandate');

AND THAT the RRPT Mandate, unless revoked or varied by the Company in general meeting, shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier;

AND THAT the Directors be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary or in the interest of the Company to give effect to the RRPT Mandate."

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

Subject to the approval of the shareholders, a first and final single tier dividend of 2% and a special single tier dividend of 5.9% for the financial year ended 31 December 2013 will be paid on 24 June 2014 to Depositors registered in the Record of Depositors at the close of business at 5.00 p.m. on 9 June 2014.

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 9 June 2014 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: 28 April 2014
Kuala Lumpur

NOTICE OF ANNUAL GENERAL MEETING
cont'd

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 14 May 2014. Only a depositor whose name appears on the Record of Depositors as at 14 May 2014 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.*

7. ***Explanatory Notes 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 23 May 2013.

Ordinary Resolution 8

This resolution is primarily to give flexibility to the Board of Directors to enter into recurrent related party transactions of revenue or trading nature with the Directors/Major Shareholders or persons connected with the Directors/Major Shareholders ("Renewal RRPT Mandate").

Further information of Renewal RRPT Mandate is contained in the Circular to Shareholders dated 28 April 2014.

ANALYSIS OF SHAREHOLDINGS
AS AT 17 APRIL 2014

Authorized 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 : 1,104

DISTRIBUTION OF SHAREHOLDINGS AS AT 17 APRIL 2014

Category	No. of Shareholders	No. of Shares	Percentage
Less than 100	5	200	0.00
100 – 1,000	160	90,400	0.10
1,001 – 10,000	446	2,913,000	3.03
10,001 – 100,000	420	16,247,600	16.92
100,001 – less than 5% of issued shares	71	23,948,800	24.95
5% and above of issued shares	2	52,800,000	55.00
Total	**1,104**	**96,000,000**	**100.00**

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 17 APRIL 2014

		Direct		Indirect	
No.	Names	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 17 APRIL 2014

		Direct		Indirect	
No.	Names	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 17 APRIL 2014
cont'd

LIST OF TOP 30 SHAREHOLDERS/DEPOSITORS AS AT 17 APRIL 2014

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.	CIMSEC NOMINEES (TEMPATAN) SDN BHD *- CIMB FOR LIM KA KIAN (PB)*	1,259,100	1.31
4.	BALAKRISNEN A/L SUBBAN	1,000,000	1.04
5.	CITIGROUP NOMINEES (ASING) SDN BHD *-EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-NR)*	1,000,000	1.04
6.	WONG SAU FANG	895,000	0.93
7.	GUO YONGJIN	828,000	0.86
8.	MAYBANK NOMINEES (TEMPATAN) SDN BHD *-PLEDGED SECURITIES ACCOUNT FOR LIAU SIONG KEE @ LIEW SIONG KEE*	810,000	0.84
9.	CHAN KEE SENG	800,000	0.83
10.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *-PLEDGED SECURITIES ACCOUNT FOR KOAY BOON BIOH (8121022)*	800,000	0.83
11.	LIM BOON TICK	721,000	0.75
12.	TSEN KET SHUNG @ KON SHUNG	714,400	0.74
13.	CHEONG POH LAN	700,000	0.73
14.	NG ALI CHUA @ NG AH CHUAH	700,000	0.73
15.	LIM SEE PENG	573,000	0.60
16.	YAK THYE PENG	500,000	0.52
17.	YAK TIONG LIEW	500,000	0.52
18.	RHB NOMINEES (TEMPATAN) SDN BHD *- OSK CAPITAL SDN BHD FOR YAP POH LEAN*	500,000	0.52
19.	RHB NOMINEES (TEMPATAN) SDN BHD *- OSK CAPITAL SDN BHD FOR LEE CHAN CHAR*	500,000	0.52
20.	MAYBANK SECURITIES NOMINEES (ASING) SDN BHD *- MAYBANK KIM ENG SECURITIES PTE LTD FOR LOW KOK*	500,000	0.52
21.	LEE CHOON MING	490,000	0.51
22.	CHIA AI CHUA	373,300	0.39
23.	WONG EE CHE	370,000	0.39
24.	INNOSIN SDN. BHD.	328,000	0.34
25.	LOO CHIENG PHAN	300,000	0.31
26.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD *-PLEDGED SECURITIES ACOUNT FOR FONG SILING (CEB)*	300,000	0.31
27.	TAILAMI A/P PALANIANDY	300,000	0.31
28.	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. *-CIMB BANK FOR TOH SU MEE (M73111)*	300,000	0.31
29.	AZAM DEVELOPER & CONSTRUCTION SDN. BHD.	290,000	0.30
30.	TAN LIAN CHOON	276,700	0.29
	TOTAL	69,428,500	72.29

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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 Twenty-Ninth 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 Tuesday, 20 May 2014 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				
Ordinary Resolution 2	–	To approve Directors' Fees				
Ordinary Resolution 3	–	Re-election of Director, Yap Siok Teng				
Special Resolution 4	–	Re-election of Director Koh Seng Kar @ Koh Hai Sew				
Special 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				
Ordinary Resolution 8	–	Renewal of shareholders' mandate for Recurrent Related Party Transactions				

(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 ____________ 2014

____

Signature/Common Seal

Notes

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 14 May 2014. Only a depositor whose name appears on the Record of Depositors as at 14 May 2014 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.*

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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