TEK SENG HOLDINGS BERHAD (579572-M)

CONTENTS

CORPORATE PROFILE

Tek Seng Holdings Berhad (“Tek Seng” or “the Company”) was incorporated in Malaysia under the Companies 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

REMUNERATION 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

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

(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%

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 29 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 2013.

MR. LOH KOK BENG
Malaysian, 48 years of age
Executive Chairman
Member of Remuneration Committee

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 24 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 2013.

MR. LOH KOK CHENG
Malaysian, 47 years of age
Managing Director

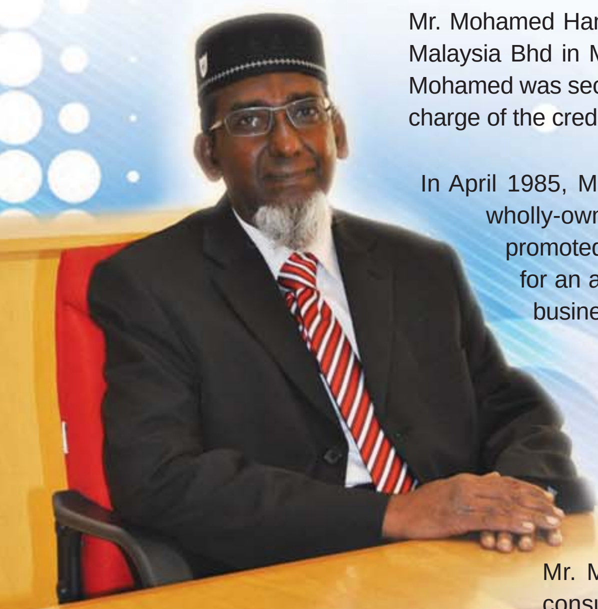
Dr. Kamarudin Bin Ngah was appointed as a Director of Tek Seng on 16 August 2004.

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 was a Researcher with the Centre of Policy Research, University Sains Malaysia from July 1986 to August 2013. He is presently a Professor at School of Government, College of Law, Government and International Studies (COLGIS), Universiti Utara 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 three of the four Board Meetings held during the financial year ended 31 December 2013.

DR. KAMARUDIN BIN NGAH
Malaysian, 54 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 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 all four Board Meetings held during the financial year ended 31 December 2013.

MR. MOHAMED HANIFFAH BIN S.M. MYDIN
Malaysian, 61 years of age
Independent Non-Executive Director
Chairman of Nominating Committee
Member of Remuneration Committee
Member of Audit Committee

DIRECTORS' PROFILE (CONT'D)

MR. YEOH AIK CHUAN
Malaysian, 44 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 17 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 three of the four Board Meetings held during the financial year ended 31 December 2013.

MDM. LOH JOO ENG
Malaysian, 54 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 29 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 2013.

CONVICTION OF OFFENCE

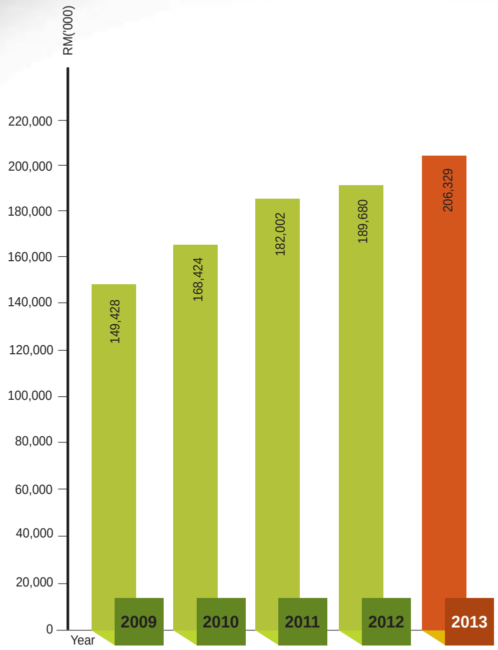
None of the Directors have been convicted of any offences within the past 10 years other than traffic offences, if any.

DIRECTORS' SHAREHOLDINGS

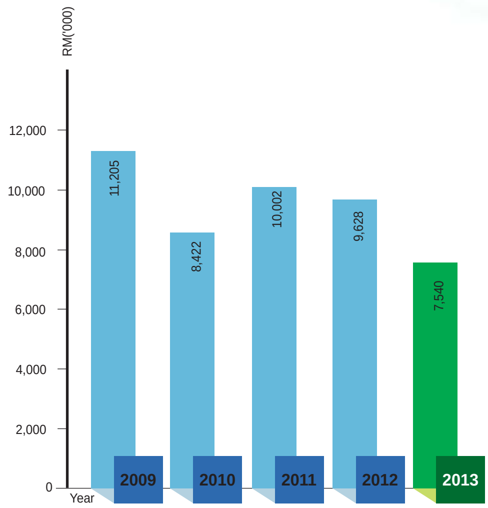
The details of the Directors' shareholdings in the Company are set out under the Statistics on Shareholdings in page 94 of this Annual Report.

FINANCIAL HIGHLIGHTS

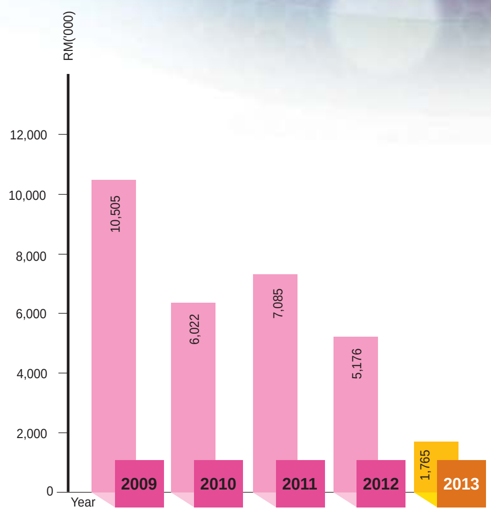
	GROUP				
	2009	2010	2011	2012	2013
Revenue (RM'000)	149,428	168,424	182,002	189,680	206,329
Profit Before Tax and Non - Controlling Interest ('NCI')(RM'000)	11,205	8,422	10,002	9,628	7,540
Profit After Tax and Non - Controlling Interest ('NCI')(RM'000)	10,505	6,022	7,085	5,176	1,765
Gross Earnings Per Share (Sen)	4.67	3.51	4.17	4.01	3.14
Net Earnings Per Share (Sen)	4.38	2.52	2.95	2.16	0.74



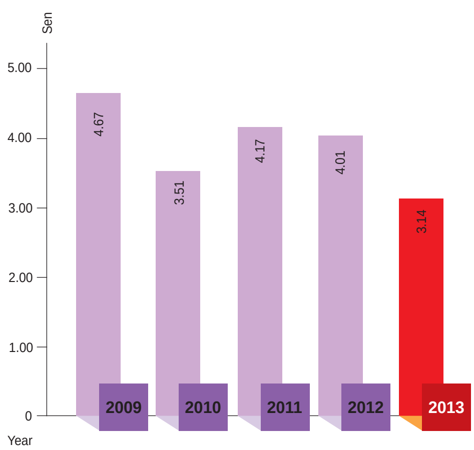
Revenue



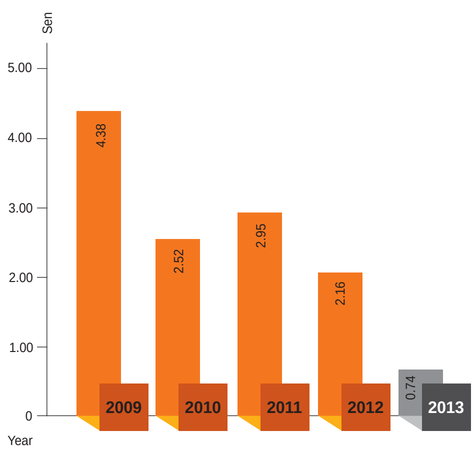
Profit Before Tax and NCI



Profit After Tax and NCI



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 2013.

Business Environment

The year 2013 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. Meanwhile, the solar industry was fraught with uncertainty in view of imbalances of supply versus demand and price erosions continued to be major factors influencing the business environment.

Despite a challenging year, our businesses continued to grow as we are able to witness a healthy increase in revenue for the year 2013.

Financial Performance

For the financial year ended 31 December 2013, our Group's revenue increased by 8.77% to RM206 million as compared with the preceding year. However, the profit after tax decreased to RM1.77 million for the year under review. This was mainly due to losses sufferred by TS Solartech Sdn Bhd in view of high operating expenses. As at 31 December 2013, our shareholders'equity stood at RM123.7 million as compared with RM123.6 million as at the end of the previous financial year.

Prospects

The global market for PVC products remains stable due to its versatility, cost effectiveness and an excellent record of use. Other than the domestic market, the consumption from overseas still represents a promising market due to the large population size and growth. 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 indication which augurs well for the Company is the return of some stability to the solar industry and increase in global demand. We believe our 86.1% subsidiary, TS Solartech Sdn Bhd who had commenced operation is expected to contribute positively to the Group in the coming year.

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, techniques of fire-fighting and prevention, Risk Awareness 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 Penang Chinese Town Hall, Mount Miriam Cancer Hospital, Society of The Blind in Malaysia, Montfort Boys Town, Beautiful Gate Foundation For The Disabled, Yayasan Kebajikan SSL Heamodialysis 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 2013 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 property, plant and equipment.
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 has established 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 responsibilitie which have been clearly defined in the Board Charter and available on the Group’s website. 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 2013 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	1,205	209	180	1,666
Non-Executive Directors	72	0	0	0	72
Total	144	1,205	209	180	1,738

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 2014.

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 12th 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	Risk Awareness Workshop
Mr. Loh Kok Cheng	Risk Awareness Workshop
Mdm. Loh Joo Eng	Risk Awareness Workshop
	National Tax Seminar 2013
Mr. Yeoh Aik Chuan	Malaysian Budget 2014
	Setting Audit Strategy
	Consolidation - Component Audit
	IFRS 9 Financial Instruments
	US GAAP vs IFRS
	Group Audit
Dr. Kamarudin Bin Ngah	2nd Internatinal Conference On Elections and Democracy:
	Continuity and Change
	Risk Awareness Workshop
Mr. Mohamed Haniffah Bin S.M. Mydin	Corporate Governance From The Syariah Perspective
	Risk Awareness Workshop

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.

This statement is issued in accordance with a resolution of the Directors dated 17 April 2014.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad, 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 maintaining a sound system of internal control and risk management framework. 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, loss or fraud.

RISK MANAGEMENT FRAMEWORK

The Board has 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 process of identifying, evaluating and managing the significant risks are embedded in the various work processes and procedures of the respective departments. It is the responsibility of key management and heads of department to identify, evaluate and manage the significant risks faced by the Group on an ongoing basis. Any significant risks and related mitigating responses are discussed at management meetings and these are reported to the Board at their regular meetings.

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:

- Organisation structure with defined scopes of responsibility, clear lines of accountability and appropriate levels of delegated authority;
- 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;
- Monthly monitoring of results against budget, with major variances being followed up and management action taken, where necessary;
- Regular Board and Audit Committee meetings;
- Staff training to enhance their skills, knowledge and competencies; and
- Daily visits to operating units by members of the Board and senior management.

CONCLUSION

The Executive Chairman and Managing Director 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 in place and satisfactory for the year under review. It has not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report.

The Board recognises that the development of risk management and internal control system is an ongoing process. Therefore, the Board will continue to improve and enhance the systems of internal control and risk management.

This statement is issued in accordance with a resolution of the Directors dated 17 April 2014.

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 2013, 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	3 out of 4
Dr. Kamarudin Bin Ngah	3 out of 4
Mr. Mohamed Haniffah Bin S.M. Mydin	4 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 Department and the 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 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 the 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 2013, 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 Group and the Company 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 2013 was RM32,000.

During the financial year ended 31 December 2013, 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 2013, the Directors are satisfied that :

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

2. the relevant applicable Approved Accounting Standards in Malaysia have been complied.

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.

DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS

CONTENTS

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 2013.

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	1,765,268	17,612,694
Attributable to:		
Owners of the parent	3,730,775	17,612,694
Non-controlling interests	(1,965,507)	0
	1,765,268	17,612,694

DIVIDEND

Dividend paid since the end of the previous financial year was as follows:

	RM
In respect of financial year ended 31 December 2012 as reported in the Directors's report of that year:	
First and final single tier dividend of 1.50 sen per ordinary share on 240,000,000 ordinary shares, paid on 16 August 2013	3,600,000

The Directors do not recommend the payment of any final dividend in respect of the current financial year ended 31 December 2013.

RESERVES AND PROVISIONS

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

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 2013 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 01-01-2013	Bought	Sold	Balance as at 31-12-2013
Shares in the Company				
Direct interests :				
Loh Kok Beng	63,679,630	0	0	63,679,630
Loh Kok Cheng	73,857,030	0	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 owned subsidiary, TS Solartech Sdn. Bhd., held by Loh Kok Beng and Loh Kok Cheng were as follows:

	[----------------Number of Ordinary Shares of RM1 each----------------]			
	Balance as at 01-01-2013	Bought	Sold	Balance as at 31-12-2013
Subsidiary				
- TS Solartech Sdn. Bhd.				
Indirect interests:				
Loh Kok Beng	10,332,000	0	0	10,332,000
Loh Kok Cheng	10,332,000	0	0	10,332,000

	[----Number of redeemable non-cumulative preference shares of RM1 each----]			
	Balance as at 01-01-2013	Bought	Sold	Balance as at 31-12-2013
Indirect interests:				
Loh Kok Beng	51,660	0	0	51,660
Loh Kok Cheng	51,660	0	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 32 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 profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

(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 there are no known bad debts to be 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 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 necessitate the writing off of bad debts or the making of a provision for doubtful debts; and

(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 which is likely to affect substantially the results of 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.

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: 17 APRIL 2014

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 35 to 90 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 2013 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 36 on page 91 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: 17 April 2014

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 91 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 in the state of Penang this 17 April 2014

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 the statements of financial position as at 31 December 2013 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 35 to 90.

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 2013 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 accounts of the subsidiaries that have been consolidated with the financial statements of the Company 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 accounts 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 36 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

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

Se Kuo Shen
2949/05/14(J)
Chartered Accountant

Penang

Dated: 17 APRIL 2014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2013

	NOTE	Group 2013 RM	2012 RM
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	181,788,338	194,456,217
Trademark	8	2,217	3,075
Deferred tax assets	10	1,317,500	3,787,400
		183,108,055	198,246,692
CURRENT ASSETS			
Inventories	11	30,393,061	23,942,190
Trade and other receivables	12	37,379,891	27,915,697
Current tax assets		5,284	41,215
Cash and cash equivalents	13	2,911,247	3,282,409
		70,689,483	55,181,511
TOTAL ASSETS		253,797,538	253,428,203
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	14	60,000,000	60,000,000
Retained earnings	15	63,790,209	63,659,434
		123,790,209	123,659,434
Non-controlling interests		6,953,259	8,918,766
TOTAL EQUITY		130,743,468	132,578,200
LIABILITIES			
NON-CURRENT LIABILITIES			
Trade and other payables	16	13,568,621	0
Current tax liabilities	21	2,000,000	0
Borrowings	17	18,437,500	22,187,500
Deferred tax liabilities	10	861,500	821,400
		34,867,621	23,008,900
CURRENT LIABILITIES			
Trade and other payables	16	31,830,722	42,437,692
Borrowings	17	55,438,940	54,717,543
Current tax liabilities		916,787	685,868
		88,186,449	97,841,103
TOTAL LIABILITIES		123,054,070	120,850,003
TOTAL EQUITY AND LIABILITIES		253,797,538	253,428,203

STATEMENT OF FINANCIAL POSITION

as at 31 December 2013

	NOTE	Company 2013 RM	2012 RM
ASSETS			
NON-CURRENT ASSET			
Investments in subsidiaries	9	99,961,093	99,961,093
CURRENT ASSETS			
Trade and other receivables	12	46,812,572	0
Cash and cash equivalents	13	17,632	29,127
		46,830,204	29,127
TOTAL ASSETS		146,791,297	99,990,220
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	14	60,000,000	60,000,000
Retained earnings	15	53,383,425	39,370,731
TOTAL EQUITY		113,383,425	99,370,731
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	16	33,397,683	609,300
Current tax liabilities		10,189	10,189
		33,407,872	619,489
TOTAL EQUITY AND LIABILITIES		146,791,297	99,990,220

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 31 December 2013

	NOTE	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
REVENUE	24	206,329,413	189,680,068	17,910,050	40,457,141
Other income	25	279,280	1,185,544	0	0
Changes in inventories of work-in-progress and finished goods		6,919,058	(1,046,572)	0	0
Purchase of trading merchandise		(13,563,927)	(13,572,745)	0	0
Raw materials and consumables used		(124,801,543)	(108,263,908)	0	0
Depreciation		(18,967,956)	(16,398,313)	0	0
Employee benefits	26	(16,027,448)	(13,741,575)	0	0
Carriage outwards		(4,469,824)	(5,168,693)	0	0
Utilities expenses		(12,864,460)	(8,325,745)	0	0
Other expenses		(12,159,450)	(11,328,970)	(293,197)	(271,562)
Finance costs	27	(3,132,916)	(3,390,639)	0	0
PROFIT BEFORE TAX	28	7,540,227	9,628,452	17,616,853	40,185,579
Taxation	29	(5,774,959)	(4,452,013)	(4,159)	(313,943)
Profit for the financial year		1,765,268	5,176,439	17,612,694	39,871,636
Other comprehensive income, net of tax		0	0	0	0
Total comprehensive income		1,765,268	5,176,439	17,612,694	39,871,636
Profit attributable to:					
Owners of the parent		3,730,775	6,671,422	17,612,694	39,871,636
Non-controlling interests		(1,965,507)	(1,494,983)	0	0
		1,765,268	5,176,439	17,612,694	39,871,636
Total comprehensive income attributable to:					
Owners of the parent		3,730,775	6,671,422	17,612,694	39,871,636
Non-controlling interests		(1,965,507)	(1,494,983)	0	0
		1,765,268	5,176,439	17,612,694	39,871,636
Earnings per ordinary share attributable to equity holders of the Company:					
Basic earnings per share	30	0.02	0.03		
Diluted earnings per share	30	0.02	0.03		

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2013

Group	Share capital RM	Distributable Retained earnings RM	Total attributable to owners of the parent RM	Non-controlling interests RM	Total equity RM
Balance as at 1 January 2013	60,000,000	63,659,434	123,659,434	8,918,766	132,578,200
Profit/(Loss) for the financial year	0	3,730,775	3,730,775	(1,965,507)	1,765,268
Other comprehensive income, net of tax	0	0	0	0	0
Total comprehensive income	0	3,730,775	3,730,775	(1,965,507)	1,765,268
Transactions with owners					
Dividend paid (Note 31)	0	(3,600,000)	(3,600,000)	0	(3,600,000)
Total transactions with owners	0	(3,600,000)	(3,600,000)	0	(3,600,000)
Balance as at 31 December 2013	60,000,000	63,790,209	123,790,209	6,953,259	130,743,468
Balance as at 1 January 2012	60,000,000	61,067,850	121,067,850	1,125,911	122,193,761
Profit/(Loss) for the financial year	0	6,671,422	6,671,422	(1,494,983)	5,176,439
Other comprehensive income, net of tax	0	0	0	0	0
Total comprehensive income	0	6,671,422	6,671,422	(1,494,983)	5,176,439
Transactions with owners					
Dividend paid (Note 31)	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	8,340,000	8,340,000
Ordinary shares subscribed by non-controlling interests, of a subsidiary company	0	0	0	468,000	468,000
Dilution of interest arising from acquisition of additional equity interest in a subsidiary	0	(479,838)	(479,838)	479,838	0
Total transactions with owners	0	(4,079,838)	(4,079,838)	9,287,838	5,208,000
Balance as at 31 December 2012	60,000,000	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 2013

Company	Share capital RM	Distributable Retained earnings RM	Total equity RM
Balance as at 1 January 2013	60,000,000	39,370,731	99,370,731
Profit for the financial year	0	17,612,694	17,612,694
Other comprehensive income, net of tax	0	0	0
Total comprehensive income	0	17,612,694	17,612,694
Transactions with owners			
Dividend paid (Note 31)	0	(3,600,000)	(3,600,000)
Total transactions with owners	0	(3,600,000)	(3,600,000)
Balance as at 31 December 2013	60,000,000	53,383,425	113,383,425
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
Other comprehensive income, net of tax	0	0	0
Total comprehensive income	0	39,871,636	39,871,636
Transactions with owners			
Dividend paid (Note 31)	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 2013

	NOTE	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
CASH FLOW FROM OPERATING ACTIVITIES					
Profit before tax		7,540,227	9,628,452	17,616,853	40,185,579
Adjustments for:					
Amortisation of trade mark	8	858	858	0	0
Bad debts written off		0	23,282	0	0
Depreciation	7	18,967,956	16,398,313	0	0
Gross dividend income from subsidiaries		0	0	(17,820,050)	(40,367,141)
Interest expense	27	3,132,916	3,390,639	0	0
Gain on disposal of property, plant and equipment		(121,513)	(83,000)	0	0
Net unrealised loss/(gain) on foreign exchange		946,231	(480,117)	0	0
Interest income		(834)	(28,304)	0	0
Operating profit/(loss) before working capital changes		30,465,841	28,850,123	(203,197)	(181,562)
Increase in inventories		(6,450,871)	(137,360)	0	0
(Increase)/Decrease in trade and other receivables		(9,555,578)	2,443,391	(46,812,572)	23,393,482
Increase in trade and other payables		2,953,750	3,855,254	32,788,383	543,205
Net cash generated from/(used in)operations		17,413,142	35,011,408	(14,227,386)	23,755,125
Interest received		834	28,304	0	0
Interest paid		(3,132,916)	(3,390,639)	0	0
Tax paid		(2,998,109)	(2,444,569)	(4,159)	(303,754)
Net cash from/(used in) operating activities		11,282,951	29,204,504	(14,231,545)	23,451,371
CASH FLOW FROM INVESTING ACTIVITIES					
Dividends received from subsidiaries		0	0	17,820,050	40,367,141
Purchase of property, plant and equipment	7(b)	(6,526,531)	(40,165,678)	0	0
Proceeds from disposal of property, plant and equipment		448,471	108,000	0	0
Acquisition of additional interest in a subsidiary		0	0	0	(60,192,000)
Net cash (used in)/from investing activities		(6,078,060)	(40,057,678)	17,820,050	(19,824,859)
CASH FLOW FROM FINANCING ACTIVITIES					
Dividends paid	31	(3,600,000)	(3,605,415)	(3,600,000)	(3,605,415)
Drawdown of:					
- short term bank loans		184,839,702	182,439,845	0	0
- Government fund	21	2,000,000	0	0	0
Repayments of:					
- short term bank loans		(184,028,223)	(186,281,135)	0	0
- term loans		(3,767,791)	(4,030,305)	0	0
Subscribed by non-controlling interests, of a subsidiary company					
- Ordinary shares		0	468,000	0	0
- Redeemable Non-Cumulative Preference Shares		0	8,340,000	0	0
Net cash used in financing activities		(4,556,312)	(2,669,010)	(3,600,000)	(3,605,415)

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

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2013 (continued)

	NOTE	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Net increase/(decrease) in cash and cash equivalents		648,579	(13,522,184)	(11,495)	21,097
Effects of exchange rate changes on cash and cash equivalents		96,946	1,356	0	0
Cash and cash equivalents at beginning of financial year		2,163,571	15,684,399	29,127	8,030
Cash and cash equivalents at end of financial year	13(c)	2,909,096	2,163,571	17,632	29,127

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 2013 comprise the financial statements of 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 17 April 2014.

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 90 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.

However, Note 36 to the financial statements set out on page 91 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.

4.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

(a) Power over the investee;
(b) Exposure, or rights, to variable returns from its involvement with the investee; and
(c) The ability to use its power over the investee to affect its returns.

If the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) The contractual arrangement with the other vote holders of the investee;
(b) Rights arising from other contractual agreements; and
(c) The voting rights of the Group and potential voting rights.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Basis of consolidation (continued)

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 represent equity in subsidiaries that are not attributable, directly or indirectly, to owners of the parent, and is presented separately in the consolidated statement of profit or loss and other 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.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. 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. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the financial year are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Changes in the Company owners' 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.

If 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 joint venture.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.3 Business combinations

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.

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 are initially measured 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.

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.

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 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 4.8 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 Leases and hire purchase

Assets acquired under finance leases and hire purchase which transfer substantially all the risks and rewards of ownership to the Group are recognised initially at amounts equal to the fair value of the leased assets or, if lower, the present value of minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the leases, if this is practicable to determine; if not, the incremental borrowing rate of the Group is used. Any initial direct costs incurred by the Group are added to the amount recognised as an asset. The assets are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. The property, plant and equipment capitalised are depreciated on the same basis as owned assets.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.5 Leases and hire purchase (continued)

The minimum lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charges are recognised in profit or loss over the period of the lease term so as to produce a constant periodic rate of interest on the remaining lease and hire purchase liabilities.

4.6 Investments in subsidiaries

A subsidiary is an entity in which the Group and the Company are exposed, or have rights, to variable returns from its involvement with the subsidiary and have the ability to affect those returns through its power over the subsidiary.

An investment in subsidiary, which is eliminated on consolidation, is stated in the separate financial statements of the Company at cost (or in accordance with MFRS 139). Put options written over non-controlling interests on the acquisition of subsidiary shall be included as part of the cost of investment in the separate financial statements of the Company. Subsequent changes in the fair value of the written put options over non-controlling interests shall be recognised in profit or loss. 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.

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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.7 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.

4.8 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.8 Impairment of non-financial assets (continued)

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.

4.9 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.

4.10 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.10 Financial instruments (continued)

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 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 fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial assets classified as 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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.10 Financial instruments (continued)

(a) Financial assets (continued)

(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 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 fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial liabilities classified as 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.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.10 Financial instruments (continued)

(b) Financial liabilities

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.10 Financial instruments (continued)

(c) Equity (continued)

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.

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.

4.11 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) Held-to-maturity investments and loans and receivables

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.11 Impairment of financial assets (continued)

(b) Available-for-sale financial assets

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.

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.

4.12 Borrowing costs

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

4.13 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)

4.13 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.

4.14 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.

4.15 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)

4.16 Employee benefits

(a) Short term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are expensed when employees 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.

4.17 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.

4.18 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)

4.18 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.

4.19 Government fund

Government fund is recognised in the financial statements when there is reasonable assurance that:

(a) The Group would comply with the conditions attached to the fund; and
(b) The fund would be received.

Government fund is obtained from the Northern Corridor Implementation Authority ('NCIA') Malaysia and is in respect of assistance given by NCIA to finance the acquisition of plant and machineries. The Group has classified this interest free Government fund in accordance with MFRS 139 Financial Instruments: Recognition and Measurements.

4.20 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:

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.20 Operating segments (continued)

(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.

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.

4.21 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.

4.22 Fair value measurements

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

The Group measures the fair value of an asset or a liability by taking into account the characteristics of the asset or liability if market participants would take these characteristics into account when pricing the asset or liability. The Group has considered the following characteristics when determining fair value:

(a) The condition and location of the asset; and

(b) Restrictions, if any, on the sale or use of the asset.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.22 Fair value measurements (continued)

The fair value measurement for a non-financial asset takes into account the ability of the market participant to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value of a financial or non-financial liability or an entity's own equity instrument assumes that:

(a) A liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date; and

(b) An entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

5. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs

5.1 New MFRSs adopted during the financial year

The Group and 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**
Amendments to MFRS 101	*Presentation of Items of Other Comprehensive Income*	1 July 2012
Amendments to MFRS 7	*Disclosures – Offsetting Financial Assets and Financial Liabilities*	1 January 2013
Amendments to MFRS 10, MRFS 11 and MFRS 12	*Consolidated Financial Statements, Joint* Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
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 (2011)*	1 January 2013
MFRS 127	*Separate Financial Statements*	1 January 2013
MFRS 128	*Investments in Associates and Joint Ventures*	1 January 2013
IC Interpretation 20	*Stripping Costs in the Production Phase of a Surface Mine*	1 January 2013
Amendments to MFRSs	*Annual Improvements 2009 – 2011 Cycle*	1 January 2013

(a) Amendments to MFRS 101 is mandatory for annual periods beginning on or after 1 July 2012.

These Amendments require that items under other comprehensive income must be grouped into two sections:

(i) Those that are or may be reclassified into profit or loss; and
(ii) Those that will not be reclassified into profit or loss.

The Group has changed the presentation of the statements of profit or loss and other comprehensive income according to these Amendments. There is no material impact upon the adoption of these Amendments during the financial year.

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

5.1 New MFRSs adopted during the financial year （continued）

(b) MFRS 10 is mandatory for annual periods beginning on or after 1 January 2013.

This Standard supersedes MFRS 127 *Consolidated and Separate Financial Statements* and IC Interpretation 112 *Consolidation – Special Purpose Entities* , and introduces a single 'control model' for all entities, including special purpose entities ('SPEs'), whereby all of the following conditions must be present:

(i) Power over the investee;
(ii) Exposure, or rights, to variable returns from involvement with the investee; and
(iii) Ability to use power over investee to affect its returns.

Other changes introduced by MFRS 10 include:

(i) The introduction the concept of 'de facto' control for entities with less than a fifty percent (50%) ownership interest in an entity, but which have a large shareholding compared to other shareholders;

(ii) Potential voting rights are only considered when determining if there is control when they are substantive (holder has practical ability to exercise) and the rights are currently exercisable; and
(iii) Specific guidance for the concept of 'silos', where groups of assets (and liabilities) within one entity are ring-fenced.

There is no material impact upon the adoption of this Standard during the financial year.

(c) MFRS 11 is mandatory for annual periods beginning on or after 1 January 2013.

This Standard supersedes MFRS 131 Interests in Joint Ventures and IC Interpretations 113 Jointly-Controlled Entities Non-monetary Contributions by Venturers, and requires joint arrangements to be classified as either:

(i) Joint operations, where parties with joint control have rights to assets and obligations for liabilities; or

(ii) Joint ventures, where parties with joint control have rights to the net assets of the arrangement.

Joint arrangements that are structured through a separate vehicle would generally be treated as joint ventures, unless the terms of the contractual arrangement, or other facts and circumstances indicate that the parties have rights to assets and obligations for liabilities of the arrangement, rather than rights to net assets.

Joint ventures are accounted for using the equity method of accounting in accordance with MFRS 128 Investments in Associates and Joint Ventures, where proportionate consolidation is not permitted by MFRS 11.

Parties to a joint operation account for their share of assets, liabilities, revenues and expenses in accordance with their contractual rights and obligations.

There is no material impact upon the adoption of this Standard during the financial year.

(d) MFRS 12 is mandatory for annual periods beginning on or after 1 January 2013.

This Standard prescribes the disclosure requirements relating to interests of an entity in subsidiaries, joint arrangements, associates and structured entities. This Standard requires a reporting entity to disclose information that helps users to assess the nature and financial effects of the relationship of the reporting entity with other entities.

Following the adoption of this Standard, the Group has disclosed the requirements applicable to the Group in Note 9 to the financial statements.

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

5.1 New MFRSs adopted during the financial year （continued）

(e) MFRS 13 is mandatory for annual periods beginning on or after 1 January 2013.

This Standard is now the sole MFRS containing the framework for determining the measurement of fair value and the disclosure of information relating to fair value measurement, when fair value measurements and/or disclosures are required or permitted by other MFRSs.

As a result, the guidance and requirements relating to fair value measurement that were previously located in other MFRSs have now been relocated to MFRS 13.

Whilst there have been some rewording of the previous guidance on MFRS 13, there are very few changes to the previous fair value measurement requirements. Instead, MFRS 13 is intended to clarify the measurement objective, harmonise the disclosure requirements, and improve consistency in application of fair value measurement.

MFRS 13 did not materially impact any fair value measurements of the assets or liabilities of the Group. It has only a presentation and disclosure impact and therefore, has no effect on the financial position or performance of the Group. MFRS 13 is to be applied prospectively and therefore certain comparative information has not been presented by the Group in respect of the new disclosure requirements.

(f) MFRS 119 is mandatory for annual periods beginning on or after 1 January 2013.

The main changes as a consequence of the revision of MFRS 119 include:

(i) Elimination of the ‘corridor’ approach for deferring gains or losses for defined benefit plans;
(ii) Actuarial gains/losses on remeasuring the defined benefit plan obligation/asset to be recognised in other comprehensive income rather than in profit or loss, and cannot be reclassified in subsequent periods;
(iii) Amendments to timing for recognition of liabilities for termination benefits; and
(iv) Employee benefits expected to be settled (as opposed to ‘due to be settled’) wholly within twelve (12) months after the end of the reporting period are short-term benefits, and are not discounted.

There is no material impact upon the adoption of this Standard during the financial year.

(g) MFRS 127 is mandatory effective for annual periods beginning on or after 1 January 2013.

This revised Standard contains accounting requirements for investments in subsidiaries, joint ventures and associates in the separate financial statements of the investor. An investor is required to account for those investments either at cost or in accordance with MFRS 139 or MFRS 9 in the separate financial statements.

There is no material impact upon the adoption of this Standard during the financial year.

(h) MFRS 128 is mandatory for annual periods beginning on or after 1 January 2013.

This revised Standard defines the equity method of accounting whereby the investment in an associate or joint venture is initially measured at cost and adjusted thereafter for the post-acquisition change in the investor’s share of net assets of the investee. The profit or loss of the investor includes its share of the profit or loss of the investee and the other comprehensive income of the investor includes its share of other comprehensive income of the investee.

There is no material impact upon the adoption of this Standard during the financial year.

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

5.1 New MFRSs adopted during the financial year （continued）

(i) Amendments to MFRS 1 *Government Loans* are mandatory for annual periods beginning on or after 1 January 2013.

These Amendments clarify that a first-time adopter of MFRSs shall apply the requirements in MFRS 9 *Financial Instruments* and MFRS 120 *Accounting for Government Grants and Disclosure of Government Assistance* prospectively to government loans existing at the date of transition to MFRSs and shall not recognise the corresponding benefit of the government loan at a below-market rate of interest as a government loan. Consequently, if a first-time adopter did not recognise and measure a government loan at a below-market rate of interest on a basis consistent with MFRS requirements, it shall use its previous carrying amount of the loan at the date of transition to MFRSs as the carrying amount of the loan in the opening MFRS statement of financial position. An entity shall apply MFRS 9 to the measurement of such loans after the date of transition to MFRSs. An entity may apply the requirements in MFRS 9 and MFRS 120 retrospectively to any government loan originated before the date of transition to MFRSs, provided that the information needed to do so had been obtained at the time of initially accounting for that loan.

There is no material impact upon the adoption of this Standard during the financial year.

(j) Amendments to MFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities* are mandatory for annual periods beginning on or after 1 January 2013.

These Amendments require disclosures that would enable users of the financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the financial position of the Group.

There is no material impact upon the adoption of these Amendments during the financial year.

(k) Amendments to MFRSs *Annual Improvements 2009 – 2011 Cycle* are mandatory for annual periods beginning on or after 1 January 2013.

Amendments to MFRS 1 *Repeated Application of MFRS 1* clarify that an entity that had applied MFRSs or IFRSs in the past but did not do so in its most recent previous annual financial statements must either apply MFRS 1 or MFRS 108 in the period that the entity decides to reapply the MFRS Framework. There is no material impact upon the adoption of these Amendments during the financial year.

Amendments to MFRS 1 Borrowing Costs clarify that a first-time adopter that capitalised borrowing costs in accordance with its previous GAAP before the date of transition to MFRSs shall carry forward without adjustment the amount previously capitalised at the date of transition. Any borrowing costs incurred after the date of transition that relate to qualifying assets under construction at the date of transition would be accounted for in accordance with MFRS 123. There is no material impact upon the adoption of these Amendments during the financial year.

Amendments to MFRS 116 Classification of Servicing Equipment clarify that items such as spare parts, stand-by equipment and servicing equipment shall be recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory. There is no material impact upon the adoption of these Amendments during the financial year.

Amendments to MFRS 132 Tax Effect of Distribution to Holders of Equity Instruments clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with MFRS 112. There is no material impact upon the adoption of these Amendments during the financial year.

Amendments to MFRS 134 Interim Financial Reporting and Segment Information for Total Assets and Liabilities clarify that an entity shall disclose the total assets and liabilities for a particular reportable segment only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment to be consistent with the requirements in MFRS 8. There is no material impact upon the adoption of these Amendments during the financial year.

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

5.1 New MFRSs adopted during the financial year （continued）

(k) Amendments to MFRSs Annual Improvements 2009 – 2011 Cycle are mandatory for annual periods beginning on or after 1 January 2013.(continued)

Amendments to IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments is a consequential amendment resulting from Annual Improvements 2009-2011 Cycle: Amendment to MFRS 132. These amendments clarify that distributions to holders of equity instruments are recognised directly in equity. Interest, dividends and other returns relating to financial instruments classified as financial liabilities are expenses, regardless of whether those amounts paid are legally characterised as dividends, interest or otherwise. There is no material impact upon the adoption of these Amendments during the financial year.

(l) Amendments to MFRS 10, MFRS 11 and MFRS 12 *Consolidated Financial Statements, Joint Arrangements* and *Disclosure of Interests in Other Entities: Transition Guidance* are mandatory for annual periods beginning on or after 1 January 2013.

These Amendments clarify the transition guidance in MFRS 10 and also provide additional transition relief in MFRS 10, MFRS 11 and MFRS 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period.

A similar relief is also provided in MFRS 11 and MFRS 12. Additionally, entities would no longer be required to provide disclosures for unconsolidated structured entities in periods prior to the first annual period that MFRS 12 is applied.

The Group has adopted these Amendments in conjunction with the application of MFRS 10, MFRS 11 and MFRS 12 Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance.

(m) IC Interpretation 20 is mandatory for annual periods beginning on or after 1 January 2013.

This Interpretation clarifies that removed material that can be used to build up inventory is accounted for in accordance with the principles of MFRS 102. Other removed material, that provides access to deeper levels of material that would be mined in future periods, is recognised as a non-current asset (referred to as a 'stripping activity asset') if the recognition criteria are met. This Interpretation requires stripping activity assets to be measured at cost upon initial recognition. Subsequently, they are carried either at cost or revalued amount less depreciation or amortisation and any impairment losses.

There is no material impact upon the adoption of this Interpretation during the financial year.

5.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2014

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

Title	**Effective Date**
Amendments to MFRS 10 *Consolidated Financial Statements: Investment Entities*	1 January 2014
Amendments to MFRS 12 *Disclosure of Interest in Other Entities: Investment Entities*	1 January 2014
Amendments to MFRS 127 *Separate Financial Statements (2011): Investment Entities*	1 January 2014
Amendments to MFRS 132 *Offsetting Financial Assets and Financial Liabilities*	1 January 2014
Amendments to MFRS 136 *Recoverable Amount Disclosures for Non-Financial Assets*	1 January 2014
Amendments to MFRS 139 *Novation of Derivatives and Continuation of Hedge Accounting*	1 January 2014
IC Interpretation 21 *Levies*	1 January 2014
Defined Benefit Plans: Employee Contributions (Amendments to MFRS 119)	1 July 2014
Amendments to MFRSs *Annual Improvements 2010 - 2012 Cycle*	1 July 2014
Amendments to MFRSs *Annual Improvements 2011 - 2013 Cycle*	1 July 2014
Mandatory Effective Date of MFRS 9 and Transition Disclosures	Deferred
MFRS 9 *Financial Instruments (2009)*	Deferred
MFRS 9 *Financial Instruments (2010)*	Deferred
MFRS 9 *Financial Instruments* (Hedge Acounting and Amendments to MFRS 9, MFRS 7 and MFRS 139)	Deferred

The Group is in the process of assessing the impact of implementing these Standards, 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 1.1.2013 RM	Additions RM	Reclassification RM	Disposals RM	Depreciation charges for the financial year RM	Balance as at 31.12.2013 RM
Carrying amount						
Long term leasehold land	13,033,926	0	0	0	(243,245)	12,790,681
Freehold land	258,352	0	0	0	0	258,352
Buildings and factory buildings	62,051,271	1,365,650	(370,000)	(291,528)	(1,369,961)	61,385,432
Office equipment, furniture and fittings	331,876	41,629	0	(12,676)	(93,753)	267,076
Plant and machinery	117,116,245	4,206,319	(162,015)	(22,750)	(16,666,536)	104,471,263
Motor vehicles	1,442,773	1,013,437	0	(4)	(594,461)	1,861,745
Electrical installation	1	0	0	0	0	1
Capital work-in-progress	221,773	0	532,015	0	0	753,788
	194,456,217	6,627,035	0	(326,958)	(18,967,956)	181,788,338

	[--------------At 31.12.13-------------		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Long term leasehold land	14,529,032	1,738,351	12,790,681
Freehold land	258,352	0	258,352
Buildings and factory buildings	69,104,352	7,718,920	61,385,432
Office equipment, furniture and fittings	1,781,994	1,514,918	267,076
Plant and machinery	201,375,791	96,904,528	104,471,263
Motor vehicles	4,739,158	2,877,413	1,861,745
Electrical installation	48,435	48,434	1
Capital work-in-progress	753,788	0	753,788
	292,590,902	110,802,564	181,788,338

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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 31.12.2012……………………]		
	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)

(a) As at 31 December 2013, the carrying amount of the property, plant and equipment acquired under hire purchase arrangements is as follows:

	Group 2013 RM	Group 2012 RM
Motor vehicles	100,504	0

Details of the terms and conditions of the hire purchase arrangements are disclosed in Note 20 to the financial statements.

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

	Group 2013 RM	Group 2012 RM
Purchase of property, plant and equipment	6,627,035	92,825,278
Deposits paid in the previous financial year	0	(52,659,600)
Hire purchase arrangement	(100,504)	0
	6,526,531	40,165,678

(c) As at 31 December 2013, long term leasehold land and factory buildings of the Group with a total carrying amount of RM34,696,302 (2012: RM35,451,693) have been charged to a bank for credit facilities granted to the Group as disclosed in Notes 17, 18 and 19 to the financial statements.

8. TRADEMARK

Group Carrying amount	Balance as at 1.1.2013 RM	Additions RM	Amortisation charges for the financial year RM	Balance as at 31.12.2013 RM
Trademark	3,075	0	(858)	2,217

	[---At 31.12.13--- Cost RM	Accumulated amortisation RM	Carrying amount RM]
Trademark	16,865	14,648	2,217

Group Carrying amount	Balance as at 1.1.2012 RM	Additions RM	Amortisation charges for the financial year RM	Balance as at 31.12.2012 RM
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

9. INVESTMENTS IN SUBSIDIARIES

	Company 2013 RM	Company 2012 RM
At cost		
Unquoted shares	99,961,093	99,961,093

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

Name of company	Equity interest held 2013	Equity interest held 2012	Principal activities
Tek Seng Sdn. Bhd.	100%	100%	Trading of polyvinyl chloride ('PVC') products and photovoltaic products such as solar cells, solar panels and solar modules
Wangsaga Industries Sdn. Bhd.	100%	100%	Manufacturing of PVC related products
Pelangi Segi Sdn. Bhd.	100%	100%	Trading of PVC products
Double Grade Non-Woven Industries Sdn. Bhd.	100%	100%	Manufacturing of Polypropylene ('PP') non-woven related products and letting of properties
TS Solartech Sdn. Bhd.	86.1%	86.1%	Manufacturing and sales of photovoltaic products such as solar cells, solar panels or solar modules

All subsidiaries are 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.

(d) The subsidiary of the Group that has material non-controlling interests ('NCI') is as follows:

	TS Solartech Sdn. Bhd. 2013	TS Solartech Sdn. Bhd. 2012
NCI percentage of ownership interest and voting interest	13.90%	13.90%
Carrying amount of NCI (RM)	6,953,259	8,918,766
Loss allocated to NCI (RM)	(1,965,507)	(1,494,983)

9. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

	TS Solartech Sdn. Bhd.	
	2013	**2012**
	RM	**RM**
Assets and liabilities		
Non-current assets	103,339,294	110,292,017
Current assets	12,694,445	2,400,330
Non-current liabilities	(10,552,440)	0
Current liabilities	(55,457,859)	(48,528,565)
Net assets	50,023,440	64,163,782
Results		
Revenue	9,757,248	207,547
Loss for the financial year	(14,140,342)	(7,650,996)
Total comprehensive loss	(14,140,342)	(7,650,996)
Cash flows from/(used in) operating activities	216,962	(32,248,889)
Cash flows used in investing activities	(1,299,201)	(37,856,851)
Cash flows from financing activities	2,000,000	69,000,000
Net increase/(decrease) in cash and cash equivalents	917,761	(1,105,740)
Dividends paid to NCI	N/A	N/A

10. DEFERRED TAX ASSETS/(LIABILITIES)

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

	Group	
	2013	**2012**
	RM	**RM**
At 1 January	2,966,000	4,658,200
Recognised in profit or loss (Note 29)	(2,510,000)	(1,692,200)
At 31 December	456,000	2,966,000
Presented after appropriate offsetting:		
Deferred tax assets	1,317,500	3,787,400
Deferred tax liabilities	(861,500)	(821,400)
	456,000	2,966,000

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:

Deferred tax liabilities of the Group

	Property, Plant and equipment Group	
	2013	**2012**
	RM	**RM**
At 1 January	821,400	862,300
Recognised in profit or loss	40,100	(40,900)
At 31 December	861,500	821,400

Deferred tax assets of the Group

	Reinvestment allowances Group	
	2013	**2012**
	RM	**RM**
At 1 January	3,787,400	5,520,500
Recognised in profit or loss	(2,469,900)	(1,733,100)
At 31 December	1,317,500	3,787,400

(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	
	2013	**2012**
	RM	**RM**
Unused tax losses	9,177,091	3,199,719
Unabsorbed capital allowances	12,338,259	4,195,959
	21,515,350	7,395,678

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	
	2013	**2012**
	RM	**RM**
At cost		
Raw materials	12,076,566	12,544,753
Work-in-progress	2,241,257	2,120,128
Finished goods	16,075,238	9,277,309
	30,393,061	23,942,190

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**
Trade receivables				
Third parties	36,403,509	27,712,987	0	0
Other receivables				
Other receivables	30,880	31,380	0	0
Amount owing by subsidiaries	0	0	46,812,572	0
	30,880	31,380	46,812,572	0
Loans and receivables	36,434,389	27,744,367	46,812,572	0
Deposits and prepayments				
Deposits	688,287	48,872	0	0
Prepayments	257,215	122,458	0	0
	945,502	171,330	0	0
	37,379,891	27,915,697	46,812,572	0

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 120 days (2012: 30 to 150 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

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

(c) Included in the deposits of the Group are amounts paid for the purchase of property, plant and equipment amounting to RM627,589 (2012: RM Nil).

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

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Ringgit Malaysia	31,475,720	25,955,720	46,812,572	0
US Dollar	5,886,200	1,959,977	0	0
Singapore Dollar	17,971	0	0	0
	37,379,891	27,915,697	46,812,572	0

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

	Group	
	2013	2012
	RM	RM
Neither past due nor impaired	22,295,930	20,346,957
Past due, not impaired		
1 to 30 days	8,070,813	4,836,157
31 to 60 days	2,733,795	1,568,108
61 to 90 days	1,628,682	566,487
More than 91 days	1,674,289	395,278
	14,107,579	7,366,030
	36,403,509	27,712,987

<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 and the Company.

None of the trade receivables of the Group and of the Company 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 RM14,107,579 (2012: RM7,366,030) 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 35 to the financial statements.

13. CASH AND CASH EQUIVALENTS

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Cash and bank balances	2,661,247	2,351,409	17,632	29,127
Deposits with a licensed bank	250,000	931,000	0	0
	2,911,247	3,282,409	17,632	29,127

(a) Information on financial risks of cash and cash equivalents are disclosed in Note 35 to the financial statements.

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

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Ringgit Malaysia	2,125,962	2,657,838	17,632	29,127
US Dollar	767,108	607,502	0	0
Singapore Dollar	17,591	4,475	0	0
EURO	586	12,594	0	0
	2,911,247	3,282,409	17,632	29,127

(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 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Cash and bank balances	2,661,247	2,351,409	17,632	29,127
Deposits with a licensed bank	250,000	931,000	0	0
Less:Bank overdrafts included in borrowings (Note 17)	(2,151)	(1,118,838)	0	0
	2,909,096	2,163,571	17,632	29,127

14. SHARE CAPITAL

	Group and Company 2013 RM	Group and Company 2012 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

The Company does not have any Section 108 tax credits and moved to the single tier dividend system in the previous financial years.

16. TRADE AND OTHER PAYABLES

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Current				
Trade payables				
Third parties	15,408,095	11,427,929	0	0
Other payables				
Other payables	12,114,215	27,140,436	1,072	1,075
Amounts owing to subsidiaries	0	0	33,247,111	459,225
Accruals	4,308,412	3,865,577	149,500	149,000
Deposits	0	3,750	0	0
	16,422,627	31,009,763	33,397,683	609,300
	31,830,722	42,437,692	33,397,683	609,300
Non-current				
Amounts owing to Directors	6,896,621	0	0	0
Amounts owing to non-controlling interests of a subsidiary	6,672,000	0	0	0
	13,568,621	0	0	0

(a) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 60 days (2012: 30 to 60 days).

(b) Included in other payables of the Group are advances from third parties of RMNil (2012: RM9,072,000) which are unsecured, interest free and payable upon demand in cash and cash equivalents.

(c) Amounts owing to Directors are unsecured and interest-free. Non-current payable is not payable within the next twelve (12) months.

(d) Amounts owing to non-controlling interests of a subsidiary are unsecured and interest-free and is not payable within the next twelve (12) months.

(e) Information on financial risks of trade and other payables are disclosed in Note 35 to the financial statements.

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

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Ringgit Malaysia	24,914,941	33,378,155	33,397,683	609,300
US Dollar	14,076,904	8,712,717	0	0
EURO	6,407,498	280,540	0	0
NTD	0	66,280	0	0
	45,399,343	42,437,692	33,397,683	609,300

17. BORROWINGS

	Group 2013 RM	Group 2012 RM
Current liabilities		
Secured		
Short term bank loans	51,166,926	49,411,555
Hire purchase	100,504	0
Bank overdrafts	2,151	1,118,838
Term loans	4,169,359	4,187,150
	55,438,940	54,717,543
Non-current liabilities		
Secured		
Term loan	18,437,500	22,187,500
Total borrowings		
Short term bank loans (Note 18)	51,166,926	49,411,555
Hire purchase	100,504	0
Bank overdrafts	2,151	1,118,838
Term loans (Note 19)	22,606,859	26,374,650
	73,876,440	76,905,043

The currency exposure profile of borrowings is as follows:

	Group 2013 RM	Group 2012 RM
Ringgit Malaysia	61,272,271	67,310,267
US Dollar	12,604,169	9,594,776
	73,876,440	76,905,043

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 35 to the financial statements.

18. SHORT TERM BANK LOANS

	Group 2013 RM	Group 2012 RM
Bankers' acceptances	38,562,757	39,816,779
Onshore foreign currency financing	3,951,128	2,968,069
Secured foreign currency trust receipts	635,880	1,834,980
Onshore foreign currency loan	6,868,636	3,721,322
Revolving credit	1,148,525	1,070,405
	51,166,926	49,411,555

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 35 to the financial statements.

19. 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 RM22,606,859 (2012: RM26,374,650) of a subsidiary.

The term loans are repayable in seventy-two (72) monthly instalments from January 2014.

Information on financial risks of borrowings and its remaining maturity is disclosed in Note 35 to the financial statements.

20. HIRE PURCHASE

	Group	
	2013 RM	**2012 RM**
Representing hire purchase liabilities :		
- current	100,504	0
Hire purchase liabilities :		
Minimum hire purchase payments :		
- not later than 1 year	100,504	0
Future finance charges on hire purchase	0	0
Present value of hire purchase	100,504	0
Present value of hire purchase liabilities :		
- not later than 1 year	100,504	0

The hire purchase term is within 12 months and is unsecured and interest free.

21. GOVERNMENT FUND

	Group	
	2013 RM	**2012 RM**
Government fund	2,000,000	0

The Government fund is obtained from the Northern Corridor Implementation Authority, Malaysia as a soft loan. It is unsecured, interest free and repayable in two (2) yearly instalments as follows:

(i) RM1,000,000 on or before 31 December 2015; and

(ii) RM1,000,000 on or before 31 December 2016.

The Government fund is denominated in RM.

22. CAPITAL COMMITMENTS

	Group	
	2013 RM	**2012 RM**
Capital expenditure in respect of purchase of property, plant and equipment:		
Contracted but not provided for	2,290,066	1,901,844

23. CONTINGENT LIABILITIES

	Company	
	2013	2012
	RM	RM
Secured corporate guarantees given to licensed banks for banking facilities granted to subsidiaries	141,194,525	140,223,605
Unsecured corporate guarantees given to suppliers of subsidiaries	6,563,000	0

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

24. REVENUE

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Sale of goods	206,329,413	189,680,068	0	0
Gross dividend income from subsidiaries	0	0	17,820,050	40,367,141
Management fee from subsidiaries	0	0	90,000	90,000
	206,329,413	189,680,068	17,910,050	40,457,141

25. OTHER INCOME

	Group	
	2013	2012
	RM	RM
Bad debts recovered	650	0
Interest income	834	28,304
Gain on disposal of property, plant and equipment	121,513	83,000
Realised gain on foreign exchange	53,571	582,286
Unrealised gain on foreign exchange	102,712	485,354
Rental income	0	6,600
	279,280	1,185,544

26. EMPLOYEE BENEFITS

	Group	
	2013	2012
	RM	RM
Wages, salaries and bonus	14,417,536	12,388,865
Contributions to defined contribution plan	1,162,278	1,005,117
Social security contributions	135,436	106,477
Other benefits	312,198	241,116
	16,027,448	13,741,575

Included in employee benefits of the Group are Executive Directors' remuneration amounting to RM1,593,975 (2012 : RM1,461,502).

27. FINANCE COSTS

	Group	
	2013	2012
	RM	RM
Interest expense on:		
- bank overdrafts	27,485	30,351
- short term bank loans	1,727,471	1,780,259
- term loans	1,354,864	1,563,197
Letter of credits charges	23,096	16,832
	3,132,916	3,390,639

28. PROFIT BEFORE TAX

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Profit before tax is arrived at after charging:				
Amortisation of trade mark (Note 8)	858	858	0	0
Auditors' remuneration:				
- statutory audits	58,700	52,000	5,500	5,000
- other services	8,000	4,800	8,000	4,800
Bad debts written off	0	23,282	0	0
Depreciation (Note 7)	18,967,956	16,398,313	0	0
Directors' remuneration				
Other emoluments				
- paid by Company	144,000	144,000	144,000	144,000
- paid by subsidiaries	1,593,975	1,461,502	0	0
Interest expense on:				
- bank overdrafts (Note 27)	27,485	30,351	0	0
- short term bank loans (Note 27)	1,727,471	1,780,259	0	0
- term loans (Note 27)	1,354,864	1,563,197	0	0
Loss on foreign exchange				
- realised	195,849	7,140	0	0
- unrealised	1,048,943	5,237	0	0
Rental of plant and machinery	144,256	82,171	0	0
Rental of premises	15,600	3,600	0	0
And crediting:				
Interest income	834	28,304	0	0
Gain on disposal of property, plant and equipment	121,513	83,000	0	0
Gross dividend income from subsidiaries	0	0	17,820,050	40,367,141
Gain on foreign exchange				
-realised	53,571	582,286	0	0
-unrealised	102,712	485,354	0	0
Rental income	0	6,600	0	0

29. TAXATION

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Current tax expense based on profit for the financial year	3,174,097	2,756,952	4,159	313,943
Underprovision of income tax in respect of prior years	90,862	2,861	0	0
	3,264,959	2,759,813	4,159	313,943
Deferred tax (Note 10):				
Relating to origination and reversal of temporary differences	2,142,000	1,733,100	0	0
Under/(Over) provision in respect of prior years	368,000	(40,900)	0	0
	5,774,959	4,452,013	4,159	313,943

Malaysian income tax is calculated at the statutory tax rate of 25% (2012: 25%) of the taxable profits for the fiscal year.

29. TAXATION (CONTINUED)

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

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Tax at Malaysian statutory tax rate of 25%	1,885,085	2,407,100	4,404,200	10,046,400
Tax effect in respect of:				
Non-allowable expenses	(70,640)	283,662	35,000	29,400
Non-taxable income	(16,348)	(178,910)	(4,435,041)	(9,761,857)
Tax incentives and allowances	(12,000)	(21,800)	0	0
Deferred tax assets not recognised	3,530,000	2,000,000	0	0
	5,316,097	4,490,052	4,159	313,943
Under/(Over) provision in prior years				
-deferred tax	368,000	(40,900)	0	0
-income tax	90,862	2,861	0	0
	5,774,959	4,452,013	4,159	313,943

30. 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	
	2013 RM	2012 RM
Profit attributable to equity holders of the parent	3,730,775	6,671,422
Weighted average number of ordinary shares in issue (units)	240,000,000	240,000,000
Basic earnings per ordinary share	0.02	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.

31. DIVIDENDS

	2013		2012	
	Gross dividend per share sen	Amount of dividend after tax RM	Gross dividend per share sen	Amount of dividend after tax RM
Final dividend, less 25% income tax paid in respect of financial year ended 31 December 2011	0	0	2	3,600,000
First and final single tier dividend paid in respect of financial year ended 31 December 2012	1.50	3,600,000	0	0
	1.50	3,600,000	2	3,600,000

31. DIVIDENDS (CONTINUED)

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

The first and final single tier dividend of 1.50 sen per ordinary share was in respect of the financial year ended 31 December 2012 was paid to shareholders on 16 August 2013.

The Directors do not recommend the payment of any final dividend in respect of the current financial year ended 31 December 2013.

32. 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.

(b) 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	
	2013 RM	2012 RM	2013 RM	2012 RM
Subsidiaries				
Dividend received	0	0	17,820,050	40,367,141
Management fee	0	0	90,000	90,000

The related party transactions described above were under taken on mutually agreed and negotiated terms.

Information regarding outstanding balances arising from related party transactions as at 31 December 2013 are disclosed in Notes 12 and 16 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	
	2013 RM	2012 RM
Short term employee benefits	1,423,588	1,305,929
Contributions to defined contribution plans	170,387	155,573
	1,593,975	1,461,502

33. OPERATING SEGMENTS

Tek Seng Holdings Berhad is principally involved in investment holding and its subsidiaries are principally engaged in manufacturing and trading of Polyvinyl Chloride ('PVC') related products and Polypropylene ('PP') Non-Woven, 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.

33. OPERATING SEGMENTS (CONTINUED)

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
Manufacturing and trading of Solar related products.

Other operating segments comprise investment holding and operations related to trading of PVC 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.

	PVC Sheeting RM	PP Non-Woven RM	PVC Leather RM	Solar RM	Others RM	Total RM
2013						
Revenue						
Total revenue	172,808,036	13,603,978	8,255,767	12,439,564	38,097,321	245,204,666
Inter-segment revenue	(32,624,315)	(3,788,718)	(2,424)	0	(2,459,796)	(38,875,253)
Revenue from external customers	140,183,721	9,815,260	8,253,343	12,439,564	35,637,525	206,329,413
Interest income	603	42	36	0	153	834
Finance costs	(2,262,827)	(158,437)	(133,224)	(3,172)	(575,256)	(3,132,916)
Net finance expense	(2,262,224)	(158,395)	(133,188)	(3,172)	(575,103)	(3,132,082)
Depreciation	(7,747,766)	(542,477)	(456,151)	(8,251,924)	(1,969,638)	(18,967,956)
Segment profit/(loss) before income tax	15,498,178	1,085,138	912,458	(13,895,496)	3,939,949	7,540,227
Income tax expenses	(3,998,312)	(279,950)	(235,401)	(244,845)	(1,016,451)	(5,774,959)
Segment assets	172,434,374	12,073,358	10,152,106	15,301,409	43,836,291	253,797,538
Segment liabilities	83,605,033	5,853,783	4,922,262	7,418,908	21,254,084	123,054,070
Capital expenditure	4,502,521	315,254	265,087	399,543	1,144,630	6,627,035

33. OPERATING SEGMENTS (CONTINUED)

	PVC Sheeting RM	PP Non-Woven RM	PVC Leather RM	Solar 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	277,300	36,443,298	253,428,203
Segment liabilities	90,154,249	6,604,930	6,580,206	132,233	17,378,385	120,850,003
Capital expenditure	69,247,770	5,073,268	5,054,278	101,569	13,348,393	92,825,278

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

	Group	
	2013 RM	2012 RM
Revenue		
Total revenue for reportable segments	245,204,666	225,811,285
Elimination of inter-segmental revenues	(38,875,253)	(36,131,217)
Revenue per consolidated statement of comprehensive income	206,329,413	189,680,068

	Group	
	2013 RM	2012 RM
Profit for the financial year		
Total profit for reportable segments	7,540,227	9,628,452
Elimination of inter-segment profits	0	0
Profit before tax	7,540,227	9,628,452
Tax expenses	(5,774,959)	(4,452,013)
Profit for the financial year	1,765,268	5,176,439

33. OPERATING SEGMENTS (CONTINUED)

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.

	Group	
	2013	**2012**
Revenue from external customers in:	**RM**	**RM**
Malaysia	115,478,246	108,511,451
South Africa	1,719,997	4,421,078
Indonesia	22,615,154	28,349,773
Myanmar	10,999,427	8,731,024
Nigeria	6,874,216	5,752,916
Singapore	6,487,377	2,659,130
Yemen	12,192,060	7,550,210
Others	29,962,936	23,704,486
	206,329,413	189,680,068

	Group	
	2013	**2012**
	RM	**RM**
Non-current assets		
Malaysia	183,108,055	198,246,692

Major customer

Revenue from a major customer in the PVC Sheeting segment for the financial year amounted to RM21,937,249 (2012: RM27,951,160) which represented more than 10% of the Group's revenue.

34. 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 2012.

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 2013 and 31 December 2012.

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 90% 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.

34. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Capital management (continued)

	Group 2013 RM	Group 2012 RM
Loans and borrowings	73,876,440	76,905,043
Trade and other payables	45,399,343	42,437,692
Total liabilities	119,275,783	119,342,735
Less: Cash and bank balances	(2,661,247)	(2,351,409)
Net debt	116,614,536	116,991,326
Total capital	123,790,209	123,659,434
Net debt	116,614,536	116,991,326
Equity plus net debt	240,404,745	240,650,760
Gearing ratio	49%	49%

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 2013.

The Group is subject to an externally imposed capital requirements as disclosed in Note 19 to the financial statements.

(b) Financial instruments

(i) Categories of financial instruments

	Loans and receivables			
	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Financial assets				
Trade and other receivables excluding deposits and prepayments	36,434,389	27,744,367	46,812,572	0
Cash and cash equivalents	2,911,247	3,282,409	17,632	29,127
	39,345,636	31,026,776	46,830,204	29,127

34. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial instruments (continued)

(i) Categories of financial instruments (continued)

	Other financial liabilities			
	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Financial liabilities				
Borrowings	73,876,440	76,905,043	0	0
Trade and other payables	45,399,343	42,437,692	33,397,683	609,300
	119,275,783	119,342,735	33,397,683	609,300

(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 :

2013	Carrying amount RM	Fair value RM
Unrecognised		
Financial liabilities:		
Contingent liabilities	0	*

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

* The Company provide corporate guarantees to the financial institutions for banking facilities granted to subsidiaries and suppliers of subsidiaries as disclosed in Note 23 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 and amounts payable is remote.

34. FINANCIAL INSTRUMENTS (CONTINUED)

(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 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 Company defaulting on the financial facilities is remote.

(d) Fair value hierarchy

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of Level 3 financial instruments as well as the relationship between key unobservable inputs and fair value, is detailed in the table below.

Financial instrument	**Valuation technique used**	**Significant unobservable inputs**	**Inter-relationship between key unobservable inputs and fair value**
Financial liabilities			
Amounts owing to Directors	Discounted cash flows method	Discount rate (3.6%)	The higher the discount rate, the lower the fair value of the amounts owing to Directors would be.
Amounts owing to non-controlling interests of a subsidiary	Discounted cash flows method	Discount rate (3.6%)	The higher the discount rate, the lower the fair value of the amounts owing to non-controlling interests of a subsidiary would be.

34. FINANCIAL INSTRUMENTS (CONTINUED)

The following tables set out the financial instruments not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments not carried at fair value Level 3 RM	Total fair value RM	Carrying amount RM
2013			
Group			
Financial liabilities			
Other financial liabilities			
-Amounts owing to Directors	6,656,970	6,656,970	6,896,621
-Amounts owing to non-controlling interests of a subsidiary	6,009,612	6,009,612	6,672,000
	12,666,582	12,666,582	13,568,621

35. 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, liquidity and cash flow risk, interest rate risk and foreign currency 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.

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.

<u>Exposure to credit risk</u>

At the end of the reporting period, 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.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(i) Credit risk (continued)

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			
	2013		2012	
	RM	% of total	RM	% of total
By country:				
Malaysia	32,235,463	89%	25,330,639	91%
Iraq	270,396	1%	0	0%
South Africa	0	0%	1,220,973	5%
Singapore	1,687,806	5%	36,558	*
Senegal	0	0%	236,588	1%
Myanmar	881,919	2%	609,704	2%
Nigeria	626,077	1%	0	0%
Others	701,848	2%	278,525	1%
	36,403,509	100%	27,712,987	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.

35. 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 liabilities 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 2013				
Group				
Financial liabilities				
Trade and other payables	31,830,722	13,568,621	0	45,399,343
Loans and borrowings	55,438,940	15,000,000	3,437,500	73,876,440
Total undiscounted financial liabilities	87,269,662	28,568,621	3,437,500	119,275,783
As at 31 December 2013				
Company				
Financial liabilities				
Trade and other payables	33,397,683	0	0	33,397,683
Total undiscounted financial liability	33,397,683	0	0	33,397,683
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
As at 31 December 2012				
Company				
Financial liability				
Trade and other payables	609,300	0	0	609,300
Total undiscounted financial liability	609,300	0	0	609,300

(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.

35. 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 and of the Company's profit after tax to a reasonably possible change in 50 basis points against interest rates, with all other variables held constant.

		Group	
		2013 RM Profit after tax	2012 RM Profit after tax
Deposits with a licensed bank	- 50 basis points higher	23	79
	- 50 basis points lower	-23	-79
Bankers' acceptances	- 50 basis points higher	-5,748	-5,558
	- 50 basis points lower	5,748	5,558
Onshore foreign currency financing	- 50 basis points higher	-268	-188
	- 50 basis points lower	268	188
Secured foreign currency trust receipts	- 50 basis points higher	-46	-143
	- 50 basis points lower	46	143
Onshore foreign currency loan	- 50 basis points higher	-422	-244
	- 50 basis points lower	422	244
Revolving credit	- 50 basis points higher	-86	-80
	- 50 basis points lower	86	80
Bank overdrafts	- 50 basis points higher	-1	-5
	- 50 basis points lower	1	5
Term loans	- 50 basis points higher	-4,663	-5,440
	- 50 basis points lower	4,663	5,440

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 RM	1 - 2 years RM	2 - 3 years RM	3 - 4 years RM	4 - 5 years RM	More than 5 years RM	Total RM
At 31 December 2013									
Fixed rate									
Deposits with a licensed bank	13	2.50	250,000	0	0	0	0	0	250,000
Floating rates									
Bankers' acceptances	18	3.72	(38,562,757)	0	0	0	0	0	(38,562,757)
Onshore foreign currency financing	18	1.84	(3,951,128)	0	0	0	0	0	(3,951,128)
Secured foreign currency trust receipts	18	2.05	(635,880)	0	0	0	0	0	(635,880)
Onshore foreign currency loan	18	1.65	(6,868,636)	0	0	0	0	0	(6,868,636)
Revolving credit	18	2.00	(1,148,525)	0	0	0	0	0	(1,148,525)
Bank overdrafts	17	8.10	(2,151)	0	0	0	0	0	(2,151)
Term loans	19	5.50	(4,169,359)	(3,750,000)	(3,750,000)	(3,750,000)	(3,750,000)	(3,437,500)	(22,606,859)
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	18	4.11	(39,816,779)	0	0	0	0	0	(39,816,779)
Onshore foreign currency financing	18	2.08	(2,968,069)	0	0	0	0	0	(2,968,069)
Secured foreign currency trust receipts	18	1.69	(1,834,980)	0	0	0	0	0	(1,834,980)
Onshore foreign currency loan	18	1.75	(3,721,322)	0	0	0	0	0	(3,721,322)
Revolving credit	18	2.00	(1,070,405)	0	0	0	0	0	(1,070,405)
Bank overdrafts	17	8.10	(1,118,838)	0	0	0	0	0	(1,118,838)
Term loans	19	5.50	(4,187,150)	(3,750,000)	(3,750,000)	(3,750,000)	(3,750,000)	(7,187,500)	(26,374,650)

35. 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 Asia, South Africa and Middle East customers. These sales are priced in Ringgit Malaysia but invoiced in USD currency. The Group also makes 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 2013 RM	Group Profit net of tax 2012 RM
USD/RM	- Strengthened 3%	-600,833	-472,200
	- Weakened 3%	+600,833	+472,200
SGD/RM	- Strengthened 3%	+1,067	+134
	- Weakened 3%	-1,067	-134
EURO/RM	- Strengthened 3%	-192,208	-8,038
	- Weakened 3%	+192,208	+8,038
NTD/RM	- Strengthened 3%	N/A	-1,988
	- Weakened 3%	N/A	+1,988

36. 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	
	2013 RM	2012 RM	2013 RM	2012 RM
Total retained earnings of the Company and its subsidiaries:				
- Realised	141,489,868	145,853,333	53,383,425	39,370,731
- Unrealised	(490,231)	3,446,117	0	0
Total retained earnings	140,999,637	149,299,450	53,383,425	39,370,731
Less: Consolidation adjustments	(77,209,428)	(85,640,016)	0	0
Total Group/Company retained earnings as per consolidated financial statements	63,790,209	63,659,434	53,383,425	39,370,731

LIST OF PROPERTIES

	Location/Address	Date of Acquisition	Description and Existing Use	Approximate Land/ Built-up Area	Age of Building / Tenure	Carrying Amount as at 31-Dec-13
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	12 years old / Leasehold 60 years expiring on 11 Mar 2061	Land = RM2,773,667 Building = RM10,419,876
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	11 years old / Leasehold 60 years expiring on 25 Aug 2063	Land = RM1,901,729 Building = RM9,734,870
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	8 year old/ Leasehold 60 years expiring on 25 Aug 2063	Land = RM1,776,676 Building = RM8,089,484
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	18 years old / Freehold	Land = RM258,352 Building = RM123,533
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	17 years old / Freehold	Building = RM104,748
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	16 years old/ Freehold	Building = RM184,367
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	3 years old / Leasehold 60 years	Land = RM6,338,609 Building = RM31,468,953

STATISTICS ON SHAREHOLDINGS
as at 30 April 2014

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
109	less than 100 shares	5,092	#
125	100 to 1,000 shares	54,550	0.02
1,299	1,001 to 10,000 shares	6,499,176	2.71
634	10,001 to 100,000 shares	20,278,775	8.45
86	100,001 to less than 5% of issued shares	72,797,007	30.33
4	5% and above of issued shares	140,365,400	58.49
2,257		240,000,000	100.00

Negligible

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS AS AT 30 APRIL 2014
(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	53,683,630	22.37
2	Loh Kok Cheng	53,683,630	22.37
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	Addeen Holdings Sdn Bhd	1,889,800	0.79
11	Teh Kee Heng	1,425,500	0.59
12	Loh Loo Ngoh	1,292,500	0.54
13	Loh Joo Eng	1,250,000	0.52
14	Loh Loo Guat	1,250,000	0.52
15	Ho Poay Chiew	1,250,000	0.52
16	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tan Chia Hong @ Gan Chia Hong (E-TMR)	1,200,000	0.50
17	Teoh Thean Hai	1,148,650	0.48
18	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities account for Loh Chee Hung (002)	1,069,200	0.45
19	Wei, Li-Yun	1,047,000	0.44
20	Koay Ting Hoo	813,200	0.34
21	Lim Tian Huat	705,050	0.29
22	Ling, Kun-Tzu	625,000	0.26
23	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Koay Ting Hoo (E-BBB)	592,700	0.25
24	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Nancy Tan (E-TWU)	582,000	0.24
25	Choong Ngok Mam	565,000	0.24
26	Lui Pek Har	520,000	0.22
27	RHB Capital Nominees (Tempatan) Sdn Bhd Lim Tian Huat (T-471388)	491,300	0.20
28	Chiew Wak Kim	462,000	0.19
29	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Bong Khiong Sin	457,300	0.19
30	On Thiam Chai	391,000	0.16
	Total	**202,532,232**	**84.40**

Substantial Shareholdings

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

Directors' Shareholdings

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

Note :

(N1) 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 RM8,000 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 2013.

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 2013.

Depository Receipt Programme

The Company does not have any depository receipt programme during the financial year ended 31 December 2013.

Options or Convertible Securities

There were no options or convertible securities issued by the Company during the financial year ended 31 December 2013.

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 2013.

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 2013.

NOTICE OF TWELFTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twelfth Annual General Meeting of the Company will be held at Kelawai Room, Lobby Level, Evergreen Laurel Hotel of 53, Persiaran Gurney, 10250 Penang on Friday, 27 June 2014, 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 2013 together with the Reports of Directors and Auditors thereon.	**Please refer to Note 6**
2.	To re-elect Mr. Loh Kok Cheng, 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 Mr. Yeoh Aik Chuan, 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 Directors' Fees for the financial year ended 31 December 2013.	**Ordinary Resolution 3**
5.	To re-appoint Messrs. BDO as auditors of the Company to hold office until the next Annual General Meeting of the Company and to authorise the Directors to fix their remuneration.	**Ordinary Resolution 4**
6.	***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 5**
7.	**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 6**
8.	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 Twelfth 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 2014. Only a depositor whose name appears on the Record of Depositors as at 18 June 2014 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 : 05 June 2014

NOTES ON APPOINTMENT OF PROXY

1. *A proxy may but need not be a member of the Company.*

2. *For a proxy to be valid, the Proxy Form, duly completed must be deposited at the registered office of the Company not less than forty-eight (48) hours before the time for holding the meeting.*

3. *A member shall be entitled to appoint one (1) or more proxies to attend and vote instead of him at the same meeting and where a member appoints two (2) or more proxies to vote at the same meeting, such appointment shall be invalid unless he specify the proportion of his shareholding to be represented by each proxy.*

4. *Where a member is an Exempt Authorized 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.*

5. *In the case of a corporate member, the Proxy Form must be executed under the corporation's common seal or under the hand of an officer or attorney duly authorised.*

EXPLANATORY NOTE ON ORDINARY BUSINESS

6. *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

7. *The Ordinary Resolution 5, 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 2013 Annual Report.*

8. *The Ordinary Resolution 6, 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 Twelfth Annual General Meeting of the Company to be held on 27 June 2014.

   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.

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 12th Annual General Meeting of the Company, to be held at Kelawai Room, Lobby Level, Evergreen Laurel Hotel of 53, Persiaran Gurney, 10250 Penang on Friday, 27 June 2014, at 9.30 a.m. and at any adjournment thereof.

NO	ORDINARY RESOLUTIONS	FOR	AGAINST
1	To re-elect Mr. Loh Kok Cheng as Executive Director		
2	To re-elect Mr. Yeoh Aik Chuan as Independent Director		
3	To approve the payment of Directors' fees.		
4	To re-appoint Messrs. BDO as auditors of the Company.		
5	To re-appoint Dr. Kamarudin Bin Ngah as Independent Director.		
6	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 ....,2014.

No. of shares held

……………………………
Signature of Member(s)

Notes :

1. A proxy may but need not be a member of the Company.
2. For a proxy to be valid, this form, duly completed must be deposited at the registered office of the Company not less than forty-eight (48) hours before the time for holding the meeting.
3. A member shall be entitled to appoint one (1) or more proxies to attend and vote instead of him at the same meeting and where a member appoints two (2) or more proxies to vote at the same meeting, such appointment shall be invalid unless he specify the proportion of his shareholding to be represented by each proxy.
4. Where a member is an Exempt Authorized 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.
5. In the case of a corporate member, this form must be executed under the corporation's common seal or under the hand of an officer or attorney duly authorised.

** 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

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