Annual Report 2012

(579572-M)

TEK SENG HOLDINGS BERHAD

CONTENTS

CORPORATE PROFILE

Tek Seng Holdings Berhad (“Tek Seng” or “the Company”) was incorporated in Malaysia under the Company Act, 1965 on 10 May 2002 as a private limited company under the name of Tek Seng Holdings Sdn. Bhd. On 16 May 2003, it was converted to a public limited company and assumed its present name. Tek Seng was listed on the Second Board of Bursa Malaysia Securities Berhad ("Bursa Securities") on 2 November 2004. On 22 September 2006, Tek Seng was successfully transferred from the Second Board to the Main Board of Bursa Securities.

Tek Seng is an investment holding company. Its subsidiaries are principally involved in the manufacturing and trading of PVC related and non-woven related products, the manufacturing, designing, developing, exporting, importing and sales of photovoltaic products, solar cells, solar panels, solar modules and solar related products and the letting of properties.

The Group has a track record of more than 30 years in the plastics industry with the late Loh Phah Seng @ Loh Boon Teik as the original founder until 1989, when Loh Kok Beng, his eldest son took over the management of the business.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Chairman
Mr. Loh Kok Beng

Managing Director
Mr. Loh Kok Cheng

Executive Director
Mdm. Loh Joo Eng

Independent Non-Executive Directors
Mr. Yeoh Aik Chuan
Dr. Kamarudin Bin Ngah
Mr. Mohamed Haniffah Bin S.M. Mydin

AUDIT COMMITTEE

Independent Non-Executive Director
Mr. Yeoh Aik Chuan (Chairman)

Independent Non-Executive Directors
Dr. Kamarudin Bin Ngah
Mr. Mohamed Haniffah Bin S.M. Mydin

REMUNERATING COMMITTEE

Independent Non-Executive Director
Dr. Kamarudin Bin Ngah (Chairman)

Independent Non-Executive Directors
Mr. Yeoh Aik Chuan
Mr. Mohamed Haniffah Bin S.M. Mydin

Executive Director
Mr. Loh Kok Beng

NOMINATING COMMITTEE

Independent Non-Executive Director
Mr. Mohamed Haniffah Bin S.M. Mydin (Chairman)

Independent Non-Executive Directors
Dr. Kamarudin Bin Ngah
Mr. Yeoh Aik Chuan

COMPANY SECRETARIES

Mr. Lee Peng Loon (MACS 01258)
Ms. P'ng Chiew Keem (MAICSA 7026443)

REGISTERED OFFICE

51-21-A, Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang
Telephone No : (04) 210 8833
Facsimile No : (04) 210 8831
Email : sec@corporatenet.my

SHARE REGISTRAR

Plantation Agencies Sdn. Berhad (2603-D)
3rd Floor, Standard Chartered Bank Chambers
Beach Street
10300 Penang
Telephone No : (04) 262 5333
Facsimile No : (04) 262 2018
Email : sharereg@plantationagencies.com.my

EXTERNAL AUDITORS

BDO (AF0206)
Chartered Accountants
51-21-F, Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang

PRINCIPAL BANKERS

AmBank (M) Berhad (295576-U)
Citibank Berhad (297089-M)
Hong Leong Bank Berhad (97141-X)
Malayan Banking Bhd (3813-K)
OCBC Bank (Malaysia) Berhad (295400-W)
Public Bank Berhad (6463-H)
Standard Chartered Bank Malaysia Berhad (115793-P)
United Overseas Bank (Malaysia) Bhd (271809-K)

SOLICITORS

Salina, Lim Kim Chuan & Co.
Advocate & Solicitor
(Corporate Division)
51-15-C2, Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Main Market
Stock Code : 7200

CORPORATE STRUCTURE

(42879-T)

TEK SENG SDN. BHD.
TRADING
100%

WANGSAGA®
(347584-P)

WANGSAGA INDUSTRIES SDN. BHD.
MANUFACTURING
100%

(233444-T)

DOUBLE GRADE NON-WOVEN INDUSTRIES SDN. BHD.
MANUFACTURING & LETTING OF PROPERTIES
100%

TEK SENG HOLDINGS BERHAD
(Company No. 579572-M)

Pelangi segi

(216849-M)

PELANGI SEGI SDN. BHD.
TRADING
100%

(920573-K)

TS SOLARTECH SDN. BHD.
MANUFACTURING 86.1%

DIRECTORS' PROFILE

Mr. Loh Kok Beng was appointed as a Director of Tek Seng on 16 August 2004. He is currently responsible for the Group financial and administrative affairs, and development of the strategic business plans for the Group.

He graduated from Han Chiang High School in 1984 with Sijil Pelajaran Malaysia and has approximately 28 years of working experience in the PVC based industry particularly in PVC calendaring, printing and lamination.

He sits on the Board of several private limited companies.

He is the brother of Mr. Loh Kok Cheng, a Director and major shareholder and Madam Loh Joo Eng, a Director of the Company. He does not have any conflict of interest in any business arrangement involving the Company except as disclosed in the Financial Statements.

He attended all four Board Meetings held during the financial year ended 31 December 2012.

MR. LOH KOK BENG
Malaysian, 47 years of age
Executive Chairman
Member of Remuneration Committee

MR. LOH KOK CHENG
Malaysian, 46 years of age
Managing Director

Mr. Loh Kok Cheng was appointed as a Director of Tek Seng on 16 August 2004.

He graduated from Chung Ling High School in 1985 and has 23 years of experience in plastics industry. He is responsible for the operations of sales and marketing divisions and expansion of the overseas market for the Group.

He sits on the Board of several private limited companies.

He is the brother of Mr. Loh Kok Beng, a Director and major shareholder and Madam Loh Joo Eng, a Director of the Company. He does not have any conflict of interest in any business arrangement involving the Company except as disclosed in the Financial Statements.

He attended three of the four Board Meetings held during the financial year ended 31 December 2012.

DIRECTORS' PROFILE (CONT'D)

Dr. Kamarudin Bin Ngah was appointed as a Director of Tek Seng on 16 August 2004.

He holds a Doctorate of Philosophy in Development and Planning. He was with Malayan Banking Berhad from June 1984 to June 1985 as a sub-Accountant 1. He was a Councilor for Seberang Perai Municipality Council from 1999 to 2001. He is presently a Researcher with the Centre of Policy Research, University Sains Malaysia.

He does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company.

He attended two of the four Board Meetings held during the financial year ended 31 December 2012.

DR. KAMARUDIN BIN NGAH
Malaysian, 53 years of age
Independent Non-Executive Director
Chairman of Remuneration Committee
Member of Audit Committee
Member of Nominating Committee

MR. MOHAMED HANIFFAH BIN S.M. MYDIN
Malaysian, 60 years of age
Independent Non-Executive Director
Chairman of Nominating Committee
Member of Remuneration Committee
Member of Audit Committee

Mr. Mohamed Haniffah Bin S.M. Mydin was appointed as a Director of Tek Seng on 16 October 2006.

Mr. Mohamed Haniffah Bin S.M. Mydin started his career as an officer in Koperasi Usaha Bersatu Malaysia Bhd in March 1981 and later was promoted to Assistant Manager. In January 1983, Mr. Mohamed was seconded to JUB Credit & Leasing Sdn. Bhd. as a General Manager where he was in charge of the credit & leasing operations. He left JUB Credit & Leasing Sdn. Bhd. in March 1985.

In April 1985, Mr. Mohamed Haniffah joined Advanced Electronics (M) Sdn. Bhd. ("AESB"), a wholly-owned subsidiary of Idris Hydraulic (Malaysia) Bhd as a Senior Manager. He was later promoted to the position of Group General Manager. Mr. Mohamed Haniffah was responsible for an array of business portfolios including the restructuring exercise, strategic planning, business development and financial matters of AESB.

In November 1995, Mr. Mohamed Haniffah left AESB and ventured into his own business. Shortly, he joined Instangreen Corporation Bhd which was under the Corporate Debt Restructuring Committee as the Chief Operating Officer. He was involved in the financial and business restructuring of Instangreen Corporation Bhd until it was re-floated under its new name of LBS Bina Bhd.

Mr. Mohamed Haniffah re-joined AESB Group in August 1999 to re-strategise the consumer home electrical business. In early 2005, he partnered with a senior officer of AESB's holding company, jointly acquired the entire group of AESB under a Management Buy-Out Scheme. AESB was later sold to a third party where he resigned as the Chief Executive Officer of AESB in July 2006.

Mr. Mohamed Haniffah is an independent Director of Perbadanan Usahawan Nasional Berhad.

He does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company.

He attended three of the four Board Meetings held during the financial year ended 31 December 2012.

MR. YEOH AIK CHUAN
Malaysian, 43 years of age
Independent Non-Executive Director
Chairman of Audit Committee
Member of Remuneration Committee
Member of Nominating Committee

Mr. Yeoh Aik Chuan was appointed as a Director of Tek Seng on 29 June 2011.

Mr. Yeoh has more than 16 years of audit and advisory experience, having served with both Big Four Accounting Firms and Multinational organizations. Apart from his significant experience in a wide range of corporate transactions involving a number of international business organizations for cross border investments, particularly in Thailand, Singapore, Hong Kong and China, he has earned much recognition in professional corporate advisory which include financial valuation, investment appraisals for regional investment projects, joint venture negotiations, strategic and financial planning, merger & acquisition review and feasibility studies.

Currently, Mr. Yeoh is the partner of UHY TAC and is a member of Malaysian Institute of Accountants and an associate member of Chartered Institute of Taxation, Malaysia.

Mr. Yeoh was an Independent Director and Audit Committee Chairman of Advance Information Marketing Bhd.

He does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company.

He attended all four Board Meetings held during the financial year ended 31 December 2012.

MDM. LOH JOO ENG
Malaysian, 53 years of age
Executive Director

Mdm. Loh Joo Eng was appointed as a Director of Tek Seng on 16 August 2004.

She is responsible for the daily operations and procurement of raw materials for the Group. She has more than 28 years of experience in PVC based industry. She graduated from Penang Chinese Girls' High School in 1978 with Malaysia Certificate of Education.

She sits on the Board of several private limited companies.

She is the sister to Mr. Loh Kok Beng and Mr. Loh Kok Cheng, who are the Directors and major shareholders of the Company. She does not have any conflict of interest in any business arrangement involving the Company except as disclosed in the Financial Statements.

She attended all four Board Meetings held during the financial year ended 31 December 2012.

CONVICTION OF OFFENCE

None of the Directors have been convicted of any offences within the past 10 years other than traffic offences, if any.

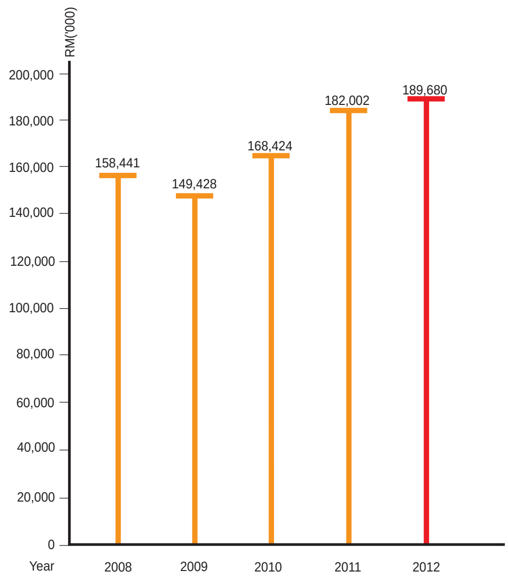
DIRECTORS' SHAREHOLDINGS

The details of the Directors' shareholdings in the Company are set out under the Statistics on Shareholdings in page 88 of this Annual Report.

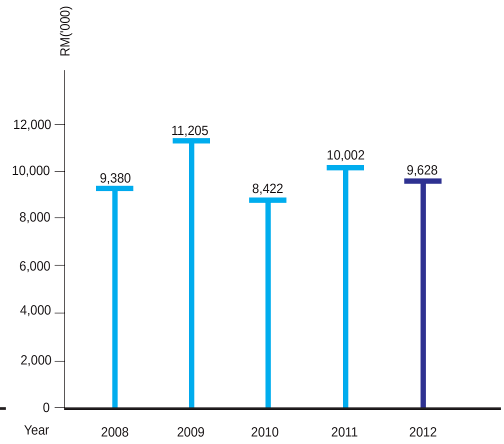
FINANCIAL HIGHLIGHTS

	GROUP	GROUP	GROUP	GROUP	GROUP
	2008	2009	2010	2011	2012
Revenue (RM'000)	158,441	149,428	168,424	182,002	189,680
Profit Before Tax and MI (RM'000)	9,380	11,205	8,422	10,002	9,628
Profit After Tax and MI (RM'000)	10,711	10,505	6,022	7,085	5,176
Gross Earnings Per Share (Sen)	3.91	4.67	3.51	4.17	4.01
Net Earnings Per Share (Sen)	4.46	4.38	2.52	2.95	2.16

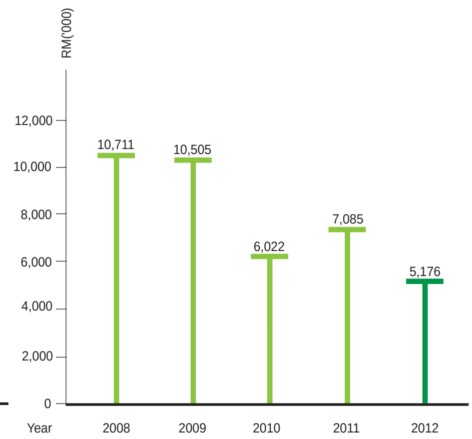
FINANCIAL HIGHLIGHTS (CONT'D)



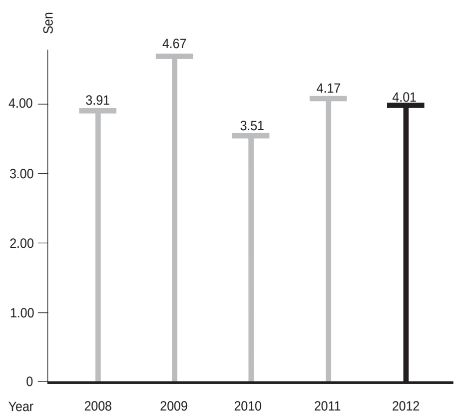
Revenue



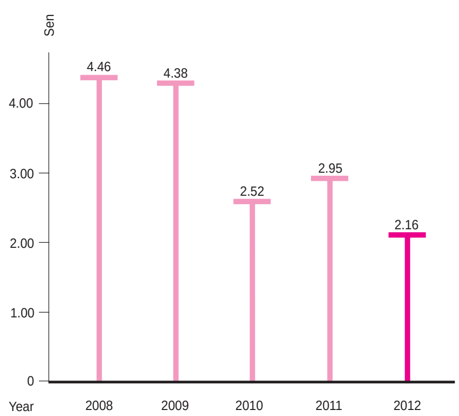
Profit Before Tax and MI



Profit After Tax and MI



Gross Earnings Per Share



Net Earnings Per Share

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors of Tek Seng Holdings Berhad, it is my pleasure to present to you the Annual Report and Audited Financial Statements of the Group for the financial year ended 31 December 2012.

Business Environment

The year 2012 had embarked on a path of gradual economic stability. The positive signs of stabilisation of the global economy had build momentum and gradually restored the PVC products' demand in the international trade. Due to the demand from many undeveloped countries to purchase high quality PVC products, our Group had witnessed a healthy increase in its revenue for the year 2012.

Financial Performance

For the financial year ended 31 December 2012, our Group's revenue increased by 4.22% to RM189 million as compared with the preceding year. However, the profit after tax decreased to RM5.18 million for the year under review. This was mainly due to losses sufferred by TS Solartech Sdn Bhd which had only commenced commercial operations during the 4th Quarter of 2012 with high operating expenses. As at 31 December 2012, our shareholders' equity stood at RM123.6 million as compared with RM121.1 million as at the end of the previous financial year.

Dividends

In line with our Group's performance and to continually reward our loyal shareholders, our Board has recommended a first and final single tier dividend of 1.5 sen per ordinary share subject to the shareholders' approval at the forthcoming Annual General Meeting.

Prospects

The global market for PVC products remains stable due to its versatility, cost effectiveness and an excellent record of use. The consumption from undeveloped countries still represents a promising market due to large population size and growth in construction activities. However, increase in the price of crude oil prices, leading to the increase in the price of raw materials remain a challenge to the Group.

To stay competitive, our Group will continue to adopt prudent cost management, improve its operational efficiency, enhance its product range and product quality as a leading one-stop PVC products supplier in the region.

Another positive development which augurs well for the Company is its 86.1% subsidiary, TS Solartech Sdn Bhd, which will commence to contribute positively to the Group in the coming years.

Acknowledgement

On behalf of the Board of Directors, I would like to express my gratitude to our loyal shareholders for their continued support; to our valued customers, business associates, bankers and all relevant authorities for their confidence and trust in Tek Seng Group.

Last but not least, I would like to express my appreciation and thanks to all my fellow directors, the management and staff for their hard work and commitment in bringing Tek Seng Group to greater heights.

CORPORATE SOCIAL RESPONSIBILITY

Tek Seng Group acknowledges the importance of Corporate Social Responsibility ("CSR") in fostering a good business culture and practices. Our CSR objective is to be a socially responsible corporate in today's world with continuous efforts to contribute and extend our responsibilities to our employees, the community and the development of our country. The various CSR initiatives undertaken by the Group are summarized below:

WORKPLACE

Health & Safety

In ensuring and providing a safe and conducive working environment for our employees, the Group had implemented various programmes such as handling of emergency situations, preventive and first aid trainings, fire drill, techniques of fire-fighting and prevention, safe forklifts driving during the financial year.

Sports and Wellness

Recognised the need to create harmony, better working relationships, co-operations and teamwork amongst the employees, our Group had supported and organized various sports and recreational activities during the financial year.

COMMUNITY

In order to uphold our CSR's objective, our Group had made donations to various non-profit organisations such as Society of The Blind in Malaysia, Silver Jubilee Home For The Aged, Montfort Boys Town, Yayasan Sultan Idris Shah, Beautiful Gate Foundation For The Disabled, and other orphanage/handicapped/charitable homes during the financial year for the purpose of assisting less fortunate communities in improving their lives and also in an effort to contribute to the local education sector.

ENVIRONMENTAL

Apart from contributing to the community in terms of economic value, the Group also acknowledges its role in preserving and conserving the environment. The Group had undertaken various measures and explored feasible opportunities during the financial year to minimise any adverse impact from manufacturing operations, waste disposals and products' design and packaging.

STATEMENT ON CORPORATE GOVERNANCE

INTRODUCTION

The Board of Directors acknowledges the importance of maintaining good corporate governance that is central to the effective operation of the Group and to ensure the highest standards of accountability and transparency.

As stated in Malaysian Code of Corporate Governance 2012 (MCCG), corporate governance is defined as: “The process and structure used to direct and manage the business and affairs of the company towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long-term shareholder value, whilst taking into account the interests of the other stakeholders.”

The Board of Directors supports MCCG and is committed towards achieving full compliance with its principles and recommendations therein.

This statement outlines the Group’s corporate governance practises in respect of financial year ended 31 December 2012 with reference to the principles and recommendations set out in the MCCG as follows:

1. Clear Roles and Responsibilities
2. Strengthen Composition
3. Reinforce Independence
4. Foster Commitment
5. Uphold Integrity in Financial reporting
6. Recognise and Manage Risks
7. Ensure Timely and High Quality Disclosure
8. Strengthen Relationship Between Company and Shareholders

1. CLEAR ROLES AND RESPONSIBILITIES

Board Role and Responsibilities

The composition of the Board represents a mix of knowledge, skills, and expertise which assist the Board in effectively discharging its stewardship and responsibilities. The profiles of the members of the Board are set out on pages 4 to 6 of this Annual Report.

The responsibilities of the Board are inclusive of but not limited to:

1. Reviewing and approving material investment, acquisitions and disposals of fixed assets.
2. Reviewing and approving related party transactions.
3. Reviewing the adequacy of the Group’s internal control policies.
4. Monitoring compliance with relevant laws & regulations and accounting standards within the corporate and business environment.
5. Reviewing and approving annual financial statements and quarterly financial results.

The Board is in the process of drafting a Board Charter to promote the best corporate governance culture and to assist the Board in discharging its duties and responsibilities. The Board Charter shall also defines matters which specifically reserved for the Board’s decision making powers and those delegated to the executive directors and/or management.

The Company has a clear distinction and separation of roles between the Executive Chairman and the Managing Director, with clear division of responsibilities. The Board of Directors is chaired by Mr. Loh Kok Beng, whose responsibility is to ensure Board effectiveness, implementation of Board’s policies and decisions, corporate affairs and overall financial performance of the Group.

As Executive Chairman, he plays a vital role in leading and guiding the Board, and also serves as the communication point between the Board and the Managing Director.

The Managing Director, Mr. Loh Kok Cheng leads the management in the operations and has overall responsibility over the operation units and organisational effectiveness.

The roles of the independent non-executive directors are vital for the successful direction of the Group as they provide independent professional views, advice and decisions to take into account the interest of the Group, shareholders, employees, customers, suppliers and many others of which the Group conducts business.

Board Committees

The Company is currently led by an experienced Board, comprising three (3) non-independent executive directors and three (3) independent non-executive directors. The composition equips the Board with the necessary skills of business, financial and technical experience to effectively lead and control the Company. The profile of each Director is set out in pages 4 to 6 of this Annual Report.

The Company had established the following three (3) Board Committees to assist the Board in execution of its duties :

i. Audit Committee

ii. Nominating Committee

iii. Remuneration Committee

The above Board Committees are governed by their Terms of Reference, which are reviewed periodically to ensure they are in line with latest developments and requirements.

i. Audit Committee

The Audit Committee is authorised by the Board to investigate any activities within its Terms of Reference and has unrestricted access to both the internal and external auditors and members of the senior management of the Group. The activities carried out by the Audit Committee, which met 4 times during the year under review, are summarised in the Audit Committee Report and its Terms of Reference as stated on pages 22 to 26 of this Annual Report.

ii. Nominating Committee

The Nominating Committee consists of:

Name	Designation	Directorate
Mr. Mohamed Haniffah Bin S.M. Mydin	Chairman	Independent Non-Executive Director
Mr. Yeoh Aik Chuan	Member	Independent Non-Executive Director
Dr. Kamarudin Bin Ngah	Member	Independent Non-Executive Director

TERMS OF REFERENCE

Appointment/Composition

1. The Nominating Committee shall be appointed by the Board of Directors.
2. The Nominating Committee shall consist of not less than 2 members.
3. All the Nominating Committee members must be non-executive directors, with a majority of them being independent directors.
4. The chairman of the Nominating Committee must be an independent director and shall be appointed by the Board of Directors. In the absence of the chairman of the Nominating Committee, the remaining members present shall elect one of their number to chair the meeting.

Meetings

1. The Nominating Committee shall meet at least once a year and at such times, whenever they deemed necessary.
2. The quorum of the Nominating Committee meeting shall be 2 members and comprised of a majority of independent directors.
3. The Company Secretary or the representative of the Company Secretary shall act as the secretary of the Nominating Committee.
4. Participants may be invited from time to time to attend the Nominating Committee meeting depending on the nature of the subject under review. These participants may include the executive directors, the chief executive officer, the head of Human Resource and external advisers or experts.

Authority

The Nominating Committee is authorised by the Board of Directors to carry out the duties mentioned below and the other directors and employees shall give all assistance that is necessary to enable the Nominating Committee to discharge its duties.

The Nominating Committee shall, whenever necessary and reasonable for the performance of its duties and at the Company's cost to obtain independent professional or other advice.

Duties and Responsibilities

1. To annually review the structure, size, gender diversity and composition of the Board.

2. To annually review the required mix of skills, experience, competencies, independence and other qualities of Board Committees and the contributions of each individual directors.

3. To review and recommend to the Board, the candidates for all directorships to be filled by the shareholders or the Board, as and when they arise. In making its recommendations, the Nominating Committee should consider the candidates' –

    i) skills, knowledge, expertise and experience;
    ii) professionalism;
    iii) integrity; and
    iv) in the case of candidates for the position of independent non-executive directors, to evaluate the candidates' ability to discharge such responsibilities/functions as expected from independent non-executive directors.

4. To give full consideration to succession planning for directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the company, and what skills and expertise are therefore needed on the Board in the future.

5. To review and recommend to the Board for the appointment and/or continuation in office of chairman, managing director, executive directors and chief executives of the Group, subject to the provision of the laws and their service contract, if any.

6. To review and recommend to the Board the appointment and continuation in office of any director who has reached the age of 70 or any independent directors who have reached the tenure of 9 years.

7. To review and recommend to the Board for the re-election of directors who retire by rotation pursuant to the provision of the Company's Articles of Association, having due regard to their performance, skills and experience required.

Minutes

1. The Company Secretary shall maintain minutes of the proceedings of the meetings and circulate such minutes to all members of the Committee..

iii) Remuneration Committee

The Remuneration Committee consists of :

Name	Designation	Directorate
Dr. Kamarudin Bin Ngah	Chairman	Independent Non-Executive Director
Mr. Yeoh Aik Chuan	Member	Independent Non-Executive Director
Mr. Mohamed Haniffah Bin S.M. Mydin	Member	Independent Non-Executive Director
Mr. Loh Kok Beng	Member	Executive Chairman

The terms and reference of the Remuneration Committee are as follows :

Appointment / Composition

1. The Remuneration Committee shall be appointed by the Board of Directors.
2. The Remuneration Committe shall consist of not less than 3 members, a majority of them being independent directors.
3. The Chairman of the Remuneration Committee must be an independent director and shall be appointed by the Board of Directors. In the absence of the chairman of the Remuneration Committee, the remaining members present shall elect one of their number to chair the meeting.

Meeting

1. The Remuneration Committee must meet at least once a year.
2. The quorum of the Remuneration Committee meeting shall be two (2) members and comprised of a majority of Independent Directors.
3. The Company Secretary or the representative of the Company Secretary shall act as the secretary of the Remuneration Committee.
4. Participants may be invited from time to time to attend the meeting depending on the nature of the subject under review. These participants may include the Directors, Division Heads, representatives from Internal Audit Departments and External Auditors.

Functions / Responsibilities

1. To establish and recommend to the Board, the remuneration package for Executive Directors such as the terms of employment or contract of employment/service, benefit, pension, incentive scheme, bonuses, fees, expenses, compensation payable on termination of the service contract by the Company and/or the Group etc.

2. To consider other remunerations or rewards to retain and attract directors.

3. To review and recommend to the Board the remuneration packages of Non-Executive Directors for shareholders' approval at the Annual General Meeting.

Minutes

1. The Company Secretary shall maintain minutes of the proceedings of the meetings and circulate such minutes to all members of the Committee.

The aggregate Directors' Remuneration during the financial year ended 31 December 2012 be categorised into the following components:

Categories	Fees (RM'000)	Salary (RM'000)	Bonus (RM'000)	Other Emoluments (RM'000)	Total (RM'000)
Executive Directors	72	1,103	192	166	1,533
Non-Executive Directors	72	0	0	0	72
Total	144	1,103	192	166	1,605

The Directors' Remuneration are categorised into the following bands:

Range of Remuneration	Executive Directors	Non-Executive Directors
RM50,000 and below	0	3
RM50,001 to RM100,000	0	0
RM100,001 to RM150,000	1	0
RM200,001 to RM250,000	0	0
RM250,001 to RM300,000	2	0

SUPPLY OF INFORMATION

The Board is provided with sufficient and timely information to enable it to discharge its duties effectively. At least seven (7) days prior to Board Meetings, all Directors are provided with agendas and Board Papers to enable the Directors to participate actively in the meetings.

All Directors have access to the advice and services of the Company Secretary in carrying out their duties and to ensure all rules, requirements and regulations are complied with.

All Directors may obtain further information which they may require in discharging their duties such as seeking independent professional advice at the Company's expense, if necessary.

The Board should receive information that is not just historical or bottom line and financial oriented, but information that goes beyond assessing the quantitative performance of the enterprise, and looks at other performance factors, such as customer satisfaction, product and service quality, market share, market reaction, environmental performance and so on, when dealing with any item on the agenda.

Company Secretary

The Company Secretary is responsible for the secretarial function such as ensuring compliance with all statutory & regulatory requirements, recording the proceedings of all Board and Committee meetings, and proper maintenance of secretarial records. All directors have unrestricted access to the advice of the Company Secretary on matters which are relevant to the Company such as compliance of the Main Market Listing Requirements, Companies Act, 1965, corporate governance issues, boardroom effectiveness and directors' duties and responsibilities.

Sustainability Strategies

The Board is satisfied that a good balance has been achieved between the Group's objectives and value creation for shareholders and stakeholders of the Company. The Group's sustainability strategies ideally cover community, workplace and environment.

Details of the Group's corporate responsibility initiatives are set out on page 11 of this Annual Report.

2. STRENGTHEN COMPOSITION

The Company strives to have a Board comprising members with suitable academic & professional qualifications, skills, expertise and wide exposure being the necessary characteristics for the successful direction of the Group.

The Nominating Committee of the Company comprised wholly independent directors and is headed by Mr. Mohamed Haniffah Bin S.M. Mydin, an Independent Non-Executive Director.

The Nominating Committee is responsible for annual assessment of the composition of the Board, Board Committees and contributions of each individual directors and makes its recommendations to the Board accordingly. At the same time, it is also responsible for proposing new nominees or candidates to the Board but the final decision as to new appointment of director remains the responsibility of the full Board after considering the recommendation of the Nominating Committee.

The Remuneration Committee of the Company comprised a majority of independent directors and is headed by Dr. Kamarudin Bin Ngah, an Independent Non-Executive Director.

The Remuneration Committee reviews the remuneration policy each year with a view to ensure it is fair and able to attract and retain talents who can add value to the Group. The non-executive directors' fees totalling RM72,000 will be tabled at the Company's Annual General Meeting for shareholders' approval.

3. REINFORCE INDEPENDENCE

The existing three (3) non-executive directors, are independent directors and they are able to express their views without any constraint. This strengthens the Board who benefits from the independent views expressed before any decisions are taken. The Nominating Committee had reviewed the performance of the independent directors and is satisfied they have been able to discharge their responsibilities in an independent manner.

The independent non-executive director, Dr. Kamarudin Bin Ngah who was appointed on 16 August 2004 shall serve more than nine (9) years as independent director by 15 August 2013.

The Nominating Committee had assessed and is satisfied that Dr. Kamarudin has satisfactorily demonstrated that he is independent from the management and free from any business dealings with the Group that could be perceived to interfere in his exercised of independent judgement. The Board took note of recommendation of the MCCG but immediate compliance with the said recommendation posed a disadvantage to the Company in terms of losing an experienced independent director who over the years had contributed to the effectiveness of the Board as a whole. Nevertheless, Dr. Kamarudin will be seeking shareholders' approval on his re-appointment as independent director at the forthcoming Annual General Meeting. In view thereof, the Board recommends and supports his re-appointment as independent non-executive director of the Company at the forthcoming 11th Annual General Meeting of the Company.

The Company's Chairman, Mr. Loh Kok Beng is an executive member of the Board and is not an independent director by virtue of his substantial interest in the Company. However, the Board believes that he is well placed to act on behalf of the shareholders in their best interest and it is not necessary to nominate an independent non-executive directors as Chairman at this juncture. However, the Board will continuously review and evaluate the recommendation of the MCCG.

4. FOSTER COMMITMENT

All the directors have committed sufficient time to carry out their duties for the tenure of their appointments. New directors are expected to have such commitment being part of the required criteria so as to qualify them to make positive contributions to the Board.

All the Directors had attended the Mandatory Accreditation Programme (MAP). In addition to the MAP, Board members are also encouraged to attend training programmes conducted by competent professionals that are relevant to the Group's operations and businesses. For the year under review, all the Directors had attended seminars and courses to keep abreast with the development of the business environment as follows:-

Name	Description of training
Mr. Loh Kok Beng	MFRS 1 - First Time Adoption Of MFRS
Mr. Loh Kok Cheng	MFRS 1 - First Time Adoption Of MFRS
Mdm. Loh Joo Eng	MFRS 1 - First Time Adoption Of MFRS
Mr. Yeoh Aik Chuan	Seminar On Goods And Services Tax (GST)
	Preparing For Transition From "FRS Framework " To "MFRS Framework"
	Majlis Penyerahan Lesen CJ / CP Siri 1/2012
Dr. Kamarudin Bin Ngah	MFRS 1 - First Time Adoption Of MFRS
	Green City Planning
Mr. Mohamed Haniffah Bin S.M. Mydin	MFRS 1 - First Time Adoption Of MFRS

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

Financial Reporting

The Board through the review of the Audit Committee and in consultation with the External Auditors, presents a balance and understandable assessment of the Group's financial position and prospect to the public in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia. The quarterly results announcements also reflect the Board's commitment to give regular updated assessments on the Company's performance.

Relationship with the Auditors

Internal Auditors
The Company outsourced its internal audit function to a professional consulting firm, which assists the Audit Committee in discharging its duties and responsibilities. The Internal Auditors' role is to report to the Audit Committee on the improvement of organisational's management, records, accounting policies, controls, identification and managing of significant risk.

The Audit Committee meets with the Internal Auditors regularly to ensure controls are effectively applied. Through the Audit Committee, the Board has established transparent relationship with the Internal Auditors.

External Auditors
The Board maintains formal and transparent relationship with its External Auditors through the review of their audit plans, scope of audit and audit reports as well as their professional fees and appointment by the Audit Committee. The External Auditors is expected to report their findings to the Audit Committee and to discuss with the Board of Directors on matters that necessitate the Board's attention.

6. RECOGNISE AND MANAGE RISKS

Internal Audit Function

The Company outsourced its internal audit function to a professional consulting firm. They conduct independent audits of all the departments and offices within the group and reports the findings to the Audit Committee at the end each quarter.

The Audit Committee reviews, deliberates and decides on the next course of action and evaluates the effectiveness and efficiency of the internal control systems in the organization.

The Board acknowledges its responsibilities to maintain an appropriate system of internal control to safeguard shareholders' investment and the Group's assets. The Statement On Risk Management And Internal Control is set out in pages 20 to 21.

7. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

The Board provides timely and accurate disclosure of all material information of the Group to the shareholders and stakeholders. Information is disseminated through announcements made to the Bursa Malaysia Securities Berhad which includes the quarterly reports, annual report and press releases. The Company's website (www.tekseng.com.my) has a dedicated "Corporate Section" which provides all announcements made to Bursa Securities, press release, corporate structure, annual report and etc that enhances the Investor Relations (IR) function of the Company.

The Company also aims to provide the shareholders and stakeholders with comprehensive, accurate and quality information in accordance with the Corporate Disclosure Guide issued by Bursa Securities.

8. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

The Annual General Meeting is used as a principal forum for dialogue with all shareholders. Extraordinary General Meetings are held as and when required. Before commencement of any general meetings, the Chairman of the meeting will inform shareholders of their rights to demand a poll vote. At the general meetings, the Board provides opportunities for shareholders to raise questions on the business activities of the Group, agenda of the meetings and its proposed resolutions. The Chairman then facilitates the discussions with the shareholders and provides further information in response to shareholders' queries. The Board encourages all shareholders to attend the Company's Annual General Meeting and to participate in the proceedings.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Pursuant to Paragraph 15.26(b) of Bursa Malaysia Securities Berhad Main Market Listing Requirements, the Board of Directors of Tek Seng Holdings Berhad ("The Board") is pleased to provide the following statement on the outline and state on risk management and internal control of the Group, which has been prepared in reference to the Malaysian Code On Corporate Governance 2012 ("The Code") and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("Guidelines").

BOARD RESPONSIBILITY

The Board recognises the importance of a structured risk management and a risk-based internal audit to establish and maintain a sound system of internal control. The Board affirms its overall responsibility for the Group's systems of internal control and for reviewing the adequacy and effectiveness of those systems. Because of the limitations that are inherent in any systems of internal control, those systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

RISK MANAGEMENT FRAMEWORK

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by, or potentially exposed to the Group in pursuing its business objectives.

The Board and management practises signficant risks identification annually on the operational areas of the Group and discusses the risks identified with the internal auditors. During the financial year under review, the process of identifying and addressing the risk has been conducted informally.

The Board also relies largely on the close involvement of the Executive Directors of the Group in its daily operation.

There are reviews of financial and operational performance at Audit Committee and Board Meetings where significant risks and appropriate actions are brought to their attention.

INTERNAL AUDIT FUNCTION

The Board acknowledges the importance of internal audit function and has engaged the services of an independent professional consulting firm to provide much of the assurance it requires regarding the effectiveness as well as the adequacy and integrity of the Group's systems of internal control.

The internal audit adopts a risk-based approach in developing its audit plan which addresses all the core auditable areas of the Group. Scheduled internal audits are carried out by the internal auditors based on the audit plan presented to and approved by the Audit Committee. The audit focuses on areas with high risk and inadequate controls to ensure that adequate action plans have been put in place to improve the controls. For those areas with high risk and adequate controls, the audit ascertains that the risks are effectively mitigated by the controls. On a quarterly basis, the internal auditors report to the Audit Committee on areas for improvement and will subsequently follow up to determine the extent of their recommendations that have been implemented.

INTERNAL CONTROL

Apart from risk management and internal audit, the Group has put in place the following key elements of internal control:

- An organization structure with well-defined scopes of responsibility, clear lines of accountability and appropriate levels of delegated authority;
- A process of hierarchical reporting which provides for a documented and auditable trail of accountability;
- A set of documented internal policies and procedures for financial, operational and human resource management, which are subject to annual review and improvement;
- Annual and comprehensive information provided to management, covering financial and operational performance and key business indicators, for effective monitoring and decision making;
- A comprehensive business planning and detailed budgeting process where operating units prepare budgets for the coming year which are approved both at operating unit level and by the Board;
- Monthly monitoring of results against budget, with major variances being followed up and management action taken, where necessary; and
- Daily visits to operating units by members of the Board and senior management.

CONCLUSION

In line with the Guidelines, the Chief Executive Officer and Finance Manager have provided assurance to the Board stating that the Group's risk management and internal control systems have operated adequately and effectively, in all material aspects, to meet the Group objectives during the financial year under review.

The Board is of the view that the risk management and internal control systems are satisfactory and have not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report.

The Board is of the view that the systems of internal control and risk management, are in place for the year under review and up to the date of approval of this statement for inclusion of this annual report.

The Board recognises the necessity to closely monitor the adequacy and effectiveness of the Group's systems of internal control and risk management taking into consideration the changing and business environment. Therefore, the Board is committed to put in place appropriate action plans to improve the Group's systems of internal control and risk management.

This statement is issued in accordance with a resolution of the Directors dated 26 April 2013.

REPORT OF AUDIT COMMITTEE

COMPOSITION

The Audit Committee consists of :

Name of Members	Designation	Directorate
Mr. Yeoh Aik Chuan	Chairman	Independent Non-Executive Director
Dr. Kamarudin Bin Ngah	Member	Independent Non-Executive Director
Mr. Mohamed Haniffah Bin S.M. Mydin	Member	Independent Non-Executive Director

MEETINGS AND ATTENDANCE

During the financial year ended 31 December 2012, four (4) Audit Committee Meetings were held at The Conference Room of Tek Seng Holdings Berhad and the details of attendance are as follows:-

Name	No. of Meetings Attended
Mr. Yeoh Aik Chuan	4 out of 4
Dr. Kamarudin Bin Ngah	2 out of 4
Mr. Mohamed Haniffah Bin S.M. Mydin	3 out of 4

TERMS OF REFERENCE

Appointment / Composition:

1. The members of the Committee shall be appointed by the Board.

2. The Audit Committee shall consist of not less than three (3) members of whom:

    a) all members of the Committee must be Non-Executive Directors with a majority of them being Independent Directors;

    b) at least one (1) member of the Committee:

        i) must be a member of the Malaysian Institute of Accountants; or

        ii) if he is not a member of the Malaysian Institute of Accountants,

            a) he must have at least three (3) years' working experience; and

                - he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or
                - he must be a member of one (1) of the associations of accountants specified in Part II of the First Schedule of the Accountants Act, 1967; or

        iii) he fulfils such other requirements as prescribed or approved by Bursa Securities.

    c) all members of the Committee should be financially literate.

3. No Alternate Director shall be appointed as a member of the Committee.

4. A quorum shall be two (2) members and composed of a majority of Independent Directors.

5. The Chairman of the Committee shall be appointed by the members of the Committee among their number who is an Independent Director.

6. The Board must review the term of office and performance of the Committee and each of its members at least once every three (3) years to determine whether such Committee and members have carried out their duties in accordance with their terms of reference.

7. The Board shall, within three (3) months of a vacancy occurring in the Audit Committee which result in the number of members reduced to below three (3), appoint such number of new members as may be required to make up the minimum number of three (3) members.

Meetings

1. Meetings shall be held not less than four (4) times in a year. In addition, the Chairman of the Committee may call a meeting of the Committee if a request is made by any Committee members, the Company's Executive Chairman/CEO of the Group.

2. The Committee may also be able to convene meetings with the External Auditors, the Internal Auditors or both, excluding the attendance of other directors and employees of the Group, whenever deemed necessary. The Committee should meet with the External Auditors without Executive Board members present at least twice a year.

3. Meeting will be attended by the members of the Committee and the quorum of the meeting is two (2) with a majority of members present must be Independent Directors. The Company Secretary or any representative of the Secretary shall be the Secretary of the Committee.

4. Participants may be invited from time to time to attend the meeting depending on the nature of the subject under review. These participants may include the Directors, General Managers, Division Heads, representatives from the Finance and Internal Audit Departments and External Auditors. The head of Finance, Internal Audit and a representative of the External Auditors should normally attend meetings.

5. On a continuous basis, the Chairman of the Committee should meet with the senior management, such as the Executive Chairman, the Chief Executive Officer, the Finance Director, the Internal and External Auditors in order to be kept informed of matters affecting the Company.

Authority

1. The Committee is authorised by the Board to carry out the duties mentioned below and the Board and Management shall give all assistance that is necessary to enable the Committee to discharge its duties.

2. The Committee shall, whenever necessary and reasonable for the performance of its duties and in accordance with a procedure to be determined by the Board and at the Company's cost:

   a) have authority to investigate any matter within its terms of reference;

   b) have the resources which are required to perform its duties;

   c) have full and unrestricted access to any information pertaining to the Company;

   d) have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity (if any);

   e) be able to obtain independent professional or other advice; and

3. The Internal Audit function reports directly to the Committee.

Functions and Responsibilities:

The functions and responsibilities of the Committee shall include the following:

1. to discuss and liaise with the External Auditors to ensure the smooth implementation of the audit plan, review and forward the evaluation of the system of internal controls and audit report to the Board;

2. to review the assistance given by employees of the Group to the External Auditors;

3. to review the effectiveness of internal control systems and the findings of the Internal Auditors, if available;

4. to review quarterly report and annual financial statements prior to the approval of the Board, focusing particularly on;

   i) changes in or implementation of major accounting policy changes;

   ii) significant and unusual events; and

   iii) compliance with accounting standards and other legal requirements.

5. to review any related party transactions and conflict of interest situation that may rise within the Company and the Group including any transaction, procedure or course of conduct that raise questions of management integrity;

6. to review and report the same to the Board any letter of resignation from the External Auditors of the Company as well as whether there is any reason (supported by grounds) to believe that the Company's External Auditors are not suitable for re-appointment;

7. to make recommendations concerning the appointment of the External Auditors and their remuneration to the Board;

8. to review the adequacy of the scope, functions, competency and resources of the Internal Audit functions and that it has the necessary authority to carry out its work;

9. to review any appraisal or assessment of the performance of the Internal Auditors and to approve any appointment, resignation or termination of Internal Auditors;

10. to review and verify the allocation of shares options granted to employees pursuant to the Employee Share Option Scheme;

11. to consider other topics as defined by the Board.

The reports of the Committee and the External and Internal Auditors and corrective action taken shall be tabled for discussion by the Board of Directors.

Minutes

1. The Secretary shall maintain minutes of the proceedings of the meetings and circulate such minutes to all members of the Committee and to the Board Meeting.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year ended 31 December 2012, the Audit Committee carried out its duties as set out in terms of reference. Key activities include:

1. Reviewed and approved the annual audit plan.

2. Reviewed the financial statements of the Group on a quarterly basis before recommending them for the approval of the Board of Directors.

3. Reviewed the annual audited financial statements of the Company and the Group with the external auditors before recommending them for the approval of the Board of Directors.

4. Reviewed and approved the External Audit Reports of the Group and discussed results of their examinations and recommendations.

5. Reviewed and approved the Internal Audit Reports of the Group and discussed results for their findings and recommendations.

6. Reviewed any recurrent related party transactions arise within the Group.

INTERNAL AUDIT FUNCTION

The Board outsourced its internal audit function. The Internal Auditors reports directly to the Audit Committee and assists the Audit Committee in discharging its duties and responsibilities. The costs incurred for the internal audit function in respect of the financial year ended 31 December 2012 was RM32,000.

During the financial year ended 31 December 2012, the Company's Internal Auditors carried out its duties according to the Internal Audit Plan as follows:

1. Reviewed the Group's systems of internal controls and ascertained the extent of compliance with the established policies, procedures and statutory requirements.

2. Identified areas for improvement of controls in operations and processes of the Group.

All the findings by the Internal Auditors were presented to the Audit Committee. The Audit Committee had taken steps to ensure that appropriate actions are being taken to continuously improve the current systems of internal control.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors acknowledge that they are responsible for the Annual Audited Financial Statements so as to give a true and fair view of the state of affairs as at the end of the financial year of the Group and of the Company and of their results and their cash flows.

In preparing the financial statements for the year ended 31 December 2012, the Directors are satisfied that :-

1. reasonable and prudent judgement and estimates were made; and

2. all applicable Approved Accounting Standards in Malaysia have been followed.

The Directors also responsible for ensuring that the Company maintains appropriate accounting policies that disclose with reasonable accuracy of the financial position of the Group and of the Company, and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

FINANCIAL STATEMENTS

CONTENTS	PAGE

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding. The principal activities of the subsidiaries are set out in Note 9 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 for the financial year	5,176,439	39,871,636
Attributable to:		
Owners of the parent	6,671,422	39,871,636
Non-controlling interests	(1,494,983)	0
	5,176,439	39,871,636

DIVIDEND

Dividend paid, declared or proposed since the end of the previous financial year were as follows:

	RM
In respect of financial year ended 31 December 2011 as reported in the Directors' report of that year:	
Final dividend of 2 sen per share, less tax of 25% on 240,000,000 ordinary shares, paid on 5 September 2012	3,600,000

The Directors propose a first and final single tier dividend of 1.50 sen per ordinary share, amounting to RM3,600,000 in respect of the current financial year ended 31 December 2012, which is subject to the approval of members at the forthcoming Annual General Meeting.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

ISSUE OF SHARES AND DEBENTURES

The Company did not issue any new shares or debentures during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

DIRECTORS

The Directors who have held office since the date of the last report are as follows :

Loh Kok Beng
Loh Kok Cheng
Loh Joo Eng
Dr. Kamarudin Bin Ngah
Mohamed Haniffah Bin S.M. Mydin
Yeoh Aik Chuan

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in the ordinary shares of the Company and of its related corporations during the financial year ended 31 December 2012 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 were as follows:

	[….............Number of Ordinary Shares of RM0.25 each		….............]
	Balance as at 01-01-2012	Bought	Sold	Balance as at 31-12-2012
Shares in the Company				
Direct interests :				
Loh Kok Beng	63,679,630	0	0	63,679,630
Loh Kok Cheng	63,679,630	10,177,400	0	73,857,030
Loh Joo Eng	1,250,000	0	0	1,250,000
Dr. Kamarudin Bin Ngah	4,375	0	0	4,375
Mohamed Haniffah Bin S.M. Mydin	40,000	0	0	40,000
Indirect interests :				
Loh Joo Eng *	110,575	0	0	110,575

* Shares held by family members by virtue of Section 134(12)(c) of the Companies Act, 1965.

By virtue of their interests in the ordinary shares of the Company, Loh Kok Beng and Loh Kok Cheng are also deemed to be interested in the ordinary shares of all the subsidiaries to the extent the Company has an interest.

The interest and deemed interests in the ordinary shares and redeemable non-cumulative preference shares of its non-wholly subsidiary, held by Loh Kok Beng and Loh Kok Cheng at year end were as follows :

	[….............Number of Ordinary Shares of RM1 each		….............]
	Balance as at 01-01-2012	Bought	Sold	Balance as at 31-12-2012
Subsidiary - TS Solartech Sdn. Bhd.				
Indirect interests:				
Loh Kok Beng	1,800,000	8,532,000	0	10,332,000
Loh Kok Cheng	1,800,000	8,532,000	0	10,332,000

	[----Number of redeemable non-cumulative preference shares of RM1 each----]			
	Balance as at 01-01-2012	Bought	Sold	Balance as at 31-12-2012
Subsidiary - TS Solartech Sdn. Bhd.				
Indirect interests:				
Loh Kok Beng	0	51,660	0	51,660
Loh Kok Cheng	0	51,660	0	51,660

DIRECTORS' INTERESTS (continued)

None of the other Directors holding office at the end of the financial year held any beneficial interest in the ordinary shares of the Company or ordinary shares and debentures of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown 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 other than the transactions entered into in the ordinary course of business as disclosed in Note 31 to the financial statements.

There were no arrangements during and at the end of the financial year, to which the Company is a party, which had the object of enabling the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that all known bad debts had been written off and that provision need not be made for doubtful debts; and

(ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

(b) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

(c) The Directors are not aware of any circumstances:

(i) which would render the amounts written off for bad debts in the financial statements of the Group and of the Company inadequate to any material extent or necessitate the making of provision for doubtful debts;

(ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and

(iii) 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.

(d) In the opinion of the Directors:

(i) there has not arisen 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 is made; and

(ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

(III) AS AT THE DATE OF THIS REPORT

(e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.

(f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.

(g) The Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 31 January 2012, the Company subscribed for an additional 12.2% interest in the equity shares of TS Solartech Sdn. Bhd. ("TS Solartech") for a total cash consideration of RM2,532,000 when the issued and paid-up share capital of TS Solartech was increased from RM3,000,000 to RM6,000,000.

(b) On 1 September 2012, the Company subscribed for an additional 13.9% interest in the equity shares of TS Solartech for a total cash consideration of RM6,000,000 when the share capital of TS Solartech was increased from RM6,000,000 to RM12,000,000.

(c) On 31 December 2012, the Company acquired an interest of 86.1% in the Redeemable Non-Cumulative Preference Shares ("RPS") of TS Solartech, for a cash consideration of RM51,660,000.

AUDITORS

The auditors, BDO, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors.

Loh Kok Beng	**Loh Kok Cheng**
Director	Director

Dated: 26 APRIL 2013

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 35 to 84 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the provisions 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 2012 and of their financial performance and cash flows of the Group and of the Company for the financial year then ended.

In the opinion of the Directors, the information set out in Note 37 on page 85 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

On behalf of the Board,

LOH KOK BENG
Director

LOH KOK CHENG
Director

Penang
Dated: 26 APRIL 2013

STATUTORY DECLARATION

I, Loh Kok Beng, being the Director primarily responsible for the financial management of Tek Seng Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 35 to 85 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed at Georgetown this 26 April 2013

LOH KOK BENG

Before me,

CHAN KAM CHEE
No.P 120
Commissioner for Oaths
Penang

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

Report on the Financial Statements

We have audited the financial statements of Tek Seng Holdings Berhad, which comprise statements of financial position as at 31 December 2012 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 35 to 84.

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 Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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 of 31 December 2012 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

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

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

b) 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.

c) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

The supplementary information set out in Note 37 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants (‘MIA Guidance’) and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

As stated in Note 3 to the financial statements, Tek Seng Holdings Berhad adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These Standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended 31 December 2011 and related disclosures. We were not engaged to report on the restated comparative information, and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the financial year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as of 31 December 2012 and financial performance and cash flows for the year then ended.

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

BDO
AF:0206
Chartered Accountants

CHAN WAI LENG
2893/08/13(J)
Chartered Accountant

Kuala Lumpur

Dated: 26 APRIL 2013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2012

	NOTE	Group 31.12.2012 RM	Group 31.12.2011 RM	Group 1.1.2011 RM
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	7	194,456,217	118,054,252	105,161,313
Available-for-sale financial assets		0	0	220,800
Trademark	8	3,075	3,933	6,041
Deferred tax assets	10	3,787,400	5,520,500	6,382,400
		198,246,692	123,578,685	111,770,554
CURRENT ASSETS				
Inventories	11	23,942,190	23,804,830	27,539,609
Trade and other receivables	12	27,915,697	83,040,267	28,788,979
Current tax assets		41,215	247,713	71,461
Cash and cash equivalents	13	3,282,409	18,486,260	2,660,711
		55,181,511	125,579,070	59,060,760
TOTAL ASSETS		253,428,203	249,157,755	170,831,314
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital	14	60,000,000	60,000,000	60,000,000
Retained earnings	15	63,659,434	61,067,850	57,528,265
		123,659,434	121,067,850	117,528,265
Non-controlling interests		8,918,766	1,125,911	0
TOTAL EQUITY		132,578,200	122,193,761	117,528,265
LIABILITIES				
NON-CURRENT LIABILITIES				
Borrowings	16	22,187,500	25,937,500	360,049
Deferred tax liabilities	10	821,400	862,300	780,700
		23,008,900	26,799,800	1,140,749
CURRENT LIABILITIES				
Trade and other payables	19	42,437,692	39,038,451	19,908,624
Borrowings	16	54,717,543	60,548,621	32,213,902
Current tax liabilities		685,868	577,122	39,774
		97,841,103	100,164,194	52,162,300
TOTAL LIABILITIES		120,850,003	126,963,994	53,303,049
TOTAL EQUITY AND LIABILITIES		253,428,203	249,157,755	170,831,314

STATEMENT OF FINANCIAL POSITION

as at 31 December 2012

	NOTE	Company 31.12.2012 RM	Company 31.12.2011 RM	Company 1.1.2011 RM
ASSETS				
Non-current asset				
Investments in subsidiaries	9	99,961,093	39,769,093	37,969,093
Current assets				
Trade and other receivables	12	0	23,393,482	29,917,266
Cash and cash equivalents	13	29,127	8,030	18,643
		29,127	23,401,512	29,935,909
TOTAL ASSETS		99,990,220	63,170,605	67,905,002
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital	14	60,000,000	60,000,000	60,000,000
Retained earnings	15	39,370,731	3,099,095	7,042,388
TOTAL EQUITY		99,370,731	63,099,095	67,042,388
LIABILITIES				
Current liabilities				
Trade and other payables	19	609,300	71,510	862,614
Current tax liabilities		10,189	0	0
		619,489	71,510	862,614
TOTAL EQUITY AND LIABILITIES		99,990,220	63,170,605	67,905,002

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2012

	NOTE	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
REVENUE	22	189,680,068	182,002,619	40,457,141	0
Other income	23	1,185,544	337,488	0	0
Changes in inventories of work-in-progress and finished goods		(1,046,572)	726,649	0	0
Purchase of trading merchandise		(13,572,745)	(14,090,459)	0	0
Raw materials and consumables used		(108,263,908)	(110,883,189)	0	0
Depreciation		(16,398,313)	(13,140,474)	0	0
Employee benefits	24	(13,741,575)	(12,361,992)	0	0
Carriage outwards		(5,168,693)	(4,267,305)	0	0
Utilities expenses		(8,325,745)	(7,445,094)	0	0
Other expenses		(11,328,970)	(9,096,161)	(271,562)	(343,293)
Finance costs	25	(3,390,639)	(1,780,474)	0	0
PROFIT/(LOSS) BEFORE TAX	26	9,628,452	10,001,608	40,185,579	(343,293)
Taxation	27	(4,452,013)	(2,916,912)	(313,943)	0
Profit/(Loss) for the financial year		5,176,439	7,084,696	39,871,636	(343,293)
Other comprehensive loss:					
Reclassification adjustments relating to available-for-sale financial assets disposed off in the year		0	(19,200)	0	0
Total comprehensive income/(loss)		5,176,439	7,065,496	39,871,636	(343,293)
Profit attributable to:					
Owners of the parent		6,671,422	7,158,785	39,871,636	(343,293)
Non-controlling interests		(1,494,983)	(74,089)	0	0
		5,176,439	7,084,696	39,871,636	(343,293)
Total comprehensive income attributable to:					
Owners of the parent		6,671,422	7,139,585	39,871,636	(343,293)
Non-controlling interests		(1,494,983)	(74,089)	0	0
		5,176,439	7,065,496	39,871,636	(343,293)
Earnings per ordinary share attributable to equity holders of the Company:					
Basic earnings per share	28	0.03	0.03		
Diluted earnings per share	28	0.03	0.03		
Dividend per ordinary share in respect of the financial year, - Final (proposed):	29	0.02	0.02		

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2012

Group	Share capital RM	Available-for-sale reserve RM	Retained earnings RM	Total attributable to owners of the parent RM	Non-controlling interests RM	Total equity RM
Balance as at 1 January 2011	60,000,000	19,200	57,509,065	117,528,265	0	117,528,265
Effect of adoption of MFRS 1 (Note 36)	0	0	0	0	0	0
Restated balance as at 1 January 2011	60,000,000	19,200	57,509,065	117,528,265	0	117,528,265
Profit/(Loss) for the financial year	0	0	7,158,785	7,158,785	(74,089)	7,084,696
Available-for-sale financial assets disposed off during the year	0	(19,200)	0	(19,200)	0	(19,200)
Total comprehensive income	0	(19,200)	7,158,785	7,139,585	(74,089)	7,065,496
Transactions with owners						
Dividend paid (Note 29)	0	0	(3,600,000)	(3,600,000)	0	(3,600,000)
Non-controlling interests arising on a business combination	0	0	0	0	1,200,000	1,200,000
Total transactions with owners	0	0	(3,600,000)	(3,600,000)	1,200,000	(2,400,000)
Balance as at 31 December 2011	60,000,000	0	61,067,850	121,067,850	1,125,911	122,193,761
Balance as at 1 January 2012	60,000,000	0	61,067,850	121,067,850	1,125,911	122,193,761
Profit/(Loss) for the financial year	0	0	6,671,422	6,671,422	(1,494,983)	5,176,439
Total comprehensive income	0	0	6,671,422	6,671,422	(1,494,983)	5,176,439
Transactions with owners						
Dividend paid (Note 29)	0	0	(3,600,000)	(3,600,000)	0	(3,600,000)
Redeemable non-cumulative preference shares subscribed by non-controlling interests, of a subsidiary company	0	0	0	0	8,340,000	8,340,000
Ordinary shares subscribed by non-controlling interests, of a subsidiary company	0	0	0	0	468,000	468,000
Dilution of interest arising from acquisition of additional equity interest in a subsidiary	0	0	(479,838)	(479,838)	479,838	0
Total transactions with owners	0	0	(4,079,838)	(4,079,838)	9,287,838	5,208,000
Balance as at 31 December 2012	60,000,000	0	63,659,434	123,659,434	8,918,766	132,578,200

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY
for the financial year ended 31 December 2012

Company	Share capital RM	Retained earnings RM	Total equity RM
Balance as at 1 January 2011	60,000,000	7,042,388	67,042,388
Effect of adoption of MFRS 1 (Note 36)	0	0	0
Restated balance as at 1 January 2011	60,000,000	7,042,388	67,042,388
Loss for the financial year	0	(343,293)	(343,293)
Total comprehensive loss	0	(343,293)	(343,293)
Transactions with owners			
Dividend paid (Note 29)	0	(3,600,000)	(3,600,000)
Total transactions with owners	0	(3,600,000)	(3,600,000)
Balance as at 31 December 2011	60,000,000	3,099,095	63,099,095
Company			
Balance as at 1 January 2012	60,000,000	3,099,095	63,099,095
Profit for the financial year	0	39,871,636	39,871,636
Total comprehensive loss	0	39,871,636	39,871,636
Transactions with owners			
Dividend paid (Note 29)	0	(3,600,000)	(3,600,000)
Total transactions with owners	0	(3,600,000)	(3,600,000)
Balance as at 31 December 2012	60,000,000	39,370,731	99,370,731

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2012

	NOTE	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
CASH FLOW FROM OPERATING ACTIVITIES					
Profit/(Loss) before tax		9,628,452	10,001,608	40,185,579	(343,293)
Adjustments for:					
Amortisation of trade mark		858	2,108	0	0
Bad debts written off		23,282	0	0	0
Depreciation of property, plant and equipment	7	16,398,313	13,140,474	0	0
Gross dividend income from subsidiaries		0	0	(40,367,141)	0
Interest expense	25	3,390,639	1,780,474	0	0
Gain on disposal of property, plant and equipment		(83,000)	(130,564)	0	0
Gain on disposal of available-for-sale financial assets		0	(26,224)	0	0
Property, plant and equipment written off		0	4,718	0	0
Net unrealised gain on foreign exchange		(480,117)	(124,806)	0	0
Interest income		(28,304)	(21,143)	0	0
Operating profit/(loss) before working capital changes		28,850,123	24,626,645	(181,562)	(343,293)
(Increase)/Decrease in inventories		(137,360)	3,734,779	0	0
Decrease/(Increase) in trade and other receivables		2,443,391	(54,238,589)	23,393,482	6,523,784
Increase/(Decrease) in trade and other payables		3,855,254	19,978,788	543,205	(11,978)
Net cash generated from/(used in)operations		35,011,408	(5,898,377)	23,755,125	6,168,513
Interest received		28,304	21,143	0	0
Interest paid		(3,390,639)	(1,780,474)	0	0
Tax paid		(2,444,569)	(1,612,316)	(303,754)	0
Net cash flow from/(used in) operating activities		29,204,504	(9,270,024)	23,451,371	6,168,513
CASH FLOW FROM INVESTING ACTIVITIES					
Dividend received from subsidiaries		0	0	40,367,141	0
Purchase of property, plant and equipment	7(b)	(40,165,678)	(26,214,263)	0	0
Proceeds from disposal of property, plant and equipment		108,000	306,696	0	0
Proceeds from disposal of available-for-sale financial assets		0	227,824	0	0
Acquisition of :					
- subsidiary for cash, net of cash acquired		0	1,200,000	0	(1,800,000)
- additional interest in a subsidiary		0	0	(60,192,000)	0
Net cash flow used in investing activities		(40,057,678)	(24,479,743)	(19,824,859)	(1,800,000)
CASH FLOW FROM FINANCING ACTIVITIES					
Dividends paid		(3,605,415)	(4,379,126)	(3,605,415)	(4,379,126)
Drawndown of:					
- short term bank loans		182,439,845	161,010,949	0	0
- term loans		0	30,002,541	0	0
Repayment of:					
- short term bank loans		(186,281,135)	(137,511,426)	0	0
- term loans		(4,030,305)	(2,111,828)	0	0
Subscribed by non-controlling interests, of a subsidiary company					
- Ordinary shares		468,000	0	0	0
- Redeemable Non-Cumulative Preference Shares		8,340,000	0	0	0
Net cash flow(used in)/from financing activities		(2,669,010)	47,011,110	(3,605,415)	(4,379,126)

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS
for the financial year ended 31 December 2012(continued)

	NOTE	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Net (decrease)/increase in cash and cash equivalents		(13,522,184)	13,261,343	21,097	(10,613)
Effects of exchange rate changes on cash and cash equivalents		1,356	(13,785)	0	0
Cash and cash equivalents at beginning of financial year		15,684,399	2,436,841	8,030	18,643
Cash and cash equivalents at end of financial year	13	2,163,571	15,684,399	29,127	8,030

The accompanying notes form an integral part of the financial statements.

1. CORPORATE INFORMATION

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

The registered office of the Company is located at 51-21-A, Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang.

The principal place of business of the Company is located at Plot 159 MK 13, Jalan Perindustrian Bukit Minyak 7, Bukit Minyak Industrial Park, 14000 Bukit Mertajam, Penang.

The consolidated financial statements for the financial year ended 31 December 2012 comprise the Company and its subsidiaries. These financial statements are presented in Ringgit Malaysia ('RM'), which is also the Company's functional currency.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 26 April 2013.

2. PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding. The principal activities of the subsidiaries are set out in Note 9 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group and of the Company set out on pages 35 to 84 have been prepared in accordance with Malaysian Financial Reporting Standards ('MFRSs'), International Financial Reporting Standards ('IFRSs') and the provisions of the Companies Act, 1965 in Malaysia.

These are the Group's and the Company's first financial statements prepared in accordance with MFRSs, and MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards has been applied. In the previous financial years, the financial statements of the Group and of the Company were prepared in accordance with Financial Reporting Standards ('FRSs') in Malaysia.

The Group and the Company have consistently applied the same accounting policies in its opening MFRSs statements of financial position as at 1 January 2011 and throughout all financial years presented, as if these policies had always been in effect.

There is no impact arising from the transition from FRSs to MFRSs on the Group's and the Company's financial position, financial performance and cash flows.

However, Note 37 to the financial statements set out on page 85 has been 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 ('MIA Guidance') and the directive of Bursa Malaysia Securities Berhad.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

The preparation of financial statements in conformity with MFRSs requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 6 to the financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries. Subsidiaries are entities (including special purposes entities) over which the Company has the power to govern the financial and operating policies, generally accompanied by a shareholding giving rise to the majority of the voting rights, so as to obtain benefits from their activities.

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

Intragroup balances, transactions, income and expenses are eliminated on consolidation. Unrealised gains arising from transactions are also eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the other entities in the Group.

Non-controlling interests represents the equity in subsidiaries that are not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on an combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the parent.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and

ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.3 Business combinations

Business combinations from 1 January 2011 onwards

Business combinations are accounted for by applying the acquisition method of accounting.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date, except that:

(a) Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 Income Taxes and MFRS 119 Employee Benefits respectively;

(b) Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement by the Group of an acquiree's share-based payment transactions are measured in accordance with MFRS 2 Share-based Payment at the acquisition date; and

(c) Assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration payable is recognised at fair value at the acquisition date. Measurement period adjustments to contingent consideration are dealt with as follows:

(a) If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity.

(b) Subsequent changes to contingent consideration classified as an asset or liability that is a financial instrument within the scope of MFRS 139 are recognised either in profit or loss or in other comprehensive income in accordance with MFRS 139. All other subsequent changes are recognised in profit or loss.

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

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree net identifiable assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

As part of its transition to MFRSs, the Group elected not to restate those business combinations that occurred before the date of transition to MFRSs, i.e. 1 January 2011.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.4 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that future economic benefits associated with the subsequent costs will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has a different useful life, is depreciated separately.

After initial recognition, property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses. Long term leasehold is amortised equally over the lease period of 60 years.

Freehold land has an unlimited useful life and is not depreciated. Capital work-in-progress represents machinery under installation and building-in-progress and is stated at cost. Capital work-in-progress is not depreciated until such time when the asset is available for use.

Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal annual depreciation rates are as follows:

Buildings and factory buildings	2%
Office equipment, furniture and fittings	8% - 10%
Plant and machinery	5% - 10%
Motor vehicles	16% - 20%
Electrical installation	10%

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 4.7 to the financial statements on impairment of non-financial assets).

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss.

4.5 Investments in subsidiaries

A subsidiary is an entity in which the Group and the Company have the power to control the financial and operating policies so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

An investment in subsidiary, which is eliminated on consolidation, is stated in the Company's separate financial statements at cost less accumulated impairment losses, if any. Investments accounted for at cost shall be accounted for in accordance with MFRS 5 Non-current Assets Held for Sale and Discontinued Operations when they are classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with MFRS 5.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.5 Investments in subsidiaries (continued)

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the Group would derecognise all assets, liabilities and non-controlling interests at their carrying amount and recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

4.6 Intangible assets

Intangible assets are recognised only when the identifiability, control and future economic benefit probability criterias are met.

The Group recognises at the acquisition date separately from goodwill, an intangible asset of the acquiree, irrespective of whether the asset had been recognised by the acquiree before the business combination.

Intangible assets are initially measured at cost. The cost of intangible assets recognised in a business combination is their fair values as at the date of acquisition.

After initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight line basis over the estimated economic useful lives and are assessed for any indication that the asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. The amortisation expense on intangible assets with finite lives is recognised in profit or loss and is included within the other operating expenses line item.

An intangible asset has an indefinite useful life when based on the analysis of all the relevant factors; there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows to the Group. Intangible assets with indefinite useful lives are tested for impairment annually and wherever there is an indication that the carrying amount may be impaired. Such intangible assets are not amortised. Their useful lives are reviewed each period to determine whether events and circumstances continue to support the indefinite useful life assessment for the asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for as a change in accounting estimate in accordance with MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors.

Expenditure on an intangible item that is initially recognised as an expense is not recognised as part of the cost of an intangible asset at a later date.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from the derecognition is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit or loss when the asset is derecognised.

Trademark

Expenditure on acquired trademark is capitalised and amortised using the straight line method over its estimated useful life of a period of 8 years. Trademark is not revalued and is shown at cost less accumulated amortisation and any accumulated impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.7 Impairment of non-financial assets

The carrying amount of assets, except for financial assets (excluding investments in subsidiaries), inventories and deferred tax assets, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Goodwill and intangible assets that have an indefinite useful life are tested annually for impairment or more frequently if events or changes in circumstances indicate that the goodwill or intangible asset might be impaired.

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ('CGU') to which the asset belongs. Goodwill acquired in a business combination is from the acquisition date, allocated to each of the Group's CGU or groups of CGU that are expected to benefit from the synergies of the combination giving rise to the goodwill irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Goodwill acquired in a business combination shall be tested for impairment as part of the impairment testing of CGU to which it relates. The CGU to which goodwill is allocated shall represent the lowest level within the Group at which the goodwill is monitored for internal management purposes and not larger than an operating segment determined in accordance with MFRS 8 Operating Segments.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU, including the goodwill or intangible asset, exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated, first, to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU.

The impairment loss is recognised in profit or loss immediately.

An impairment loss on goodwill is not reversed in subsequent periods. An impairment loss for other assets is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Such reversals are recognised as income immediately in profit or loss.

4.8 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the first-in, first-out basis for all business segments other than the Solar Cell segment which uses the weighted average basis. The cost of raw materials comprises all costs of purchase plus the cost of bringing the inventories to their present location and condition. The cost of work-in-progress and finished goods includes the cost of raw materials, direct labour, other direct costs and a proportion of production overheads based on normal operating capacity of the production facilities.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Group.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Group.

Financial instruments are recognised on the statement of financial position when the Group has become a party to the contractual provisions of the instrument. At initial recognition, a financial instrument is recognised at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial instrument.

An embedded derivative is separated from the host contract and accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative is not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative meets the definition of a derivative, and the hybrid instrument is not measured at fair value through profit or loss.

(a) Financial assets

A financial asset is classified into the following four (4) categories after initial recognition for the purpose of subsequent measurement:

i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial assets that are held for trading (i.e. financial assets acquired principally for the purpose of resale in the near term), derivatives (both, freestanding and embedded) and financial assets that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial assets classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as at fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial assets classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

However, derivatives that are linked to and must be settled by delivery of unquoted equity instruments that do not have a quoted market price in an active market are recognised at cost.

ii) Held-to-maturity investments

Financial assets classified as held-to-maturity comprise non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, financial assets classified as held-to-maturity are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as held-to-maturity are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.9 Financial instruments (continued)

iii) Loans and receivables

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

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

(iv) Available-for-sale financial assets

Financial assets classified as available-for-sale comprise non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Subsequent to initial recognition, financial assets classified as available-for-sale are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss whilst dividends on available-for-sale equity instruments are recognised in profit or loss when the Group’s right to receive payment is established.

Cash and cash equivalents include cash and bank balances, bank overdrafts, deposits and other short term, highly liquid investments with original maturities of three (3) months or less, which are readily convertible to cash and are subject to insignificant risk of changes in value.

A financial asset is derecognised when the contractual right to receive cash flows from the financial asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised directly in other comprehensive income shall be recognised in profit or loss.

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or marketplace convention. A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting.

(b) Financial liabilities

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. A financial liability is classified into the following two (2) categories after initial recognition for the purpose of subsequent measurement:

i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise financial liabilities that are held for trading, derivatives (both, freestanding and embedded) and financial liabilities that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial liabilities classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial liabilities classified as at fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial liabilities classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.9 Financial instruments (continued)

(b) Financial liabilities(continued)

(ii) Other financial liabilities

Financial liabilities classified as other financial liabilities comprise non-derivative financial liabilities that are neither held for trading nor initially designated as at fair value through profit or loss.

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

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

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 in accordance with the original or modified terms of a debt instrument.

The Group designates corporate guarantees given to banks for credit facilities granted to subsidiaries as insurance contracts as defined in MFRS 4 Insurance Contracts. The Group recognises these insurance contracts as recognised insurance liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

At the end of every reporting period, the Group assesses whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If this assessment shows that the carrying amount of the insurance liabilities is inadequate, the entire deficiency shall be recognised in profit or loss.

Recognised insurance liabilities are only removed from the statement of financial position when, and only when, it is extinguished via a discharge, cancellation or expiration.

(c) Equity

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

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to profit or loss.

Interim dividends to shareholders are recognised in equity in the period in which they are declared. Final dividends are recognised upon the approval of shareholders in a general meeting.

The Group measures a liability to distribute non-cash assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting date and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.9 Financial instruments (continued)

(c) Equity (continued)

When the Group repurchases its own shares, the shares repurchased would be accounted for using the share retirement method.

Where the share retirement method is applied, the nominal value of the shares repurchased shall be cancelled by a debit to the share capital account. An amount equivalent to the nominal value of the shares repurchased shall be transferred to a capital redemption reserve.

The consideration, including any acquisition cost and premium or discount arising from the shares repurchased, shall be adjusted directly to the share premium account or any other suitable reserve. In the circumstance where there is no or insufficient share premium, the consideration, or its balance thereof, shall be adjusted to any other suitable reserve.

The shares cancelled and the adjustments made to share premium or reserves shall be shown as a movement in the share capital account and the share premium or reserve account respectively.

No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Where such shares are issued by resale, the difference between the sales consideration and the carrying amount is shown as a movement in equity.

4.10 Impairment of financial assets

The Group assesses whether there is any objective evidence that a financial asset is impaired at the end of each reporting period.

(a) <u>Held-to-maturity investments and loans and receivables</u>

The Group collectively considers factors such as the probability of bankruptcy or significant financial difficulties of the receivable, and default or significant delay in payments by the receivable, to determine whether there is objective evidence that an impairment loss on held-to-maturity investments and loans and receivables has occurred. Other objective evidence of impairment include historical collection rates determined on an individual basis and observable changes in national or local economic conditions that are directly correlated with the historical default rates of receivables.

If any such objective evidence exists, the amount of impairment loss is measured as the difference between the financial 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 held-to-maturity investments is directly reduced by the impairment loss whilst the carrying amount of loans and receivables are reduced through the use of an allowance account.

If in a subsequent period, the amount of the impairment loss decreases and it objectively relates 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 impairment reversed is recognised in profit or loss.

(b) <u>Available-for-sale financial assets</u>

The Group collectively considers factors such as significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market as objective evidence that available-for-sale financial assets are impaired.

If any such objective evidence exists, an amount comprising the difference between the financial asset's cost (net of any principal payment and amortisation) and current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit to loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.10 Impairment of financial assets (Continued)

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

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

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in subsequent periods. Instead, any increase in the fair value subsequent to the impairment loss is recognised in other comprehensive income.

Impairment losses on available-for-sale debt investments are subsequently reversed to profit or loss if the increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

4.11 Borrowing costs

All borrowing costs are recognised to profit or loss in the period in which they are incurred.

4.12 Income taxes

Income taxes include all taxes on taxable profit. Income taxes also include other taxes such as withholding taxes and real property gains taxes payable on the disposal of properties.

Taxes in the statements of comprehensive income comprise current tax and deferred tax.

(a) Current tax

Current tax expenses are determined according to the tax laws of the jurisdiction in which the Group operates and include all taxes based upon the taxable profits and real property gains taxes payable on disposal of properties.

(b) Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statement of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset, is recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profits will be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profits will be available, such reductions will be reversed to the extent of the taxable profits.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority on either:

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.12 Income taxes (continued)

(b) Deferred tax(continued)

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax will be recognised as income or expense and included in profit or loss for the period unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax will be charged or credited directly to equity.

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

4.13 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Where the effect of the time value of money is material, the amount of a provision will be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision will be reversed.

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

4.14 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise a contingent asset but discloses its existence where the inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.15 Employee benefits

(a) Short term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are recognised as an expense in the financial year when employees have rendered their services to the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur and they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Group.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

(b) Defined contribution plans

The Company and its subsidiaries incorporated in Malaysia make contributions to a statutory provident fund. The contributions are recognised as a liability after deducting any contributions already paid and as an expense in the period in which the employees render their services.

4.16 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities 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, which is the Company's functional and presentation currency.

(b) Foreign currency translations and balances

Transactions in foreign currencies are converted into functional currency at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of the reporting period are translated into functional currency at rates of exchange ruling at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition, and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

4.17 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable net of discounts and rebates.

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group, and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured and specific recognition criteria have been met for each of the Group's activities as follows:

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.17 Revenue recognition(continued)

(a) Sale of goods

Revenue from sale of goods is recognised when the significant risk and rewards of ownership of the goods have been transferred to the customer and where the Group retains no continuing managerial involvement over the goods, which coincides with the delivery of goods and services and acceptance by customers.

(b) Interest income

Interest income is recognised as it accrues, using the effective interest method.

(c) Rental income

Rental income is accounted for on a straight line basis over the lease term of an ongoing lease.

(d) Dividend income

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

(e) Management fee

Management fees are recognised when services are rendered.

4.18 Operating segments

Operating segments are defined as components of the Group that:

(a) engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);

(b) whose operating results are regularly reviewed by the Group’s chief operating decision maker (i.e. the Group’s Chief Executive Officer) in making decisions about resources to be allocated to the segment and assessing its performance; and

(c) for which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenue.

The Group reports separately information about each operating segment that meets any of the following quantitative thresholds:

(a) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is ten (10) per cent or more of the combined revenue, internal and external, of all operating segments.

(b) The absolute amount of its reported profit or loss is ten (10) per cent or more of the greater, in absolute amount of:

  (i) the combined reported profit of all operating segments that did not report a loss; and

  (ii) the combined reported loss of all operating segments that reported a loss.

(c) Its assets are ten (10) per cent or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.18 Operating segments (continued)

Total external revenue reported by operating segments shall constitute at least seventy five (75) percent of the Group's revenue. Operating segments identified as reportable segments in the current financial year in accordance with the quantitative thresholds would result in a restatement of prior period segment data for comparative purposes.

4.19 Earnings per share

(a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

(b) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

5. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs

5.1 New MFRSs adopted during the current financial year

The Group and the Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ('MASB') during the financial year.

Title		**Effective Date**
MFRS 1	*First-time Adoption of Malaysian Financial Reporting Standards*	1 January 2012
MFRS 2	*Share-based Payment*	1 January 2012
MFRS 3	*Business Combinations*	1 January 2012
MFRS 4	*Insurance Contracts*	1 January 2012
MFRS 5	*Non-current Assets Held for Sale and Discontinued Operations*	1 January 2012
MFRS 6	*Exploration for and Evaluation of Mineral Resources*	1 January 2012
MFRS 7	*Financial Instruments: Disclosures*	1 January 2012
MFRS 8	*Operating Segments*	1 January 2012
MFRS 101	*Presentation of Financial Statements*	1 January 2012
MFRS 102	*Inventories*	1 January 2012
MFRS 107	*Statement of Cash Flows*	1 January 2012
MFRS 108	*Accounting Policies, Changes in Accounting Estimates and Errors*	1 January 2012
MFRS 110	*Events After the Reporting Period*	1 January 2012
MFRS 111	*Construction Contracts*	1 January 2012
MFRS 112	*Income Taxes*	1 January 2012
MFRS 116	*Property, Plant and Equipment*	1 January 2012
MFRS 117	*Leases*	1 January 2012
MFRS 118	*Revenue*	1 January 2012
MFRS 119	*Employee Benefits*	1 January 2012
MFRS 120	*Accounting for Government Grants and Disclosure of Government Assistance*	1 January 2012
MFRS 121	*The Effects of Changes in Foreign Exchange Rates*	1 January 2012
MFRS 123	*Borrowing Costs*	1 January 2012
MFRS 124	*Related Party Disclosures*	1 January 2012
MFRS 126	*Accounting and Reporting by Retirement Benefit Plans*	1 January 2012
MFRS 127	*Consolidated and Separate Financial Statements*	1 January 2012
MFRS 128	*Investments in Associates*	1 January 2012

5. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (CONTINUED)

5.1 New MFRSs adopted during the current financial year (continued)

The Group and the Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ('MASB') during the financial year.(continued)

Title		Effective Date
MFRS 129	*Financial Reporting in Hyperinflationary Economies*	1 January 2012
MFRS 131	*Interests in Joint Ventures*	1 January 2012
MFRS 132	*Financial Instruments: Presentation*	1 January 2012
MFRS 133	*Earnings Per Share*	1 January 2012
MFRS 134	*Interim Financial Reporting*	1 January 2012
MFRS 136	*Impairment of Assets*	1 January 2012
MFRS 137	*Provisions, Contingent Liabilities and Contingent Assets*	1 January 2012
MFRS 138	*Intangible Assets*	1 January 2012
MFRS 139	*Financial Instruments: Recognition and Measurement*	1 January 2012
MFRS 140	*Investment Property*	1 January 2012
MFRS 141	*Agriculture*	1 January 2012
Improvements to MFRSs (2008)		1 January 2012
Improvements to MFRSs (2009)		1 January 2012
Improvements to MFRSs (2010)		1 January 2012
IC Interpretation 1	*Changes in Existing Decommissioning, Restoration and Similar Liabilities*	1 January 2012
IC Interpretation 2	*Members' Shares in Co-operative Entities and Similar Instruments*	1 January 2012
IC Interpretation 4	*Determining whether an Arrangement contains a Lease*	1 January 2012
IC Interpretation 5	*Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*	1 January 2012
IC Interpretation 6	*Liabilities Arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment*	1 January 2012
IC Interpretation 7	*Applying the Restatement Approach under MFRS 129 Financial Reporting in Hyperinflationary Economies*	1 January 2012
IC Interpretation 9	*Reassessment of Embedded Derivatives*	1 January 2012
IC Interpretation 10	*Interim Financial Reporting and Impairment*	1 January 2012
IC Interpretation 12	*Service Concession Arrangements*	1 January 2012
IC Interpretation 13	*Customer Loyalty Programmes*	1 January 2012
IC Interpretation 14	*MFRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*	1 January 2012
IC Interpretation 15	*Agreements for the Construction of Real Estate*	1 January 2012
IC Interpretation 16	*Hedges of a Net Investment in a Foreign Operation*	1 January 2012
IC Interpretation 17	*Distributions of Non-cash Assets to Owners*	1 January 2012
IC Interpretation 18	*Transfers of Assets from Customers*	1 January 2012
IC Interpretation 19	*Extinguishing Financial Liabilities with Equity Instruments*	1 January 2012
IC Interpretation 107	*Introduction of the Euro*	1 January 2012
IC Interpretation 110	*Government Assistance – No Specific Relation to Operating Activities*	1 January 2012
IC Interpretation 112	*Consolidation – Special Purpose Entities*	1 January 2012
IC Interpretation 113	*Jointly Controlled Entities – Non-Monetary Contributions by Venturers*	1 January 2012
IC Interpretation 115	*Operating Leases – Incentives*	1 January 2012
IC Interpretation 125	*Income Taxes – Changes in the Tax Status of an Entity or its Shareholders*	1 January 2012
IC Interpretation 127	*Evaluating the Substance of Transactions Involving the Legal Form of a Lease*	1 January 2012
IC Interpretation 129	*Service Concession Arrangements: Disclosures*	1 January 2012
IC Interpretation 131	*Revenue – Barter Transactions Involving Advertising Services*	1 January 2012
IC Interpretation 132	*Intangible Assets – Web Site Costs*	1 January 2012

5. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (CONTINUED)

5.1 New MFRSs adopted during the current financial year(continued)

(a) Amendments to MFRS 101 Clarification of the Requirements for Comparative Information are mandatory for annual periods beginning on or after 1 January 2013.

The Group has early adopted Amendments to MFRS 101 Clarification of the Requirements for Comparative Information in conjunction with the application of MFRS 101. These Amendments clarify that the third statement of financial position is required only if a retrospective application, retrospective restatement or reclassification has a material effect on the information in the statement of financial position at the beginning of the preceding period. If the third statement of financial position is presented, these Amendments clarify that the related notes to the opening statement of financial position need not be disclosed. Accordingly, there are no related notes disclosed in relation to the opening statement of financial position as at 1 January 2011.

(b) Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards are mandatory for annual periods beginning on or after 1 January 2013.

The Group has early adopted Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards in conjunction with the application of MFRS 1. These Amendments clarify that the first MFRS financial statements shall include at least three statements of financial position, two statements of profit or loss and other comprehensive income, two separate statements of profit or loss (if presented), two statements of cash flows and two statements of changes in equity and related notes, including comparative information for all statements presented.

5.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2013

The following are accounting standards, amendments and interpretations of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board ('MASB') but have not been adopted by the Group and the Company.

Title	**Effective Date**
Amendments to MFRS 101 *Presentation of Items of Other Comprehensive Income*	1 July 2012
MFRS 10 *Consolidated Financial Statements*	1 January 2013
MFRS 11 *Joint Arrangements*	1 January 2013
MFRs 12 *Disclosure of Interests in Other Entities*	1 January 2013
MFRS 13 *Fair Value Measurement*	1 January 2013
MFRS 119 *Employee Benefits (revised)*	1 January 2013
MFRS 127 *Separate Financial Statements*	1 January 2013
MFRS 128 *Investments in Associates and Joint Ventures*	1 January 2013
Amendments to MFRS 1 Government Loans	1 January 2013
Amendments to MFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRSs Annual Improvements 2009 – 2011 Cycle	1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12 Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to MFRS 132 Offsetting Financial Assets and Financial Liabilities	1 January 2014
Mandatory Effective Date of MFRS 9 and Transition Disclosures	1 January 2015
MFRS 9 Financial Instruments	1 January 2015

The Group is in the process of assessing the impact of implementing these accounting standards, amendments and interpretations, since the effects would only be observable for the future financial years.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

6.1 Changes in estimates

Estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Directors are of the opinion that there are no changes in estimates during the reporting period and at the end of the reporting period.

6.2 Critical judgements made in applying accounting policies

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

(a) Contingent liabilities

The determination and treatment of contingent liabilities is based on the Directors' and management's view of the expected outcome of the contingencies for matters in the ordinary course of the business.

(b) Contingent liabilities on corporate guarantees

The Directors are of the view that the chances of the financial institutions to call upon the corporate guarantees are remote.

6.3 Key sources of estimation uncertainty

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

(a) Depreciation and useful lives of property, plant and equipment

The Group estimates the useful lives of property, plant and equipment at the time the assets are acquired based on historical experience, the expected usage, wear and tear of the assets and technical obsolescence arising from changes in the market demands or service output of the assets. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to changes in the factors mentioned above. Changes in these factors could impact the useful lives and the residual values of the assets; therefore future depreciation charges could be revised.

(b) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profits would be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(c) Impairment of receivables

The Group makes impairment of receivables based on an assessment of the recoverability of receivables. Impairment is applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses historical bad debt, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of impairment of receivables. Where expectations differ from the original estimates, the differences would impact the carrying amount of receivables.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS(continued)

6.3 Key sources of estimation uncertainty(continued)

(d) Fair values of borrowings

The fair values of borrowings are estimated by discounting future contractual cash flows at the current market interest rates available to the Group for similar financial instruments. It is assumed that the effective interest rates approximate the current market interest rates available to the Group based on its size and its business risk.

(e) Write down for obsolete or slow moving inventories

The Group writes down its obsolete or slow moving inventories based on an assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses sales trend and current economic trends when making a judgement to evaluate the adequacy of the write down for obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences will impact the carrying amount of inventories.

(f) Income taxes

Significant judgement is required in determining the capital allowances and deductibility of certain expenses based on interpretation of tax laws and legislations during the estimation of the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognised liabilities for tax based on estimates of assessment of the tax liability due. Where the final tax outcome is different from the amounts that were initially recorded, such differences would impact the income tax and deferred income tax provisions, where applicable, in the period in which such determination is made.

(g) Impairment of assets

The Group determines whether an asset is impaired by evaluating the extent to which the recoverable amount of an asset is less than its carrying amount. This evaluation is subject to factors such as market performance, economic and political situation of the country.

Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value in use. The value in use is the net present value of the projected future cash flows derived from that asset discounted at an appropriate discount rate. For such discounted cash flow method, it involves the use of estimated future results and a set of assumptions to reflect its income and cash flows. Judgement has also been used to determine the discount rate for cash flows and the future growth of the business.

(h) Impairment of investments in subsidiaries and amounts owing by subsidiaries

The Company reviews the investments in subsidiaries for impairment when there is an indication of impairment and assesses the impairment of receivables on the amounts owing by subsidiaries when the receivables are long outstanding.

The recoverable amounts of the investments in subsidiaries and amounts owing by subsidiaries are assessed by reference to the value in use of the respective subsidiaries.

The value in use is the net present value of the projected future cash flows derived from the business operations of the respective subsidiaries discounted at an appropriate discount rate. For such discounted cash flow method, it involves the use of estimated future results and a set of assumptions to reflect their income and cash flows. Judgement had also been used to determine the discount rate for the cash flows and the future growth of the businesses of the subsidiaries.

7. PROPERTY, PLANT AND EQUIPMENT

Group	Balance as at 1.1.2012 RM	Additions RM	Reclassification RM	Disposals RM	Depreciation charges for the financial year RM	Balance as at 31.12.2012 RM
Carrying amount						
Long term leasehold land	6,720,042	220,618	6,334,979	0	(241,713)	13,033,926
Freehold land	258,352	0	0	0	0	258,352
Buildings and factory buildings	29,955,110	16,911,407	16,216,674	0	(1,031,920)	62,051,271
Office equipment, furniture and fittings	384,315	44,530	0	0	(96,969)	331,876
Plant and machinery	55,323,565	75,058,437	1,287,500	0	(14,553,257)	117,116,245
Motor vehicles	1,326,941	590,286	0	0	(474,454)	1,442,773
Electrical installation	1	0	0	0	0	1
Capital work-in-progress	24,085,926	0	(23,839,153)	(25,000)	0	221,773
	118,054,252	92,825,278	0	(25,000)	(16,398,313)	194,456,217

	[--------------At 31.12.12-------------		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Long term leasehold land	14,529,032	1,495,106	13,033,926
Freehold land	258,352	0	258,352
Buildings and factory buildings	68,400,230	6,348,959	62,051,271
Office equipment, furniture and fittings	1,761,160	1,429,284	331,876
Plant and machinery	197,382,782	80,266,537	117,116,245
Motor vehicles	4,336,831	2,894,058	1,442,773
Electrical installation	48,435	48,434	1
Capital work-in-progress	221,773	0	221,773
	286,938,595	92,482,378	194,456,217

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Balance as at 1.1.2011 RM	Additions RM	Reclassification RM	Disposals RM	Written off RM	Depreciation charges for the financial year RM	Balance as at 31.12.2011 RM
Carrying amount							
Long term leasehold land	6,854,027	0	0	0	0	(133,985)	6,720,042
Freehold land	258,352	0	0	0	0	0	258,352
Buildings and factory buildings	30,533,053	125,000	0	0	0	(702,943)	29,955,110
Office equipment, furniture and fittings	470,428	20,890	0	0	(4,718)	(102,285)	384,315
Plant and machinery	64,775,498	1,280,497	984,866	(21,212)	0	(11,696,084)	55,323,565
Motor vehicles	1,135,088	697,031	0	(1)	0	(505,177)	1,326,941
Electrical installation	1	0	0	0	0	0	1
Capital work-in-progress	1,134,866	24,090,845	(984,866)	(154,919)	0	0	24,085,926
	105,161,313	26,214,263	0	(176,132)	(4,718)	(13,140,474)	118,054,252

	[……………………At 31.12.2011…………………….]		
	Cost RM	**Accumulated depreciation RM**	**Carrying amount RM**
Long term leasehold land	7,973,435	1,253,393	6,720,042
Freehold land	258,352	0	258,352
Buildings and factory buildings	35,272,149	5,317,039	29,955,110
Office equipment, furniture and fittings	1,716,630	1,332,315	384,315
Plant and machinery	121,036,845	65,713,280	55,323,565
Motor vehicles	3,986,913	2,659,972	1,326,941
Electrical installation	48,435	48,434	1
Capital work-in-progress	24,085,926	0	24,085,926
	194,378,685	76,324,433	118,054,252

7. PROPERTY, PLANT AND EQUIPMENT(CONTINUED)

(a) As at 31 December 2012, the carrying amount of the property, plant and equipment acquired under term loan arrangements is as follows:

	Group 2012 RM	Group 2011 RM
Plant and machinery	0	1,441,800

Details of the terms and conditions of the term loan arrangements are disclosed in Notes 16 and 34 to the financial statements respectively.

(b) During the financial year, the Group made the following cash payments to purchase property, plant and equipment:

	Group 2012 RM
Purchase of property, plant and equipment	92,825,278
Deposits paid in previous financial year (Note 12(c))	(52,659,600)
	40,165,678

(c) As at 31 December 2012, long term leasehold land and factory buildings of the Group with a total carrying amount of RM35,451,693 (2011: RM36,237,590) have been charged to a bank for credit facilities granted to the Group as disclosed in Notes 17 and 18 to the financial statements.

8. TRADEMARK

Group	Balance as at 1.1.2012 RM	Additions RM	Amortisation charges for the financial year RM	Balance as at 31.12.2012 RM
Carrying amount				
Trademark	3,933	0	(858)	3,075

	[……At 31.12.12	……	……]
	Cost RM	Accumulated amortisation RM	Carrying amount RM
Trademark	16,865	13,790	3,075

Group	Balance as at 1.1.2011 RM	Additions RM	Amortisation charges for the financial year RM	Balance as at 31.12.2011 RM
Carrying amount				
Trademark	6,041	0	(2,108)	3,933

	[……At 31.12.2011	……	……]
	Cost RM	Accumulated amortisation RM	Carrying amount RM
Trademark	16,865	12,932	3,933

9. INVESTMENTS IN SUBSIDIARIES

	Company	
	2012	2011
At cost	RM	RM
Unquoted shares	99,961,093	39,769,093

The details of the subsidiaries, all incorporated in Malaysia, are as follows:

Name of company	Equity interest held 2012	2011	Principal activities
Tek Seng Sdn. Bhd.	100%	100%	Trading of PVC products
Wangsaga Industries Sdn. Bhd.	100%	100%	Manufacturing of PVC related products
Pelangi Segi Sdn. Bhd.	100%	100%	Trading of polyvinyl chloride products
Double Grade Non-Woven Industries Sdn. Bhd.	100%	100%	Manufacturing of PP non-woven related products and letting of properties
TS Solartech Sdn. Bhd.	86.1%	60%	Manufacturing and sales of photovoltaic products such as solar cells, solar panels or solar modules.

The above subsidiaries are all audited by BDO Malaysia.

(a) On 31 January 2012, the Company subscribed for an additional 12.2% interest in the equity shares of TS Solartech Sdn. Bhd. ("TS Solartech") for a total cash consideration of RM2,532,000 when the issued and paid-up share capital of TS Solartech was increased from RM3,000,000 to RM6,000,000.

(b) On 1 September 2012, the Company subscribed for an additional 13.9% interest in the equity shares of TS Solartech for a total cash consideration of RM6,000,000 when the share capital of TS Solartech was increased from RM6,000,000 to RM12,000,000.

(c) On 31 December 2012, the Company acquired an interest of 86.1% in the Redeemable Non-Cumulative Preference Shares ("RPS") of TS Solartech, for a cash consideration of RM51,660,000.

10. DEFERRED TAX ASSETS/(LIABILITIES)

(a) The deferred tax assets and liabilities are made up of the following:

	Group	
	2012	2011
	RM	RM
At 1 January	4,658,200	5,601,700
Recognised in profit or loss (Note 27)	(1,692,200)	(943,500)
At 31 December	2,966,000	4,658,200
Presented after appropriate offsetting:		
Deferred tax assets	3,787,400	5,520,500
Deferred tax liabilities	(821,400)	(862,300)
	2,966,000	4,658,200

(b) The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group

	Property, plant and equipment Group	
	2012	2011
	RM	RM
At 1 January	862,300	780,700
Recognised in profit or loss	(40,900)	81,600
At 31 December	821,400	862,300

10. DEFERRED TAX ASSETS/(LIABILITIES)(CONTINUED)

(b) The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:(continued)

Deferred tax assets of the Group

	Reinvestment allowances Group	
	2012	**2011**
	RM	**RM**
At 1 January	5,520,500	6,382,400
Recognised in profit or loss	(1,733,100)	(861,900)
At 31 December	3,787,400	5,520,500

(c) The amounts of temporary differences for which no deferred tax assets have been recognised in the statements of financial position are as follows:

	Group	
	2012	**2011**
	RM	**RM**
Unused tax losses	3,925,200	0
Unabsorbed capital allowances	4,074,800	0
	8,000,000	0

Deferred tax assets of a subsidiary have not been recognised in respect of these items as it is not probable that taxable profits of the subsidiary would be available against which the deductible temporary differences could be utilised.

The deductible temporary differences do not expire under the current tax legislation.

11. INVENTORIES

	Group	
	2012	**2011**
	RM	**RM**
At cost		
Raw materials	12,544,753	11,360,821
Work-in-progress	2,120,128	2,894,658
Finished goods	9,277,309	9,549,351
	23,942,190	23,804,830

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM	**RM**	**RM**	**RM**
Trade receivables				
Third parties	27,712,987	30,221,658	0	0
Other receivables				
Other receivables	31,380	29,630	0	0
Amount owing by subsidiaries	0	0	0	23,393,482
	31,380	29,630	0	23,393,482
Loans and receivables	27,744,367	30,251,288	0	23,393,482
Deposits and prepayments				
Deposits	48,872	52,712,522	0	0
Prepayments	122,458	76,457	0	0
	171,330	52,788,979	0	0
	27,915,697	83,040,267	0	23,393,482

12. TRADE AND OTHER RECEIVABLES(CONTINUED)

(a) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group range from 30 to 150 days (2011: 30 to 150 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

(b) Amount owing by subsidiaries represented advances which were unsecured, interest-free and payable upon demand in cash and cash equivalents.

(c) Included in deposits of the Group are amounts paid for the purchase of property, plant and equipment amounting to RM Nil (2011:RM52,659,600). During the financial year, deposits amounting to RM52,659,600 have been transferred to property, plant and equipment upon receipt of the plant and equipment.

(d) The currency exposure profile of receivables are as follows:

	Group		**Company**	
	2012	**2011**	**2012**	**2011**
	RM	**RM**	**RM**	**RM**
Ringgit Malaysia	25,955,720	80,401,962	0	23,393,482
US Dollar	1,959,977	2,625,585	0	0
Singapore Dollar	0	12,720	0	0
	27,915,697	83,040,267	0	23,393,482

(e) The ageing analysis of trade receivables of the Group are as follows:

	Group	
	2012	**2011**
	RM	**RM**
Neither past due nor impaired	20,346,957	16,322,594
Past due, not impaired		
1 to 30 days	4,836,157	7,414,903
31 to 60 days	1,568,108	3,627,223
61 to 90 days	566,487	1,571,913
More than 91 days	395,278	1,285,025
	7,366,030	13,899,064
	27,712,987	30,221,658

<u>Receivables that are neither past due nor impaired</u>

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

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

<u>Receivables that are past due but not impaired</u>

Trade receivables that are past due but not impaired amounting to RM7,366,030 (2011: RM13,899,064) mainly arose from active corporate clients with healthy business relationship, in which the management is of the view that the amounts are recoverable based on past payment history. The trade receivables that are past due but not impaired are unsecured in nature.

(f) Information on financial risks of trade and other receivables is disclosed in Note 34 to the financial statements.

13. CASH AND CASH EQUIVALENTS

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Cash and bank balances	2,351,409	2,496,260	29,127	8,030
Deposits with a licensed bank	931,000	15,990,000	0	0
	3,282,409	18,486,260	29,127	8,030

(a) Information on financial risks of cash and cash equivalents are disclosed in Note 34 to the financial statements.

(b) The currency exposure profile of cash and cash equivalents are as follows:

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Ringgit Malaysia	2,657,838	16,559,538	29,127	8,030
US Dollar	607,502	1,902,818	0	0
Singapore Dollar	4,475	15,467	0	0
EURO	12,594	8,437	0	0
	3,282,409	18,486,260	29,127	8,030

(c) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the end of the reporting period:

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Cash and bank balances	2,351,409	2,496,260	29,127	8,030
Deposits with a licensed bank	931,000	15,990,000	0	0
Less:Bank overdrafts included in borrowings (Note 16)	(1,118,838)	(2,801,861)	0	0
	2,163,571	15,684,399	29,127	8,030

14. SHARE CAPITAL

	Group and Company 2012 RM	Group and Company 2011 RM
Authorised		
400,000,000 ordinary shares of RM0.25 each	100,000,000	100,000,000
Issued and fully paid		
240,000,000 ordinary shares of RM0.25 each	60,000,000	60,000,000

The owners of the parent are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the Company's residual assets.

15. RETAINED EARNINGS

Effective 1 January 2008, the Company was given the option to make an irrevocable election to move to a single tier system or to continue to use its tax credit under Section 108 of the Income Tax Act, 1967 for the purpose of dividend distribution until the tax credit is fully utilised or latest, by 31 December 2013.

During the financial year, the Company has made this election and as a result, there is no additional tax liability to be incurred upon the payment of dividends out of its entire retained earnings as at the end of the reporting period.

16. BORROWINGS

	Group 2012 RM	Group 2011 RM
Current liabilities		
Secured		
Short term bank loans	49,411,555	53,279,305
Bank overdrafts	1,118,838	2,801,861
Term loans	4,187,150	4,467,455
	54,717,543	60,548,621
Non-current liability		
Secured		
Term loan	22,187,500	25,937,500
Total borrowings		
Short term bank loans (Note 17)	49,411,555	53,279,305
Bank overdrafts	1,118,838	2,801,861
Term loans (Note 18)	26,374,650	30,404,955
	76,905,043	86,486,121

The currency exposure profile of borrowings is as follows:

	Group 2012 RM	Group 2011 RM
Ringgit Malaysia	67,310,267	76,520,813
US Dollar	9,594,776	9,965,308
	76,905,043	86,486,121

Bank overdrafts of the Group are secured by:

(a) corporate guarantee executed by the Company; and

(b) legal charges on the freehold land and certain factory buildings of the Group (Note 7).

Information on financial risks of borrowings is disclosed in Note 34 to the financial statements.

17. SHORT TERM BANK LOANS

	Group 2012 RM	Group 2011 RM
Bankers' acceptances	39,816,779	43,665,000
Onshore foreign currency financing	2,968,069	5,192,174
Secured foreign currency trust receipts	1,834,980	4,422,131
Onshore foreign currency loan	3,721,322	0
Revolving credit	1,070,405	0
	49,411,555	53,279,305

Short term bank loans of the Group are secured by:

(a) legal charges on certain long term leasehold land, buildings and factory buildings of the Group (Note 7); and

(b) corporate guarantee executed by the Company.

Information on financial risks of borrowings is disclosed in Note 34 to the financial statements.

18. TERM LOANS

Term loans of the Group are secured by:

(a) legal charges on certain long term leasehold land, buildings and factory buildings of the Group (Note 7); and

(b) corporate guarantee executed by the Company.

The significant covenant for the secured term loans is that the gearing ratio of the Group shall not at any time exceed 1.5 times throughout the tenure of the credit facilities granted in relation to the term loans amounting to RM26,374,650 (2011: RM30,404,955) of a subsidiary.

The term loans are repayable in eighty-four (84) monthly instalments from January 2013.

Information on financial risks of borrowings and its remaining maturity is disclosed in Note 34 to the financial statements.

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM	**RM**	**RM**	**RM**
Trade payables				
Third parties	11,427,929	9,136,089	0	0
Other payables				
Other payables	27,139,909	26,658,351	548	568
Amount owing to subsidiaries	0	0	459,225	0
Accruals	3,865,577	3,237,319	149,000	65,000
Dividend payables	527	5,942	527	5,942
Deposits	3,750	750	0	0
	31,009,763	29,902,362	609,300	71,510
	42,437,692	39,038,451	609,300	71,510

(a) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 60 days (2011: 30 to 60 days).

(b) Included in other payables of the Group are advances from third parties amounting to RM9,072,000 (2011: RM22,800,000) which are unsecured, interest free and payable upon demand in cash and cash equivalents.

(c) Information on financial risks of trade and other payables are disclosed in Note 34 to the financial statements.

(d) The currency exposure profile of payables are as follows:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM	**RM**	**RM**	**RM**
Ringgit Malaysia	33,378,155	29,539,843	609,300	71,510
US Dollar	8,712,717	9,498,608	0	0
Euro	280,540	0	0	0
NTD	66,280	0	0	0
	42,437,692	39,038,451	609,300	71,510

20. COMMITMENTS

	Group	
	2012	**2011**
	RM	**RM**
Capital commitments		
Capital expenditure in respect of purchase of property, plant and equipment :		
Contracted but not provided for	1,901,844	32,107,987

21. CONTINGENT LIABILITIES

	Company	
	2012	2011
	RM	RM
Secured corporate guarantees given to licensed banks for facilities granted to subsidiaries		
- Limit of guarantee	140,223,605	133,242,865
- Amount utilised	76,905,043	86,486,121

The fair value of such financial corporate guarantees is negligible as the probability of the Group defaulting on the financial facilities is remote.

22. REVENUE

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Sale of goods	189,680,068	182,002,619	0	0
Gross dividend income from subsidiaries	0	0	40,367,141	0
Management fee from subsidiaries	0	0	90,000	0
	189,680,068	182,002,619	40,457,141	0

23. OTHER INCOME

	Group	
	2012	2011
	RM	RM
Interest income	28,304	21,143
Gain on disposal of available-for-sale financial assets	0	26,224
Gain on disposal of property, plant and equipment	83,000	130,564
Realised gain on foreign exchange	582,286	0
Unrealised gain on foreign exchange	485,354	152,957
Rental income	6,600	6,600
	1,185,544	337,488

24. EMPLOYEE BENEFITS

	Group	
	2012	2011
	RM	RM
Wages, salaries and bonus	12,388,865	10,966,721
Contributions to defined contribution plan	1,005,117	828,219
Social security contributions	106,477	92,187
Other benefits	241,116	474,865
	13,741,575	12,361,992

Included in employee benefits of the Group are Executive Directors' remuneration amounting to RM1,461,502 (2011 : RM1,389,824).

25. FINANCE COSTS

	Group	
	2012	2011
	RM	RM
Interest expense on:		
- bank overdrafts	30,351	30,595
- short term bank loans	1,780,259	1,645,442
- term loans	1,563,197	83,565
LC charges	16,832	20,872
	3,390,639	1,780,474

26. PROFIT/(LOSS) BEFORE TAX

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Profit/(Loss) before tax is arrived at after charging:				
Amortisation of trade mark (Note 8)	858	2,108	0	0
Auditors' remuneration:				
- statutory audits	52,000	52,000	5,000	5,000
- other services	4,800	4,800	4,800	4,800
Bad debts written off	23,282	0	0	0
Depreciation of property, plant and equipment (Note 7)	16,398,313	13,140,474	0	0
Directors' remuneration				
Other emoluments				
- paid by Company	144,000	72,000	144,000	72,000
- paid by subsidiaries	1,461,502	1,389,824	0	0
Interest expense on:				
- bank overdrafts (Note 25)	30,351	30,595	0	0
- short term bank loans (Note 25)	1,797,091	1,666,314	0	0
- term loans (Note 25)	1,563,197	83,565	0	0
Loss on foreign exchange				
- realised	7,140	830,414	0	0
- unrealised	5,237	28,151	0	0
Property, plant and equipment written off	0	4,718	0	0
Rental of plant and machinery	82,171	83,984	0	0
Rental of premises	3,600	3,600	0	0
And crediting:				
Interest income	28,304	21,143	0	0
Gain on disposal of available-for-sale financial assets	0	26,224	0	0
Gain on disposal of property, plant and equipment	83,000	130,564	0	0
Gross dividend income from subsidiaries	0	0	40,367,141	0
Realised gain on foreign exchange	582,286	0	0	0
Unrealised gain on foreign exchange	485,354	152,957	0	0
Rental income	6,600	6,600	0	0

27. TAXATION

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Current tax expense based on profit for the financial year	2,756,952	2,000,564	313,943	0
Under/(Over)-provision of income tax in respect of prior years	2,861	(27,152)	0	0
	2,759,813	1,973,412	313,943	0
Deferred tax (Note 10):				
Relating to origination and reversal of temporary differences	1,733,100	822,100	0	0
(Over)/Under-provision in respect of prior years	(40,900)	121,400	0	0
	4,452,013	2,916,912	313,943	0

Malaysian income tax is calculated at the statutory tax rate of 25% (2011: 25%) of the estimated taxable profits for the fiscal year.

The numerical reconciliations between the tax expense and the product of accounting profit multiplied by the applicable tax rates of the Group and of the Company are as follows:

27. TAXATION (CONTINUED)

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Tax at Malaysian statutory tax rate of 25%	2,407,100	2,500,400	10,046,400	(85,800)
Tax effect in respect of:				
Non-allowable expenses	283,662	475,694	29,400	0
Non-taxable income purposes	(200,710)	(94,530)	(9,761,857)	61,900
Tax incentives and allowances	0	(82,800)	0	0
Permanent loss not recognised during the year	0	23,900	0	23,900
Deferred tax assets not recognised	2,000,000	0	0	0
	4,490,052	2,822,664	313,943	0
(Over)/Under-provision of deferred tax in prior years	(40,900)	121,400	0	0
Over-provision of income tax in prior years	2,861	(27,152)	0	0
	4,452,013	2,916,912	313,943	0

28. EARNINGS PER SHARE

(a) Basic earnings per ordinary share

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

	Group 2012 RM	Group 2011 RM
Profit attributable to equity holders of the parent	6,671,422	7,158,785
Weighted average number of ordinary shares in issue (units)	240,000,000	240,000,000
Basic earnings per ordinary share	0.03	0.03

(b) Diluted earnings per ordinary share

Diluted earnings per ordinary share is the same as diluted earnings per share as there is no dilutive potential ordinary share.

29. DIVIDENDS

	2012 Gross dividend per share sen	2012 Amount of dividend net of tax RM	2011 Gross dividend per share sen	2011 Amount of dividend after tax RM
2010				
Final dividend, less 25% income tax	0	0	2	3,600,000
2011				
Final dividend, less 25% income tax	2	3,600,000	0	0
	2	3,600,000	2	3,600,000

The final dividend of 2 sen per ordinary share less tax of 25% was in respect of the financial year ended 31 December 2010 and was declared after the financial year ended 31 December 2010 and paid to shareholders on 8 September 2011.

The final dividend of 2 sen per ordinary share less tax of 25% income tax was in respect of the financial year ended 31 December 2011 and was declared after the financial year ended 31 December 2011 and paid to shareholders on 5 September 2012.

The Directors propose a first and final single tier dividend of 1.50 sen per ordinary share, amounting to RM3,600,000 in respect of the current financial year ended 31 December 2012, which is subject to the approval of members at the forthcoming Annual General Meeting.

30. ACQUISITION OF A SUBSIDIARY

In the previous financial year, on 21 January 2011, the Company acquired 60% of the issued and paid-up ordinary share capital of TS Solartech Sdn. Bhd. ("TS Solartech") for a total purchase consideration of RM1,800,000 funded through internally generated funds. TS Solartech is engaged in manufacturing and sales of photovoltaic products such as solar cells, solar panels or solar modules.

The Group acquired TS Solartech for the business diversification of the Group into the manufacturing and sales of photovoltaic products.

(a) The fair value of the identifiable assets and liabilities of TS Solartech as at the date of acquisition was as follows:

	Group RM
Current asset	
Bank balances	3,000,000
Fair value of net asset	3,000,000
Less: Non-controlling interest as at acquisition date	(1,200,000)
Share of net assets/ Total cost of acquisition	1,800,000

(b) The effects of the acquisition of TS Solartech on cash flows were as follows:

	Group RM
Cash paid	(1,800,000)
Less: Cash and cash equivalents of subsidiary acquired	3,000,000
Net cash inflow on acquisition	1,200,000

(c) The effect of the acquisitions on the financial results of the Group from the date of acquisition to 31 December 2011 are as follows:

	RM
Revenue	0
Other income	131,898
Depreciation	(193)
Employee benefits	(83,441)
Other expenses	(230,369)
Loss before tax	(182,105)
Tax expenses	(3,117)
Loss for the financial year	(185,222)

31. RELATED PARTY DISCLOSURES

(a) Identities of related parties

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

The Company has controlling related party relationship with its direct subsidiaries.

31. RELATED PARTY DISCLOSURES(CONTINUED)

(b) Significant related party transactions

In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Subsidiaries				
Dividend received	0	0	40,367,141	0
Management fee	0	0	90,000	0

The related party transactions described above were under taken on terms and conditions not materially different from those obtainable from transactions with unrelated parties.

Information regarding outstanding balances arising from related party transactions as at 31 December 2012 are disclosed in Notes 12 and 19 to the financial statements.

(c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director (whether executive or otherwise) of the Group and the Company.

The remuneration of Directors and other key management personnel during the financial year were as follows:

	Group	
	2012 RM	2011 RM
Short term employee benefits	1,305,929	1,239,613
Contributions to defined contribution plans	155,573	150,211
	1,461,502	1,389,824

32. OPERATING SEGMENTS

Tek Seng Holdings Berhad is principally involved in investment holding and its subsidiaries are principally engaged in manufacturing of PVC related products and PP Non-Woven, trading of polyvinyl chloride products, manufacturing and trading of Solar Cell products.

Tek Seng Holdings Berhad has arrived at four (4) reportable segments that are organised and managed separately according to the nature of products and services, specific expertise and technologies requirements, which requires different business and marketing strategies. The reportable segments are summarised as follows:

(i) PVC Sheeting
Manufacturing and trading of PVC Sheeting, parts for industrial and consumer use.

(ii) PP Non-Woven
Manufacturing and trading of PP Non-Woven related products.

(iii) PVC Leather
Trading of PVC Leather related products.

(iv) Solar Cell
Manufacturing and trading of Solar Cell related products.

32. OPERATING SEGMENTS(CONTINUED)

Other operating segments that do not constitute reportable segments comprise investment holding and operations related to trading of plastic products and materials that are not significant to be reported separately.

The accounting policies of operating segments are the same as those described in the summary of significant accounting policies.

The Group evaluates performance on the basis of profit or loss from operations before tax not including non-recurring losses.

Inter-segment revenue is priced along the same lines as sales to external customers and is eliminated in the consolidated financial statements. These policies have been applied consistently throughout the current and previous financial years.

Even though loans and borrowings arise from financing activities rather than operating activities, they are allocated to the segments based on relevant factors (e.g. funding requirements).

	PVC Sheeting RM	**PP Non-Woven RM**	**PVC Leather RM**	**Solar Cell RM**	**Others RM**	**Total RM**
2012						
Revenue						
Total revenue	171,997,714	14,140,047	10,336,531	207,547	29,129,446	225,811,285
Inter-segment revenue	(30,496,153)	(3,773,282)	(8,571)	0	(1,853,211)	(36,131,217)
Revenue from external customers	141,501,561	10,366,765	10,327,960	207,547	27,276,235	189,680,068
Interest income	21,115	1,547	1,541	31	4,070	28,304
Finance costs	(2,529,421)	(185,312)	(184,618)	(3,710)	(487,578)	(3,390,639)
Net finance expense	(2,508,306)	(183,765)	(183,077)	(3,679)	(483,508)	3,362,335
Depreciation	(9,203,276)	(674,255)	(671,732)	(4,075,001)	(1,774,049)	(16,398,313)
Segment profit/(loss) before income tax	12,904,609	945,425	941,886	(7,650,996)	2,487,528	9,628,452
Income tax expenses	(3,324,845)	(243,587)	(242,675)	0	(640,906)	(4,452,013)
Segment assets	189,057,747	13,850,852	13,799,006	227,300	36,443,298	253,428,203
Segment liabilities	90,154,249	6,604,930	6,580,206	132,233	17,378,384	120,850,003
Capital expenditure	69,247,770	5,073,268	5,054,278	101,569	13,348,393	92,825,278

32. OPERATING SEGMENTS (CONTINUED)

	PVC Sheeting RM	PP Non-Woven RM	PVC Leather RM	Solar Cell RM	Others RM	Total RM
2011 (Restated)						
Revenue						
Total revenue	166,923,739	13,002,120	11,187,534	0	24,470,829	215,584,222
Inter-segment revenue	(28,528,128)	(3,175,430)	(9,866)	0	(1,868,179)	(33,581,603)
Revenue from external customers	138,395,611	9,826,690	11,177,668	0	22,602,650	182,002,619
Interest income	16,077	1,142	1,298	0	2,626	21,143
Finance costs	(1,353,880)	(96,131)	(109,348)	0	(221,115)	(1,780,474)
Net finance expense	(1,337,803)	(94,989)	(108,050)	0	(218,489)	(1,759,331)
Depreciation	(9,992,076)	(709,481)	(807,021)	0	(1,631,896)	(13,140,474)
Segment profit before income tax	7,605,268	540,007	614,247	0	1,242,086	10,001,608
Income tax expenses	(2,218,033)	(157,490)	(179,142)	0	(362,247)	(2,916,912)
Segment assets	189,460,679	13,452,532	15,301,992	0	30,942,552	249,157,755
Segment liabilities	96,543,993	6,855,043	7,797,478	0	15,767,479	126,963,994
Capital expenditure	19,933,444	1,415,361	1,609,946	0	3,255,513	26,214,263

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities corresponding amounts are as follows:

	Group	
Revenue	**2012 RM**	**2011 RM**
Total revenue for reportable segments	225,811,285	215,584,222
Elimination of inter-segmental revenues	(36,131,217)	(33,581,603)
Revenue per consolidated statement of comprehensive income	189,680,068	182,002,619

	Group	
Depreciation	**2012 RM**	**2011 RM**
Total depreciation for reportable segments	16,398,313	13,140,474
Depreciation	16,398,313	13,140,474

	Group	
Profit for the financial year	**2012 RM**	**2011 RM**
Profit before tax	9,628,452	10,001,608
Tax expenses	(4,452,013)	(2,916,912)
Profit for the financial year	5,176,439	7,084,696

Geographical information

The Group's manufacturing facilities and sales offices are mainly based in Malaysia.

In presenting information on the basis of geographical areas, segment revenue is based on the geographical location from which the sale transactions originated.

Segment assets are based on the geographical location of the Group's assets. The non-current assets do not include deferred tax assets.

32. OPERATING SEGMENTS (CONTINUED)

	Group	
	2012	2011
Revenue from external customers	RM	RM
Malaysia	108,511,451	107,299,110
South Africa	4,421,078	3,891,663
Indonesia	28,349,773	27,171,301
Myanmar	8,731,024	8,193,762
Nigeria	5,752,916	4,045,053
Singapore	2,659,130	3,935,855
Yemen	7,550,210	7,686,700
Others	23,704,486	19,779,175
	189,680,068	182,002,619

	Group	
		Restated
	2012	2011
	RM	RM
Non-current assets		
Malaysia	194,459,292	118,058,185

Major customer

Revenue from a major customer in the PVC Sheeting segment amounted to RM27,951,160 (2011: RM26,497,862) with revenue equal or more than 10% of the Group's revenue.

33. FINANCIAL INSTRUMENTS

(a) Capital management

The primary objective of the Group's capital management is to ensure that entities of the Group would be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance. The overall strategy of the Group remains unchanged from that in the financial year ended 31 December 2011.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic 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. No changes were made in the objective, policies or processes during the financial years ended 31 December 2012 and 31 December 2011.

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

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group has a target gearing ratio of 10% to 70% determined as the proportion of net debt to equity plus net debt. The Group includes within net debt, loans and borrowings, trade and other payables, less cash and bank balances. Capital represents equity attributable to the owners of the parent.

	Group	
	2012	2011
	RM	RM
Loans and borrowings	76,905,043	86,486,121
Trade and other payables	42,437,692	39,038,451
Total liabilities	119,342,735	125,524,572
Less: Cash and bank balances	(2,351,409)	(2,496,260)
Net debt	116,991,326	123,028,312
Total capital	123,659,434	121,067,850
Net debt	116,991,326	123,028,312
Equity plus net debt	240,650,760	244,096,162
Gearing ratio	49%	50%

34. FINANCIAL INSTRUMENTS(CONTINUED)

(a) Capital management(continued)

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Securities, the Group is required to maintain a consolidated shareholders' equity equal to or not less than the 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than 40 million. The Company has complied with this requirement during the financial year ended 31 December 2012.

(b) Financial instruments

(i) Categories of financial instruments

	Loans and receivables			
	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Financial assets				
Trade and other receivables excluding deposits and prepayments	27,744,367	30,251,288	0	23,393,482
Cash and cash equivalents	3,282,409	18,486,260	29,127	8,030
	31,026,776	48,737,548	29,127	23,401,512

	Other financial liabilities			
	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Financial liabilities				
Borrowings	76,905,043	86,486,121	0	0
Trade and other payables	42,437,692	39,038,451	609,300	71,510
	119,342,735	125,524,572	609,300	71,510

(ii) Fair values of financial instruments

The fair values of financial instruments that are not carried at fair values and whose carrying amounts do not approximate their fair values are as follows :

2012	**Carrying amount RM**	**Fair value RM**
Unrecognised		
Financial liabilities:		
Contingent liabilities	0	*

2011	**Carrying amount RM**	**Fair value RM**
Unrecognised		
Financial liabilities:		
Contingent liabilities	0	*

34. FINANCIAL INSTRUMENTS(CONTINUED)

(ii) Fair values of financial instruments(continued)

* The Group and the Company provide corporate guarantees to the financial institutions for banking facilities granted to subsidiaries as disclosed in Note 21 to the financial statements. The fair value of such financial corporate guarantees is negligible as the probability of the Group defaulting on the financial facilities is remote.

(c) Determination of fair values

Methods and assumptions used to estimate fair value

The fair values of financial assets and financial liabilities are determined as follows:

(i) Financial instruments that are not carried at fair values and whose carrying amounts are at reasonable approximation of fair values

The carrying amounts of financial assets and financial liabilities, such as trade and other receivables, trade and other payables and borrowings, are reasonable approximation of fair value, either due to their short-term nature or that they are floating rate instruments that are re-priced at market interest rates on or near the end of the reporting period.

The carrying amounts of the current position of loans and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

(ii) Financial guarantee

The Group and the Company provide corporate guarantees to financial institutions for banking facilities granted to subsidiaries. The fair value of such financial corporate guarantee is negligible as the probability of the Group defaulting on the financial facilities is remote.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders whilst minimising potential adverse effects on its financial performance and positions. The Group is mainly exposed to credit risk, interest rate risk, foreign currency risk and liquidity and cash flow risk. Information on the management of the related exposures are detailed below:

(i) Credit risk

Cash deposits and trade receivables may give rise to credit risk which requires the loss to be recognised if a counter party fails to perform as contracted. The counter parties are major international institutions and reputable organisations that the Group has dealt with for numerous years. It is the Group's policy to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are mainly on credit, except for new customers, where deposits in advance are normally required. The credit period is generally for a period of one (1) month, extending up to five (5) months for major customers. Each customer has a maximum credit limit and the Group seeks to maintain strict control over its outstanding receivables via a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES(CONTINUED)

(i) Credit risk(continued)

The Group's major classes of financial assets are current tax assets, trade and other receivables and cash and cash equivalents.

Deposits with banks and other financial institutions that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

Exposure to credit risk

At the end of the reporting date, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial asset recognised in the statement of financial position.

Credit risk concentration profile.

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

	Group			
	2012		2011	
	RM	% of total	RM	% of total
By country:				
Malaysia	25,330,639	91%	27,571,646	91%
Yemen	0	0%	918,962	3%
Korea	0	0%	733,410	2%
South Africa	1,220,973	5%	531,135	1%
Singapore	36,558	*	165,904	1%
Sri Lanka	0	0%	111,149	1%
Senegal	236,588	1%	0	0%
Myanmar	609,704	2%	0	0%
Others	278,525	1%	189,452	1%
	27,712,987	100%	30,221,658	100%

* Amount is less than 1%

At the end of the reporting period, there was no significant concentration of credit risk.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 12 to the financial statements.

Financial assets that are past due but not impaired

Information regarding financial assets that are past due but not impaired is disclosed in Note 12 to the financial statements.

(ii) Liquidity and cash flow risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. In liquidity risk management strategy, the Group measures and forecasts its cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the Group's activities. In addition, the Group strives to maintain available banking facilities at a reasonable level to meet its business needs.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(ii) Liquidity and cash flow risk(continued)

The table below summarises the maturity profile of the Group's liability at the reporting date based on contractual undiscounted repayment obligations.

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
As at 31 December 2012				
Group				
Financial liabilities:				
Trade and other payables	42,437,692	0	0	42,437,692
Loans and borrowings	54,717,543	15,000,000	7,187,500	76,905,043
Total undiscounted financial liabilities	97,155,235	15,000,000	7,187,500	119,342,735
Company				
Financial liabilities:				
Trade and other payables	609,300	0	0	609,300
Total undiscounted financial liability	609,300	0	0	609,300
As at 31 December 2011				
Group				
Financial liabilities:				
Trade and other payables	39,038,451	0	0	39,038,451
Loans and borrowings	60,548,621	15,000,000	10,937,500	86,486,121
Total undiscounted financial liabilities	99,587,072	15,000,000	10,937,500	125,524,572
Company				
Financial liability:				
Trade and other payables	71,510	0	0	71,510
Total undiscounted financial liability	71,510	0	0	71,510

(iii) 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 income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises mainly from the Group's borrowings and deposits with a licensed bank and is managed through the use of fixed and floating rates instruments. The Group monitors the interest rates on borrowings closely to ensure that the borrowings are maintained at favourable rates. The Group's deposits are placed at fixed rates and management endeavours to obtain the best rate available in the market. The Group does not use derivative financial instruments to hedge this risk.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(iii) Interest rate risk(continued)

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity of the Group's profit after tax to a reasonably possible change in 50 basis points against interest rates, with all other variables held constant.

		Group	
		2012 RM Profit after tax	**2011 RM Profit after tax**
Deposits with a licensed bank	- 50 basis points higher	79	1,620
	- 50 basis points lower	-79	-1,620
Bankers' acceptances	- 50 basis points higher	-5,558	-6,157
	- 50 basis points lower	5,558	6,157
Onshore foreign currency financing	- 50 basis points higher	-188	-396
	- 50 basis points lower	188	396
Secured foreign currency trust receipts	- 50 basis points higher	-143	-520
	- 50 basis points lower	143	520
Onshore foreign currency loan	- 50 basis points higher	-244	-
	- 50 basis points lower	244	-
Revolving credit	- 50 basis points higher	-80	-
	- 50 basis points lower	80	-
Bank overdrafts	- 50 basis points higher	-5	-851
	- 50 basis points lower	5	851
Term loans	- 50 basis points higher	-5,440	-6,305
	- 50 basis points lower	5,440	6,305

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(iii) Interest rate risk (continued)

The following tables set out the carrying amounts, the weighted average effective interest rates as at the end of the reporting period and the remaining maturities of the Group's financial instruments that are exposed to interest rate risk:

Group	Note	Weighted average effective interest rate %	Within 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	More than 5 years	Total
At 31 December 2012									
Fixed rate									
Deposits with a licensed bank	13	2.25	931,000	0	0	0	0	0	931,000
Floating rates									
Bankers' acceptances	17	4.11	(39,816,779)	0	0	0	0	0	(39,816,779)
Onshore foreign currency financing	17	2.08	(2,968,069)	0	0	0	0	0	(2,968,069)
Secured foreign currency trust receipts	17	1.69	(1,834,980)	0	0	0	0	0	(1,834,980)
Onshore foreign currency loan		1.75	(3,721,322)	0	0	0	0	0	(3,721,322)
Revolving credit	17	2	(1,070,405)	0	0	0	0	0	(1,070,405)
Bank overdrafts	16	8.10	(1,118,838)	0	0	0	0	0	(1,118,838)
Term loans	16	5.50	(4,187,150)	(3,750,000)	(3,750,000)	(3,750,000)	(3,750,000)	(7,187,500)	(26,374,650)
At 31 December 2011									
Fixed rate									
Deposits with a licensed bank	13	2.4-2.8	15,990,000	0	0	0	0	0	15,990,000
Floating rates									
Bankers' acceptances	17	4.04	(43,665,000)	0	0	0	0	0	(43,665,000)
Onshore foreign currency financing	17	2.05	(5,192,174)	0	0	0	0	0	(5,192,174)
Secured foreign currency trust receipts	17	2.03	(4,422,131)	0	0	0	0	0	(4,422,131)
Bank overdrafts	16	7.60	(2,801,861)	0	0	0	0	0	(2,801,861)
Term loans	16	5.50-8.35	(4,467,455)	(3,750,000)	(3,750,000)	(3,750,000)	(3,750,000)	(10,937,500)	(30,404,955)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(iv) 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.

Transactional currency exposures arise from sales to South African and Middle East customers. These sales are priced in Ringgit Malaysia but invoiced in USD currencies. The Group also makes substantial purchases of raw materials from China. The Group has no hedging policy and does not make use of forward-currency contracts.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to reasonable possible change in the USD, SGD, Euro and NTD exchange rate against the respective functional currency of the Group entities, with all other variables held constant.

		Group	
		Profit net of tax	
		2012	**2011**
		RM	**RM**
USD/RM	- Strengthened 3%	-472,200	-448,000
	- Weakened 3%	+472,200	+448,000
SGD/RM	- Strengthened 3%	+134	+846
	- Weakened 3%	-134	-846
EURO/RM	- Strengthened 3%	-8,038	+253
	- Weakened 3%	+8,038	-253
NTD/RM	- Strengthened 3%	-1,988	0
	- Weakened 3%	+1,988	0

35. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 31 January 2012, the Company subscribed for an additional 12.2% interest in the equity shares of TS Solartech Sdn. Bhd. ("TS Solartech") for a total cash consideration of RM2,532,000 when the issued and paid-up share capital of TS Solartech was increased from RM3,000,000 to RM6,000,000.

(b) On 1 September 2012, the Company subscribed for an additional 13.9% interest in the equity shares of TS Solartech for a total cash consideration of RM6,000,000 when the share capital of TS Solartech was increased from RM6,000,000 to RM12,000,000.

(c) On 31 December 2012, the Company acquired an interest of 86.1% in the Redeemable Non-Cumulative Preference Shares ("RPS") of TS Solartech, for a cash consideration of RM51,660,000.

36. EXPLANATION OF TRANSITION TO MFRSs

The Group and the Company are non-transitioning entities as defined by the MASB, and have adopted the MFRS Framework during the financial year ended 31 December 2012. Accordingly, these are the first financial statements of the Group and the Company prepared in accordance with MFRSs.

The accounting policies set out in Note 4 to the financial statements have been applied in preparing the financial statements of the Group and the Company for the financial year ended 31 December 2012, as well as comparative information presented in these financial statements for the financial year ended 31 December 2011 and in the preparation of the opening MFRSs statements of financial position at 1 January 2011 (the date of transition of the Group and the Company to MFRSs).

There is no impact arising from the transition from FRSs to MFRSs on the Group's and the Company’s financial position, financial performance and cash flows. Thus, the Group and the Company have not adjusted any amount previously reported in the financial statements that were prepared in accordance with the previous FRS Frameworks.

37. SUPPLEMENTARY INFORMATION ON REALISED AND UNREALISED PROFITS

The retained earnings as at the end of the reporting period may be analysed as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Total retained earnings of the Company and its subsidiaries:				
- Realised	145,853,333	83,479,843	39,370,731	3,099,095
- Unrealised	3,446,117	4,783,006	0	0
Total earnings	149,299,450	88,262,849	39,370,731	3,099,095
Less: Consolidation adjustments	(85,640,016)	(27,194,999)	0	0
Total Group/Company retained profits as per consolidated accounts	63,659,434	61,067,850	39,370,731	3,099,095

LIST OF PROPERTIES

	Location/Address	Date of Acquisition	Description and Existing Use	Approximate Land/ Built-up Area	Age of Building / Tenure	Net Book Value as at 31-Dec-12
1.	Plot 159, Jalan Perindustrian Bukit Minyak 7, Taman Perindustrian Bukit Minyak, 14000 Bukit Mertajam. (H.S. (D) 46613, Lot 395, Mukim 13, Seberang Perai Tengah, Penang)	03 May 2000	1-storey factory (attached with 4-storey production area) cum 2-storey office block / Manufacturing and office use Owner occupied	Land area = 27,351.55 sq. Metre Built-up area =19,822 sq. Metre	11 years old / Leasehold 60 years expiring on 11 Mar 2061	Land = RM2,833,530 Building = RM10,696,237
2.	Plot 160, Jalan Perindustrian Bukit Minyak 7, Taman Perindustrian Bukit Minyak, 14000 Bukit Mertajam. (H.S. (D) 48999, PT 429, Mukim 13, Seberang Perai Tengah, Penang)	12 Dec 2002	1-storey factory (attached with 4-storey production area) / Manufacturing and Warehouse Owner occupied	Land area = 17,494.55 sq. Metre Built-up area =10,425 sq. Metre	10 years old / Leasehold 60 years expiring on 25 Aug 2063	Land = RM1,940,019 Building = RM9,896,211
3.	Plot 162(b), Jalan Perindustrian Bukit Minyak 7, Taman Perindustrian Bukit Minyak, 14000 Bukit Mertajam. (H.S.(D) 53381, PT 793, Mukim 13, Seberang Perai Tengah, Penang)	1 Jun 2005	1-storey factory/ Warehouse Owner occupied	Land area = 15,784.28 sq. Metre Built-up area = 5,280 sq. Metre	7 year old/ Leasehold 60 years expiring on 25 Aug 2063	Land = RM1,812,508 Building = RM8,273,188
4.	43, Jalan Mas Jaya 2, Kawasan Perindustrian Mas Jaya, Selangor Darul Ehsan. (H.S. (D) 69154, PT 27606, Mukim Cheras, Daerah Langat, Selangor)	1 Jun 1995	1 1/2-Storey warehouse / Warehouse Owner occupied	Land area = 328 sq. Metre Built-up area = 273 sq. Metre	17 years old / Freehold	Land = RM258,352 Building = RM127,486
5.	90-5-03, Medan Fettes, 11200 Penang (Parcel No. 7, Storey No. 5, Building Cahaya, erected on part of land held under Grant (First Grade) No. HB (M)86, Lot 3793, Mukim 18, North East District, Penang.)	28 Nov 1996	Apartment Rented out	Built-up area = 74.32 sq. Metre	16 years old / Freehold	Building = RM107,828
6.	77-14-5, Menara Belfield Condominium, Jalan Talalla, Off Jalan Maharajalela, 50460 Kuala Lumpur (Parcel No. B1-13A, erected on part of land under Certificate of Title No. 7564, Lot 393, Section 69, Kuala Lumpur)	28 Jan 1997	Apartment / Hostel Owner occupied	Built-up area = 98.47 sq. Metre	15 years old/ Freehold	Building = RM189,789
7.	Plot 320, Jalan Perindustrian Bukit Minyak 8, Penang Science Park, Bukit Minyak, Mukim 13, Seberang Perai Tengah, 14100 Pulau Pinang.	21 Feb 2011	4-Storey Factory / Warehouse Owner occupied	Land area = 32,586.91 sq. Metre Built-up area = 13,640.44 sq. Metre	2 years old / Leasehold 60 years	Land = RM6,447,869 Building = RM31,097,330

STATISTICS ON SHAREHOLDINGS
as at 30 April 2013

Authorised Share Capital	:	RM100,000,000
Issued Capital	:	240,000,000 Units
Paid-Up Capital	:	RM60,000,000
Class of Shares	:	Ordinary shares of RM0.25 each
Voting Rights	:	1 vote per ordinary share

Analysis of Shareholdings

No. of Holders	Size of Holdings	Total Holdings	% of Total Issued Capital
104	Less than 100 shares	4,968	#
130	100 to 1,000 shares	59,750	0.03
1,364	1,001 to 10,000 shares	6,799,500	2.83
642	10,001 to 100,000 shares	20,182,125	8.41
90	100,001 to less than 5% of issued shares	77,588,257	32.33
4	5% and above of issued shares	135,365,400	56.40
2,334		240,000,000	100.00

\# Negligible

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS AS AT 30 APRIL 2013
(without aggregating the securities from different securities accounts belonging to the same Depositor)

	Name	No. of Shares	% of Total Issued Capital
1	Loh Kok Beng	51,183,630	21.33
2	Loh Kok Cheng	51,183,630	21.33
3	Loh Kok Cheng	20,173,400	8.41
4	Soon Seok Choo	12,824,740	5.34
5	Cool Assets Sdn Bhd	11,956,000	4.98
6	Loh Kok Beng	9,996,000	4.17
7	Chang, Jung-Chen	7,464,741	3.11
8	Teoh Thean Hai	7,180,325	2.99
9	Hsu Chou, Yu-Ling	6,542,566	2.73
10	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB For Loh Kok Cheng (PB)	2,500,000	1.04
11	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB For Loh Kok Beng (PB)	2,500,000	1.04
12	Addeen Holdings Sdn Bhd	1,889,800	0.79
13	Teh Kee Heng	1,425,500	0.59
14	Loh Loo Ngoh	1,292,500	0.54
15	Loh Joo Eng	1,250,000	0.52
16	Loh Loo Guat	1,250,000	0.52
17	Ho Poay Chiew	1,250,000	0.52
18	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tan Chia Hong @ Gan Chong(E-TMR)	1,200,000	0.50
19	Teoh Thean Hai	1,148,750	0.48
20	ECML Nominees (Tempatan) Sdn Bhd	1,059,200	0.44
21	Wei, Li-Yun	1,047,000	0.44
22	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Nancy Tan (E-TWU)	804,900	0.34
23	Lim Tian Huat	705,050	0.29
24	Ling, Kun-Tzu	625,000	0.26
25	Choong Ngok Mam	565,000	0.24
26	Lui Pek Har	520,000	0.22
27	Koo San Choon	511,300	0.21
28	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Bong Khiong Sin	457,300	0.19
29	On Thiam Chai	391,000	0.16
30	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Francis Kong@Kong Fen Shin	390,000	0.16
	Total	**201,287,332**	**83.88**

Substantial Shareholdings

Substantial Shareholders	No. of ordinary shares of RM0.25 each held					
	Direct Interest		%	Deemed Interest		%
Loh Kok Beng	63,679,630	N1	26.53	-		-
Loh Kok Cheng	73,857,030	N1	30.77	-		-
Soon Seok Choo	12,824,740		5.34	-		-

Note :
(N1) Inclusive of his beneficial interest in 2,500,000 shares held by CIMSEC Nominees (Tempatan) Sdn Bhd

Directors' Shareholdings

Name of Directors	No. of ordinary shares of RM0.25 each held					
	Direct Interest		%	Deemed Interest		%
Loh Kok Beng	63,679,630	N1	26.53	-		-
Loh Kok Cheng	73,857,030	N1	30.77	-		-
Loh Joo Eng	1,250,000		0.52	110,575	N2	0.05
Dr. Kamarudin Bin Ngah	4,375		#	-		-
Mohamed Haniffah Bin S.M. Mydin	40,000		0.02	-		-
Yeoh Aik Chuan	-		-	-		-

Notes :
(N1) Inclusive of his beneficial interest in 2,500,000 shares held by CIMSEC Nominees (Tempatan) Sdn Bhd

(N2) Deemed interested by virtue of her spouse's, son's and daughter's direct interest in Tek Seng Holdings Berhad.

Negligible

ADDITIONAL COMPLIANCE INFORMATION

Non-Audit Fees

During the year, non-audit fees amounting to RM9,000 were paid by the Company and its subsidiaries to the Company's external auditors and its affiliates as professional fees.

Share Buybacks

The Company does not have a share buy-back programme in place.

Variations in Results

There were no profit estimates or unaudited financial results released which differ by 10% of more from the audited results.

Profit Guarantee

There were no profit guarantee given by the Company or its subsidiaries for the financial year ended 31 December 2012.

Imposition of Sanctions/Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year ended 31 December 2012.

Depository Receipt Programme

The Company does not have any depository receipt programme during the financial year ended 31 December 2012.

Options or Convertible Securities

There were no options or convertible securities issued by the Company during the financial year ended 31 December 2012.

Recurrent Related Party Transactions

There were no recurrent related party transactions of revenue nature conducted pursuant to the shareholders' mandate during the financial year ended 31 December 2012.

Material Contracts

There were no material contracts of the Company and its subsidiaries involving the interest of its Directors and major shareholders during the financial year ended 31 December 2012.

NOTICE OF ELEVENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eleventh Annual General Meeting of the Company will be held at Laurel II, Level 1, Evergreen Laurel Hotel of 53, Persiaran Gurney, 10250 Penang on Wednesday, 26 June 2013, at 9.30 a.m. for the following purposes :-

AGENDA

	As Ordinary Business :	
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2012 together with the Reports of Directors and Auditors thereon.	**Please refer to Note 7**
2.	To re-elect Mr. Loh Kok Beng, the Director who retires by rotation in accordance with Article 86 of the Company's Articles of Association and who, being eligible, offers himself for re-election.	**Ordinary Resolution 1**
3.	To re-elect Encik Mohamed Haniffah Bin S.M. Mydin, the Director who retires by rotation in accordance with Article 86 of the Company's Articles of Association and who, being eligible, offers himself for re-election.	**Ordinary Resolution 2**
4.	To approve the payment of a first and final single tier dividend of 1.5 sen per ordinary share of RM0.25 each for the financial year ended 31 December 2012.	**Ordinary Resolution 3**
5.	To approve the increase in Directors' Fees and the payment of Directors' Fees for the financial year ended 31 December 2012.	**Ordinary Resolution 4**
6.	To re-appoint Messrs. BDO as auditors of the Company until the next Annual General Meeting of the Company and to authorise the Directors to fix their remuneration.	**Ordinary Resolution 5**
7.	***As Special Business :*** To consider and if thought fit, to pass with or without modifications, the following resolutions as Ordinary Resolutions : **CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR** "That, authority be and is hereby given to Dr. Kamarudin Bin Ngah who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years to continue to act as an Independent Non-Executive Director of the Company."	**Ordinary Resolution 6**
8.	**AUTHORITY UNDER SECTION 132D OF THE COMPANIES ACT, 1965 FOR THE DIRECTORS TO ISSUE SHARES** "That, subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant government regulatory authorities, the Directors be and are hereby authorised, pursuant to Section 132D of the Companies Act, 1965, to allot and issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deemed fit, provided that the aggregate number of shares to be issued does not exceed 10% of the total issued share capital of the Company for the time being and that the Directors are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing and quotation for the additional shares to be issued."	**Ordinary Resolution 7**
9.	To transact any other business of which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.	

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend the Eleventh Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a General Meeting Record of Depositors as at 18 June 2013. Only a depositor whose name appears on the Record of Depositors as at 18 June 2013 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

By Oder of the Board,
LEE PENG LOON (MACS 01258)
P'NG CHIEW KEEM (MAICSA 7026443)
Company Secretaries

Penang
Date : 04 June 2013

NOTES ON APPOINTMENT OF PROXY

1. *A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies' Act, 1965 shall not apply to the Company.*

2. *For a proxy to be valid, the Proxy Form duly completed must be deposited at the Registered Office of the Company, 51-21-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang not less than forty-eight (48) hours before the time appointed for holding the meeting.*

3. *A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting.*

4. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.*

5. *If the appointer is a corporation, the Proxy Form must be executed under the corporation's Common Seal or under the hand of an officer or attorney duly authorised.*

6. *Where a member is an Exempt Authorised Nominee which holds ordinary shares of the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies it may appoint in respect of each omnibus account it holds.*

EXPLANATORY NOTE ON ORDINARY BUSINESS

7. *Agenda 1 is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders of the Company. Hence, Agenda 1 is not put forward for voting.*

EXPLANATORY NOTES ON SPECIAL BUSINESS

8. *The Ordinary Resolution 6 if passed, will allow Dr. Kamarudin Bin Ngah, the Independent Non-Executive Director to be retained and continue to act as independent director to fulfill the requirements of paragraph 3.04 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and to be in line with the recommendations 3.2 and 3.3 of the Malaysian Code of Corporate Governance 2012. The details of justifications are set out in page 17 of the Company's 2012 Annual Report.*

9. *The Ordinary Resolution 7, if passed, will give the Directors the authority to allot and issue shares in the Company up to an amount not exceeding 10% of the total issued capital of the Company for the time being for such purposes as the Directors consider will be in the best interest of the Company. This authority, unless revoked or varied by the shareholders of the Company in general meeting will expire at the conclusion of the next Annual General Meeting.*

   As at the date of notice of meeting, no shares has been issued pursuant to the general mandate granted at the last Annual General Meeting of the Company and of which, it will lapse at the conclusion of the Eleventh Annual General Meeting of the Company to be held on 26 June 2013.

   The general mandate for issue of shares is a renewal and will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares for the purpose of funding future investment, working capital and/or acquisition.

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN that a first and final single tier dividend of 1.5 sen per ordinary share of RM0.25 each for the financial year ended 31 December 2012, if approved, will be paid on 16 August 2013 to depositors registered in the Record of Depositors of the Company on 18 July 2013.

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 18 July 2013 in respect of ordinary transfers; and

b. Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board,

LEE PENG LOON (MACS 01258)
P'NG CHIEW KEEM (MAICSA 7026443)
Company Secretaries

Penang
Date : 04 June 2013

PROXY FORM

TEK SENG HOLDINGS BERHAD

(579572-M)
(Incorporated in Malaysia)

*I / We...

[Full Name in Block Letters (I/C No./ Passport No./ Company No.)]

of ....

(Address)

*being a * member / members of the abovenamed Company, hereby appoint* ....

....

[Full Name in Block Letters (I/C No./ Passport No./ Company No.)]

of ....

(Address)

or failing whom, the Chairman as *my/our proxy to vote for *me/us on *my/our behalf at the 11th Annual General Meeting of the Company, to be held at Laurel II, Level 1, Evergreen Laurel Hotel of 53, Persiaran Gurney, 10250 Penang on Wednesday, 26 June 2013, at 9.30 a.m. and at any adjournment thereof.

NO	ORDINARY RESOLUTIONS	FOR	AGAINST
1	To re-elect Mr. Loh Kok Beng as a director.		
2	To re-elect Encik Mohamed Haniffah Bin S.M. Mydin as a director.		
3	To approve the payment of a first and final single tier dividend of 1.5 sen per ordinary share		
4	To approve the increase in directors' fee and the payment of directors' fees.		
5	To re-appoint Messrs. BDO as auditors of the Company.		
6	To re-appoint Dr. Kamarudin Bin Ngah as Independent Director		
7	To authorise the Directors to issue shares pursuant to Section 132D of Companies Act, 1965		

Please indicate with an "x" in the appropriate spaces provided above on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy may vote as he thinks fit.

Signed this ....day of ....,2013.

No. of shares held

……………………………
Signature of Member(s)

Notes :

1. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies' Act, 1965 shall not apply to the Company.
2. For a proxy to be valid, this form duly completed must be deposited at the Registered Office of the Company, 51-21-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang not less than forty-eight (48) hours before the time appointed for holding the meeting.
3. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting.
4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
5. If the appointer is a corporation, this form must be executed under the corporation's Common Seal or under the hand of an officer or attorney duly authorised.
6. Where a member is an Exempt Authorised Nominee which holds ordinary shares of the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies it may appoint in respect of each omnibus account it holds.

** Strike out whichever is not desired.*

Affix
Stamp
Here

THE COMPANY SECRETARY
TEK SENG HOLDINGS BERHAD (579572-M)
51-21-A, MENARA BHL BANK,
JALAN SULTAN AHMAD SHAH,
10050 PENANG

Please Fold Here