TEK SENG HOLDINGS BERHAD
(579572-M)

Acquiring Global Prominence
ANNUAL REPORT 2014

Acquiring Global Prominence

Tek Seng is charting a new course. Our arrow points to a new direction and a new standard to attain manufacturing excellence of the highest quality and to become a leader in PVC and SOLAR related industries. Together with our strong professional management, our team of skilled professionals and our cutting-edge capabilities we are ready to reach higher to attain global recognition and achieve global prominence.

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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
Mr. Loh Eng Chun

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

Executive Director
Mr. Loh Kok Beng

NOMINATING COMMITTEE

Independent Non-Executive Director
Tuan Haji 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
Warrant Code : 7200WA

CORPORATE STRUCTURE

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

(42879-T)
100%
TEK SENG SDN. BHD.
- Trading

(216849-M)
100%
PELANGI SEGI SDN. BHD.
- Trading

(233444-T)
100%
DOUBLE GRADE NON-WOVEN INDUSTRIES SDN. BHD.
- Manufacturing & Letting Of Properties

(920573-K)
68.09%
TS SOLARTECH SDN. BHD.
- Manufacturing

(347584-P)
100%
WANGSAGA INDUSTRIES SDN. BHD.
- Manufacturing

DIRECTORS' PROFILE

MR. LOH KOK BENG
Malaysian, 49 years of age
Executive Chairman
Member of Remuneration Committee

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 30 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 Mdm. 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 five Board Meetings held during the financial year ended 31 December 2014.

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 25 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 Mdm. 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 five Board Meetings held during the financial year ended 31 December 2014.

MR. LOH KOK CHENG
Malaysian, 48 years of age
Managing Director

DR. KAMARUDIN BIN NGAH
Malaysian, 55 years of age
Independent Non-Executive Director
Chairman of Remuneration Committee
Member of Audit Committee
Member of Nominating Committee

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 all five Board Meetings held during the financial year ended 31 December 2014.

MDM. LOH JOO ENG
Malaysian, 55 years of age
Executive Director

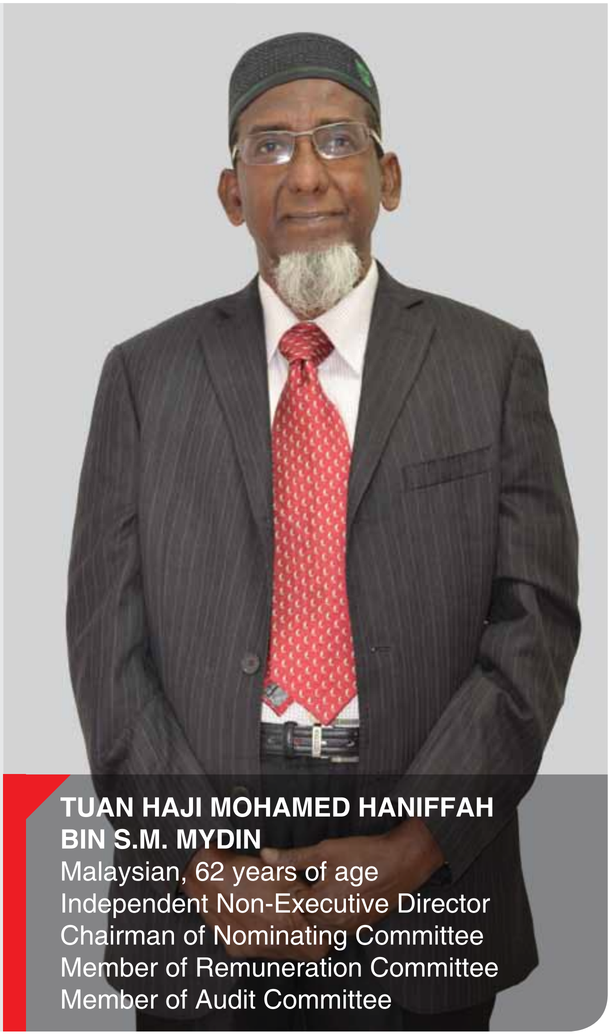
Mdm. Loh Joo Eng was appointed as a Director of Tek Seng on 16 August 2004.

She is responsible for the daily operations and procurement of raw materials for the Group. She has more than 30 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 five Board Meetings held during the financial year ended 31 December 2014.



TUAN HAJI MOHAMED HANIFFAH BIN S.M. MYDIN
Malaysian, 62 years of age
Independent Non-Executive Director
Chairman of Nominating Committee
Member of Remuneration Committee
Member of Audit Committee

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

Tuan Haji 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, Tuan Haji 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. Tuan Haji 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, Tuan Haji 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.

Tuan Haji 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.

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

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

He attended three of the five Board Meetings held during the financial year ended 31 December 2014.

MR. YEOH AIK CHUAN
Malaysian, 45 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 18 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 four of the five Board Meetings held during the financial year ended 31 December 2014.

Mr. Loh Eng Chun was appointed as a Director of Tek Seng on 13 January 2015.

He graduated from University of Melbourne with a Bachelor of Commerce in Business Management and Marketing.

Having completed his tertiary education, he began his career as an executive in a property development company listed on the Main Market of Bursa Malaysia Securities Berhad where he was involved in product positioning strategy, presentations and property sales operation. Subsequently, he joined the property division of another Malaysian public company which is listed since 1964 with diverse business interests ranging from healthcare, automobile, financial services, plantation to property business and development.

Currently, he is attached with Tek Seng Group in which his primary responsibility entails the Public Relations tasks in strategizing and implementation of revenue enhancement initiatives for the Group's businesses including the Investor Relations functions of the Group.

He is the son of Mr. Loh Kok Beng, the Executive Chairman and major shareholder of the Company and nephew of Mr. Loh Kok Cheng, the Managing Director and major shareholder and Mdm. Loh Joo Eng, a Director of the Company.

He did not attend any Board Meeting held during the financial year ended 31 December 2014.

MR. LOH ENG CHUN
Malaysian, 24 years of age
Executive Director

CONVICTION OF OFFENCE

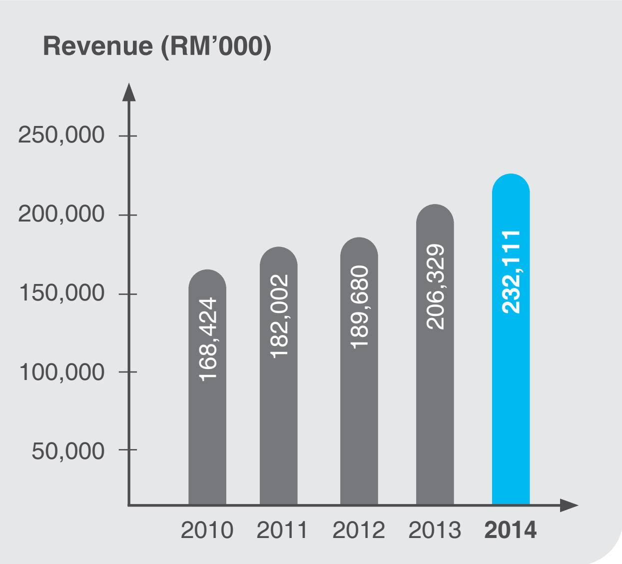
None of the Directors have been convicted of any offences within the past 10 years other than traffic offences, if any.

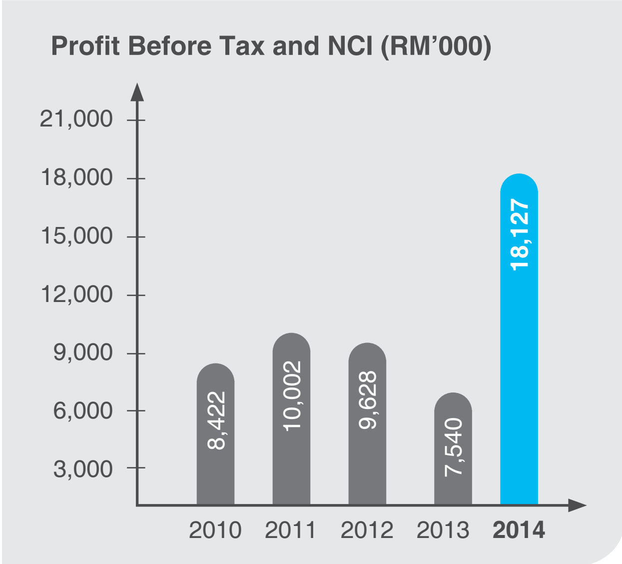
DIRECTORS' SHAREHOLDINGS

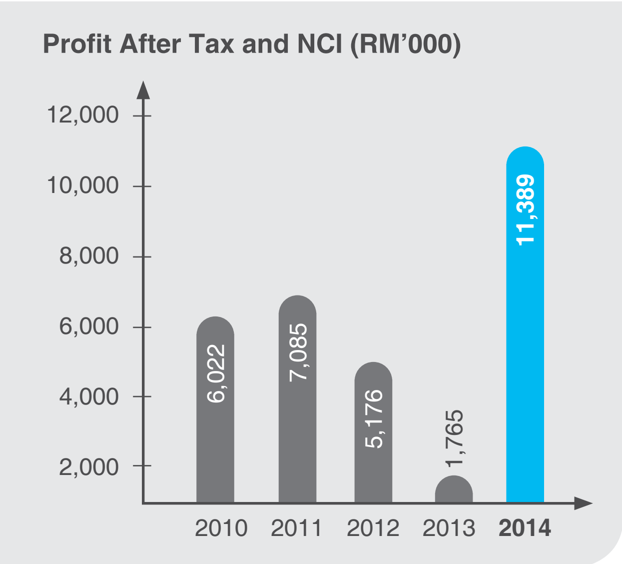
The details of the Directors' shareholdings in the Company are set out under the Statistics on Shareholdings in page 100 of this Annual Report.

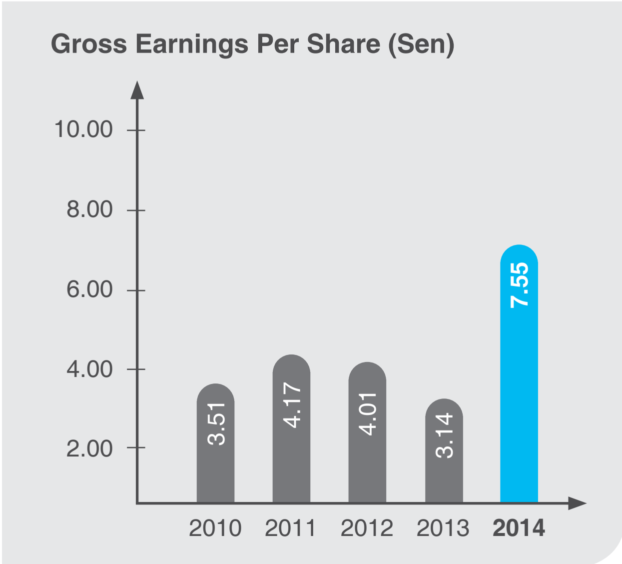
FINANCIAL HIGHLIGHTS

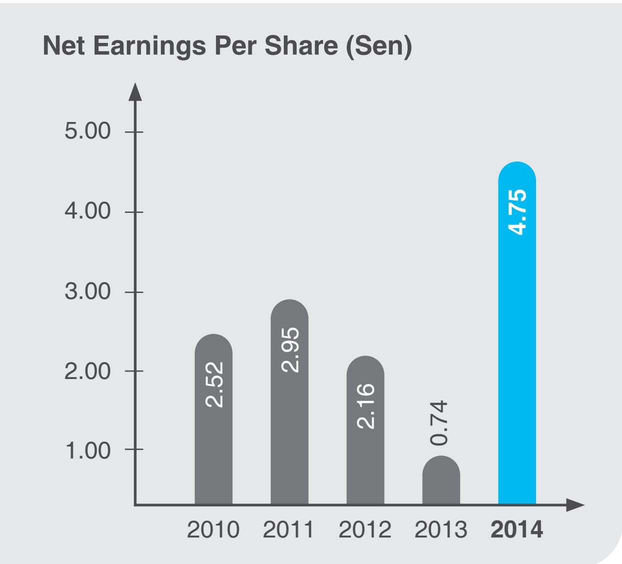
	2010	2011	2012	2013	**2014**
Revenue (RM'000)	168,424	182,002	189,680	206,329	**232,111**
Profit Before Tax and Non - Controlling Interest ('NCI')(RM'000)	8,422	10,002	9,628	7,540	**18,127**
Profit After Tax and Non - Controlling Interest ('NCI')(RM'000)	6,022	7,085	5,176	1,765	**11,389**
Gross Earnings Per Share (Sen)	3.51	4.17	4.01	3.14	**7.55**
Net Earnings Per Share (Sen)	2.52	2.95	2.16	0.74	**4.75**


Revenue (RM'000)
250,000
200,000
150,000
100,000
50,000
168,424
182,002
189,680
206,329
232,111
2010
2011
2012
2013
2014


Profit Before Tax and NCI (RM'000)
21,000
18,000
15,000
12,000
9,000
6,000
3,000
8,422
10,002
9,628
7,540
18,127
2010
2011
2012
2013
2014


Profit After Tax and NCI (RM'000)
12,000
10,000
8,000
6,000
4,000
2,000
6,022
7,085
5,176
1,765
11,389
2010
2011
2012
2013
2014


Gross Earnings Per Share (Sen)
10.00
8.00
6.00
4.00
2.00
3.51
4.17
4.01
3.14
7.55
2010
2011
2012
2013
2014


Net Earnings Per Share (Sen)
5.00
4.00
3.00
2.00
1.00
2.52
2.95
2.16
0.74
4.75
2010
2011
2012
2013
2014

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 2014.

Business Environment

In 2014, we saw a strong first half for PVC sector as the world crude oil prices fallen but a weaker second half of financial year 2014 due to the appreciation in USD currency. The appreciation in USD currency had affected most of the developing countries such as Indonesia, Middle Eastern, etc which are our main export markets thus leading to our revenue shortfalls in PVC sector.

However, TS Solartech had shown prominent growth compared to financial year 2013 and had recorded better revenue in 2014. The improved supply and demand for Photovoltaic (PV) market, alongside with more stable pricing allowed us to establish ourselves. Our strategic alliance with Taiwanese listed Solar PV manufacturer, Solartech Energy Corp. proved to be a major step forward for TS Solartech.

Financial Performance

For the financial year ended 31 December 2014, our Group's revenue increased by 12.50% to RM232 million as compared with the preceding year. In addition to that, the Group's profit after tax increased to RM11.39 million for the year under review compared with RM1.77 million for financial year ended 31 December 2013. As at 31 December 2014, our shareholders' equity stood at RM123.1 million as compared with RM123.7 million as at the end of the previous financial year.

Dividend

The Company had set a dividend policy of at least 30% of the Group's net profits effective from the financial year ending 31 December 2015. This enables our shareholders to enjoy consistent dividend payout as well as to attract long-term institutional investors.

In line with our Group's performance and to continually reward our loyal shareholders, our Board has recommended a first and final single tier dividend of 1 sen per ordinary share subject to the shareholders' approval at the forthcoming Annual General Meeting.

Prospects

Innovation, diversification and responsibility as well as prudent cost management are our utmost priority in the Group's business model. We are determined to keep enhancing and improving our product range and quality to be a leading one-stop PVC products supplier in the region and also Solar cells supplier in the near future.

However, the instability in world crude oil prices and stronger USD remained our main challenges for the PVC industry. We are monitoring closely in order to remain competitive especially in our export market perspective and continue to enhance our products innovation efforts to create new range of products that will enable us to deliver steady and reliable growth in the dynamic business environment.

The solar industry is believed to remain positive as we are determined to be even more cost-effective and price-competitive. The involvement of Solartech Energy Corp. has provided a platform for greater expansion plan and technology know-how transfer. With the current capacity at 220MW, we are optimistic to see a better and improved contribution from TS Solartech for the financial year ending 2015. The various initiatives and policies by government, public and private sector remain one of the main drivers for PV manufacturers worldwide and TS Solartech will move forward aggressively to achieve our short and long term objectives.

Barring any unforeseen changes to the economic and business environment, we are optimistic that our Group will achieve encouraging level of profitability 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, trust and faith in Tek Seng Group; 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 The Salvation Army, St Nicholas' Home Penang, 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 2014 with reference to the principles and recommendations set out in the MCCG as follows:

1. Establish 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. Establish Strengthen Relationship between Company and Shareholders

1. ESTABLISH 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 5 to 7 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 define 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 the overall financial performance of the Group.

The Board Charter will be reviewed periodically to ensure it is relevance and compliance.

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.

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

Board Committees

The Company is currently led by an experienced Board, comprising four (4) 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 5 to 7 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 5 times during the year under review, are summarised in the Audit Committee Report and its Terms of Reference as stated on pages 23 to 26 of this Annual Report.

ii. Nominating Committee

The Nominating Committee consists of:

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

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

TERMS OF REFERENCE (CONT'D)

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
Tuan Haji Mohamed Haniffah Bin S.M. Mydin	Member	Independent Non-Executive Director
Mr. Loh Kok Beng	Member	Executive Chairman

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

iii) Remuneration Committee (cont'd)

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 2014 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	1,226	429	221	1,948
Non-Executive Directors	72	0	0	0	72
Total	144	1,226	429	221	2,020

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 and above	2	0

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

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.

Senior Management and head of departments may be invited to Board meetings to provide insights into matters being discussed and to furnish clarification on issues that may be raised by the Board.

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 social responsibility initiatives are set out on page 12 of this Annual Report.

2. STRENGTHEN COMPOSITION

The Company strives to have a boardroom diversity comprising members with suitable academic & professional qualifications, skills, gender, ethnicity, and expertise as the necessary characteristics for the successful direction of the Group.

The Nominating Committee of the Company comprised wholly independent directors and is headed by Tuan Haji 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 assessment of new candidate is based on his education, skills, expertise, professionalism, integrity, sound judgement, independency, gender and ethnicity. The Nominating Committee will assess and table its recommendation to the directors. The Board will consider the recommendation of the Nominating Committee and make the final decision as to the new appointment of director. The Company Secretary is then responsible to ensure relevant procedures relating to the appointment of the new director are properly executed.

On the assessment of existing directors who are seeking re-election at the annual general meeting of the Company, the Nominating Committee will assess amongst others their regular and timely attendance of meetings, performance, contributions and so forth.

The Board acknowledges the recommendation of the MCCG on the establishment of a policy formalizing the approach to gender diversity in the boardroom and to take steps to ensure that women candidates are sought as part of its recruitment exercise as well as to report its gender diversity policies and targets and measures taken to meet those targets.

2. STRENGTHEN COMPOSITION (CONT'D)

Additionally, the announcement made by our Prime Minister Datuk Seri Najib Tun Razak on the Government's policy approved by the cabinet that women must comprise at least 30% of those decision-making positions in the corporate sector within 5 years (i.e by 2016) and about the need for public listed companies to establish their diversity policies covering gender, ethnicity and age for board and management in the view that diversity, if well managed, can drive performance and strengthen governance of the public listed companies.

In this repect, the Board does not set any specific diversity targets or policies in the boardroom but will take into consideration such criterion for its recruitment exercise. The Nominating Committee, upon its recent annual assessment carried out, is satisfied that the current size and composition of Board, Board Committees and its directors are adequately appropriate for its purpose with relevant mix of gender, ethnic, age, expertise and experience.

The Board had set up a Remuneration Committee comprising a majority of independent directors and is headed by Dr. Kamarudin Bin Ngah, an Independent Non-Executive Director.

The Remuneration Committee reviews the remuneration package of the directors annually 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 Nominating Committee had also assessed the independency of Dr. Kamarudin Bin Ngah who had served more than 9 years as independent director of the Company.

The Nominating Committee upon its assessment carried out, 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 13th 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. The Company currently have three (3) independent and four (4) non independent directors on its Board. 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 director 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 devoted 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:

4. FOSTER COMMITMENT (CONT'D)

Name	Description of Training
Mr. Loh Kok Beng	Developing KPIs Workshop
Mr. Loh Kok Cheng	Developing KPIs Workshop
Mdm. Loh Joo Eng	Developing KPIs Workshop
	Risk Management Implementation Workshop
	Risk Assessment Workshop
Mr. Yeoh Aik Chuan	UHY Goods & Services Tax (GST) Seminar
	UHY Goods & Services Tax (GST) In-House Training
Dr. Kamarudin Bin Ngah	Program Workshop On Social Impact Assessment (SIA) And Outcome Evaluation of Development Projects
	Hi 5 Malaysian Model of Women of Political Support
	SAP Business One Ver. 8.82
Tuan Haji Mohamed Haniffah Bin S.M. Mydin	SAP Business One Ver. 8.82
Mr. Loh Eng Chun	Mandatory Accreditation Programme for Directors of Public Listed Companies

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

External Auditors

The Board maintains formal and transparent relationship with its External Auditors through the Audit Committee. The Audit Committee has been conferred with the authority to directly liaise with both the External and Internal Auditors. It is a policy of the Audit Committee that it meets with External Auditors at least twice a year to discuss and review of their audit plans, scope of audit and audit reports as well as their professional fees. The Audit Committee will review the appointment and re-appointment of External Auditors and to assess the performance and independency of the External Auditors on annual basis. 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.

The existing auditors, Messrs. BDO had confirmed to the Audit Committee in writing that they are, and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

The Audit Committee, upon its recent annual assessment carried out, is satisfied with their work done and independence and had recommended to the Board for their re-appointment at the forthcoming annual general meeting.

6. RECOGNISE AND MANAGE RISKS

Internal Audit Function

The internal audit function is outsourced to a professional consulting firm. The Internal Auditors 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.

Risk Management

The Board acknowledged its responsibility for establishing a sound framework to manage risks and maintaining a sound systems of internal control to safeguard the shareholders' investment and the Company's assets.

In this respect, the Board had established a Risk Management Committee comprising the following members:

Chairman	: Loh Kok Beng
Deputy Chairman	: Loh Kok Cheng and Loh Joo Eng
Members	: Factory Manager Human Resources Manager Sales Manager Finance Manager and any other Head of Departments

The Risk Management Committee assisted the Board in the implementation of Risk Management Policies and will update the Board periodically of the risk profile and actions undertaken by them to manage or mitigate risks identified.

An overview of risk management and the state of internal control within the Group is set out in the Statement on Risk Management and internal control on pages 21 to 22 of this Annual Report.

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. ESTABLISH 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 forthcoming Company's Annual General Meeting and to participate in the proceedings.

This statement is issued in accordance with a resolution of the Directors dated 03 April 2015.

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 03 April 2015.

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
Tuan Haji Mohamed Haniffah Bin S.M. Mydin	Member	Independent Non-Executive Director

MEETINGS AND ATTENDANCE

During the financial year ended 31 December 2014, five (5) Audit Committee Meetings were held at The Conference Room of Tek Seng Holdings Berhad and the details of attendance are as follows:

Name	No. of Meetings Attended
Mr. Yeoh Aik Chuan	4 out of 5
Dr. Kamarudin Bin Ngah	5 out of 5
Tuan Haji Mohamed Haniffah Bin S.M. Mydin	3 out of 5

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.

TERMS OF REFERENCE (CONT'D)

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

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;

TERMS OF REFERENCE (CONT'D)

Functions and Responsibilities: (cont'd)

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

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 2014, 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 procedures and methods in relation to the recurrent related party transactions.
7. Reviewed the Statement on Corporate Governance, Statement on Risk Management and Internal Control and Report of Audit Committee and recommended the same to the Board for inclusion in the Company's Annual Report.
8. Appraised and evaluated the performance and independency of the External Auditors and recommended the re-appointment to the Board of Directors of the Company.
9. Reviewed the adequacy of the scope of internal audit function.
10. Appraised and evaluated the performance of Internal Auditors.

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 2014 was RM34,400.00.

During the financial year ended 31 December 2014, 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 2014, 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.

This Statement is issued in accordance with negotiation of the Directors dated 03 April 2015.

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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 2014.

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 OF OPERATION

	Group RM	Company RM
Profit for the financial year	11,389,377	34,922,181
Attributable to:		
Owners of the parent	12,079,351	34,922,181
Non-controlling interests	(689,974)	0
	11,389,377	34,922,181

DIVIDEND

The Directors propose a first and final single tier dividend of 1 sen per ordinary share in respect of the financial year ended 31 December 2014, which is subject to the approval of shareholders at the forthcoming Annual General Meeting.

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 ordinary 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
Loh Eng Chun (Appointed on 13.01.2015)

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 2014 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 in Malaysia were as follows:

	Number of ordinary shares of RM0.25 each			
	Balance as at 1.1.2014	Bought	Sold	Balance as at 31.12.2014
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 1.1.2014	Bought	Sold	Balance as at 31.12.2014
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 1.1.2014	Bought	Sold	Balance as at 31.12.2014
Indirect interests:				
Loh Kok Beng	51,660	55,582	0	107,242
Loh Kok Cheng	51,660	55,582	0	107,242

None of the other Directors holding office at the end of the financial year held any 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 benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than the transactions entered into in the ordinary course of business as disclosed in Note 31 to the financial statements.

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

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

(a) Before the statements of 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 all known bad debts had been written off and that no provision for doubtful debts was required; 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 render the amount of bad debts written off in the financial statements of the Group inadequate to any material extent or necessitate the making of a provision for doubtful debts;

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

(iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) In the opinion of the Directors:

(i) there has not arisen any item, transaction or event of a material and unusual nature 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.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (cont'd)

(III) AS AT THE DATE OF THIS REPORT

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

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

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

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 35 to the financial statements.

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
Director

Loh Kok Cheng
Director

Penang
3 April 2015

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 36 to 96 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 2014 and of the 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 to the financial statements on page 97 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
3 April 2015

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 36 to 97 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 3 April 2015

Loh Kok Beng

Before me,

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF TEK SENG HOLDINGS BERHAD

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 2014 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 36 to 96.

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 2014 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 Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

c) Our 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

Koay Theam Hock
2141/04/15 (J)
Chartered Accountant

Penang
3 April 2015

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

		Group		Company	
	Note	2014	2013	2014	2013
		RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	7	217,293,381	181,788,338	0	0
Trademark	8	1,359	2,217	0	0
Investments in subsidiaries	9	0	0	155,543,093	99,961,093
Deferred tax assets	10	0	1,317,500	0	0
		217,294,740	183,108,055	155,543,093	99,961,093
Current assets					
Inventories	11	40,156,027	30,393,061	0	0
Trade and other receivables	12	32,186,008	37,379,891	1,141,945	46,812,572
Current tax assets		45,778	5,284	0	0
Cash and bank balances	13	12,108,023	2,911,247	3,659	17,632
		84,495,836	70,689,483	1,145,604	46,830,204
TOTAL ASSETS		301,790,576	253,797,538	156,688,697	146,791,297

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

		Group		Company	
	Note	2014	2013	2014	2013
		RM	RM	RM	RM
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	14	60,000,000	60,000,000	60,000,000	60,000,000
Retained earnings		63,109,164	63,790,209	88,305,606	53,383,425
		123,109,164	123,790,209	148,305,606	113,383,425
Non-controlling interests		38,870,283	6,953,259	0	0
TOTAL EQUITY		161,979,447	130,743,468	148,305,606	113,383,425
LIABILITIES					
Non-current liabilities					
Trade and other payables	15	11,310,840	13,568,621	0	0
Government fund	20	1,000,000	2,000,000	0	0
Borrowings	16	14,687,500	18,437,500	0	0
Deferred tax liabilities	10	2,091,500	861,500	0	0
		29,089,840	34,867,621	0	0
Current liabilities					
Trade and other payables	15	68,292,482	31,830,722	8,372,902	33,397,683
Government fund	20	1,000,000	0	0	0
Borrowings	16	39,960,987	55,438,940	0	0
Current tax liabilities		1,467,820	916,787	10,189	10,189
		110,721,289	88,186,449	8,383,091	33,407,872
TOTAL LIABILITIES		139,811,129	123,054,070	8,383,091	33,407,872
TOTAL EQUITY AND LIABILITIES		301,790,576	253,797,538	156,688,697	146,791,297

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 2014

		Group		Company	
	Note	2014	2013	2014	2013
		RM	RM	RM	RM
Revenue	23	232,111,243	206,329,413	35,290,060	17,910,050
Other income	24	7,644,316	279,280	0	0
Changes in inventories of work-in-progress and finished goods		1,846,322	6,919,058	0	0
Purchase of trading merchandise		(12,306,762)	(13,563,927)	0	0
Raw materials and consumables used		(145,036,335)	(124,801,543)	0	0
Depreciation		(18,598,988)	(18,967,956)	0	0
Employee benefits	25	(18,415,138)	(16,027,448)	0	0
Carriage outwards		(4,715,033)	(4,469,824)	0	0
Utilities expenses		(14,375,768)	(12,864,460)	0	0
Other expenses		(7,053,734)	(12,159,450)	(363,390)	(293,197)
Finance costs	26	(2,972,748)	(3,132,916)	0	0
Profit before tax	27	18,127,375	7,540,227	34,926,670	17,616,853
Taxation	28	(6,737,998)	(5,774,959)	(4,489)	(4,159)
Profit for the financial year		11,389,377	1,765,268	34,922,181	17,612,694
Other comprehensive income, net of tax		0	0	0	0
Total comprehensive income		11,389,377	1,765,268	34,922,181	17,612,694

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

		Group		Company	
	Note	**2014**	**2013**	**2014**	**2013**
		RM	**RM**	**RM**	**RM**
Profit attributable to:					
Owners of the parent		12,079,351	3,730,775	34,922,181	17,612,694
Non-controlling interests		(689,974)	(1,965,507)	0	0
		11,389,377	1,765,268	34,922,181	17,612,694
Total comprehensive income attributable to:					
Owners of the parent		12,079,351	3,730,775	34,922,181	17,612,694
Non-controlling interests		(689,974)	(1,965,507)	0	0
		11,389,377	1,765,268	34,922,181	17,612,694
Earnings per ordinary share attributable to equity holders of the Company:					
Basic earnings per share	29	0.05	0.02		
Diluted earnings per share	29	0.05	0.02		

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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 2014	60,000,000	63,790,209	123,790,209	6,953,259	130,743,468
Profit/(Loss) for the financial year	0	12,079,351	12,079,351	(689,974)	11,389,377
Other comprehensive income, net of tax	0	0	0	0	0
Total comprehensive income	0	12,079,351	12,079,351	(689,974)	11,389,377
Transactions with owners					
Redeemable non-cumulative preference shares ('RNCPS') subscribed by non-controlling interests of a subsidiary company	0	0	0	6,672,000	6,672,000
Ordinary shares subscribed by non-controlling interests of a subsidiary company	0	0	0	13,174,602	13,174,602
Dilution of interest arising from deemed disposal of equity interests in a subsidiary	0	(12,760,396)	(12,760,396)	12,760,396	0
Total transactions with owners	0	(12,760,396)	(12,760,396)	32,606,998	19,846,602
Balance as at 31 December 2014	60,000,000	63,109,164	123,109,164	38,870,283	161,979,447

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 **(cont'd)**

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 30)	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

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

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

Company	Share capital RM	Distributable Retained earnings RM	Total equity RM
Balance as at 1 January 2014	60,000,000	53,383,425	113,383,425
Profit for the financial year	0	34,922,181	34,922,181
Other comprehensive income, net of tax	0	0	0
Total comprehensive income	0	34,922,181	34,922,181
Balance as at 31 December 2014	60,000,000	88,305,606	148,305,606
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 30)	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

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

		Group		Company	
	Note	2014	2013	2014	2013
		RM	RM	RM	RM
CASH FLOW FROM OPERATING ACTIVITIES					
Profit before tax		18,127,375	7,540,227	34,926,670	17,616,853
Adjustments for:					
Amortisation of trademark	8	858	858	0	0
Bad debts written off		19,400	0	0	0
Depreciation of property, plant and equipment	7	18,598,988	18,967,956	0	0
Dividend income from subsidiaries		0	0	(35,200,060)	(17,820,050)
Interest expense	26	2,972,748	3,132,916	0	0
Gain on disposal of property, plant and equipment		(126,279)	(121,513)	0	0
Property, plant and equipment written off	7	28,954	0	0	0
Net unrealised loss on foreign exchange		544,798	946,231	0	0
Interest income		(2,362)	(834)	0	0
Operating profit/(loss) before working capital changes		40,164,480	30,465,841	(273,390)	(203,197)
Increase in inventories		(9,762,966)	(6,450,871)	0	0
Decrease/(Increase) in trade and other receivables		5,220,328	(9,555,578)	45,670,627	(46,812,572)
Increase/(Decrease) in trade and other payables		33,357,175	2,953,750	(25,024,781)	32,788,383
Net cash generated from/ (used in) operations		68,979,017	17,413,142	20,372,456	(14,227,386)
Interest received		2,362	834	0	0
Interest paid		(2,972,748)	(3,132,916)	0	0
Tax paid		(3,679,959)	(2,998,109)	(4,489)	(4,159)
Net cash from/(used in) operating activities		62,328,672	11,282,951	20,367,967	(14,231,545)
CASH FLOW FROM INVESTING ACTIVITIES					
Dividend received from subsidiaries		0	0	35,200,060	17,820,050
Purchase of property, plant and equipment	7(b)	(54,236,706)	(6,526,531)	0	0
Proceeds from disposal of property, plant and equipment		230,000	448,471	0	0
Acquisition of additional RNCPS in a subsidiary		0	0	(55,582,000)	0
Net cash (used in)/from investing activities		(54,006,706)	(6,078,060)	(20,381,940)	17,820,050

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

	Note	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
CASH FLOW FROM FINANCING ACTIVITIES					
Dividend paid	30	0	(3,600,000)	0	(3,600,000)
Drawdown of:					
- short term bank loans		159,658,927	184,839,702	0	0
- Government fund	20	0	2,000,000	0	0
Repayments of:					
- short term bank loans		(175,405,874)	(184,028,223)	0	0
- term loans		(3,762,336)	(3,767,791)	0	0
Subscribed by non-controlling interests of a subsidiary company					
- Ordinary shares		13,174,602	0	0	0
- RNCPS		6,672,000	0	0	0
Net cash from/(used in) financing activities		337,319	(4,556,312)	0	(3,600,000)
Net increase/(decrease) in cash and cash equivalents		8,659,285	648,579	(13,973)	(11,495)
Effects of exchange rate changes on cash and cash equivalents		25,735	96,946	0	0
Cash and cash equivalents at beginning of financial year		2,909,096	2,163,571	17,632	29,127
Cash and cash equivalents at end of financial year	13(b)	11,594,116	2,909,096	3,659	17,632

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 2014 comprise the financial statements of the Company and its subsidiaries. The 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 3 April 2015.

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 as set out on pages 36 to 96 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 as set out on page 97 has been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing 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 the 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 Basis of consolidation (cont'd)

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.

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 (CONT'D)

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 a 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.

4.4 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 would 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 Property, plant and equipment and depreciation (cont'd)

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.

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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

4.7 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 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 whenever 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 eight (8) years. Trademark is not revalued and is shown at cost less accumulated amortisation and any accumulated impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 Financial instruments (cont'd)

(a) Financial assets (cont'd)

(iii) Loans and receivables

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

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

(iv) Available-for-sale financial assets

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

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

Cash and bank balances include cash and cash equivalents, 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

(ii) Other financial liabilities

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

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

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

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

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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

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

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

(c) Equity

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 Financial instruments (cont'd)

(c) Equity (cont'd)

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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.11 Impairment of financial assets (cont'd)

(b) Available-for-sale financial assets (cont'd)

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 profit or loss and other 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 would 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 would 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 would be reduced accordingly. When it becomes probable that sufficient taxable profits would be available, such reductions would 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:

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.13 Income taxes (cont'd)

(b) Deferred tax (cont'd)

Deferred tax would 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 would 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 end of 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 would 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 would 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 would be required to settle the obligation, the provision would 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 would 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 would 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 would 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.

4.16 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.16 Employee benefits (cont'd)

(a) Short term employee benefits (cont'd)

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 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 would 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:

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.18 Revenue recognition (cont'd)

(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 as a soft loan 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:

(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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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 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

(a) Amendments to MFRS 10, MFRS 12 and MFRS 127 *Investment Entities* are mandatory for annual periods beginning on or after 1 January 2014.

These Amendments introduce an exception to the consolidation principle in MFRS 10 for investment entities. These Amendments define an investment entity and require a parent that is an investment entity to measure its investments in subsidiaries at fair value through profit or loss in accordance with MFRS 9 (or MFRS 139, if MFRS 9 has not yet been adopted) instead of consolidating those subsidiaries in its consolidated financial statements.

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

(b) Amendments to MFRS 132 *Offsetting Financial Assets and Financial Liabilities* are mandatory for annual periods beginning on or after 1 January 2014.

These Amendments provide application guidance for criteria to offset financial assets and financial liabilities.

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

(c) Amendments to MFRS 136 *Recoverable Amount Disclosures for Non-Financial Assets* are mandatory for annual periods beginning on or after 1 January 2014.

The Amendments clarify that recoverable amount (determined based on fair value less costs of disposal) of any cash-generating unit with a significant carrying amount of goodwill or intangible assets with indefinite useful lives is required to be disclosed only when an impairment loss is recognised or reversed. In addition, there are new disclosure requirements about fair value measurement when impairment or reversal of impairment is recognised.

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

(d) Amendments to MFRS 139 *Novation of Derivatives and Continuation of Hedge Accounting* are mandatory for annual periods beginning on or after 1 January 2014.

These Amendments provide relief from discontinuing hedge accounting in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met.

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

5. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (CONT'D)

5.1 New MFRSs adopted during the financial year (cont'd)

(e) IC Interpretation 21 is mandatory for annual periods beginning on or after 1 January 2014.

This Interpretation clarifies that the obligating event giving to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The Interpretation also clarifies that the liability to pay a levy is recognised progressively if the obligating event occurs over a period of time. If an obligation to pay a levy is triggered when a minimum threshold is reached, the liability to pay a levy is recognised when that minimum activity threshold is reached.

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 2015

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 119 *Defined Benefit Plans: Employee Contributions*	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
MFRS 14 *Regulatory Deferral Accounts*	1 January 2016
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associates or Joint Venture*	1 January 2016
Amendments to MFRS 116 and MFRS 138 *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to MFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
Amendments to MFRS 116 and MFRS 141 *Agriculture: Bearer Plants*	1 January 2016
Amendments to MFRS 127 *Equity Method in Separate Financial Statements*	1 January 2016
Amendments to MFRSs *Annual Improvements to 2012-2014 Cycle*	1 January 2016
Amendments to MFRS 101 *Disclosure Initiative*	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 *Investment Entities: Applying the Consolidation Exception*	1 January 2016
MFRS 15 *Revenue from Contracts with Customers*	1 January 2017
MFRS 9 *Financial Instruments (IFRS as issued by IASB in July 2014)*	1 January 2018

The Group is in the process of assessing the impact of implementing these Standards, since the effects would only be observable for 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. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

6.2 Critical judgements made in applying accounting policies

The following are 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.

(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 would impact the carrying amount of inventories.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

6.3 Key sources of estimation uncertainty (cont'd)

(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.

(i) Fair value measurement

The financial and non-financial assets and liabilities that are measured subsequent to initial recognition at fair value are grouped into Level 1 to Level 3 based on the degree to which the fair value inputs are observable.

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

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

(iii) 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 classification of an item into the above levels is based on the lowest level of the inputs used in the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures financial instruments at fair value are disclosed in Note 33 to the financial statements.

7. PROPERTY, PLANT AND EQUIPMENT

Group	Balance as at 1.1.2014 RM	Additions RM	Reclassification RM	Disposals RM	Written off RM	Depreciation charges for the financial year RM	Balance as at 31.12.2014 RM
Carrying amount							
Long term leasehold land	12,790,681	0	0	0	0	(243,245)	12,547,436
Freehold land	258,352	0	0	0	0	0	258,352
Buildings and factory buildings	61,385,432	1,550,564	370,000	(103,721)	0	(1,414,458)	61,787,817
Office equipment, furniture and fittings	267,076	10,000	0	0	(28,954)	(81,826)	166,296
Plant and machinery	104,471,263	2,643,513	190,000	0	0	(16,193,616)	91,111,160
Motor vehicles	1,861,745	171,300	0	0	0	(665,843)	1,367,202
Electrical installation	1	0	0	0	0	0	1
Capital work-in-progress	753,788	49,861,329	(560,000)	0	0	0	50,055,117
	181,788,338	54,236,706	0	(103,721)	(28,954)	(18,598,988)	217,293,381

	At 31.12.14 Cost RM	At 31.12.14 Accumulated depreciation RM	At 31.12.14 Carrying amount RM
Long term leasehold land	14,529,032	1,981,596	12,547,436
Freehold land	258,352	0	258,352
Buildings and factory buildings	70,733,388	8,945,571	61,787,817
Office equipment, furniture and fittings	1,742,245	1,575,949	166,296
Plant and machinery	204,158,009	113,046,849	91,111,160
Motor vehicles	4,299,348	2,932,146	1,367,202
Electrical installation	48,435	48,434	1
Capital work-in-progress	50,055,117	0	50,055,117
	345,823,926	128,530,545	217,293,381

7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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 (CONT'D)

(a) As at 31 December 2014, the carrying amount of the property, plant and equipment under hire purchase arrangements is as follows:

	Group 2014 RM	Group 2013 RM
Motor vehicles	0	100,504

Details of the terms and conditions of the hire purchase arrangements are disclosed in Note 19 to the financial statements.

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

	Group 2014 RM	Group 2013 RM
Purchase of property, plant and equipment	54,236,706	6,627,035
Financed by hire purchase arrangement	0	(100,504)
Cash payments on purchase of property, plant and equipment	54,236,706	6,526,531

(c) As at 31 December 2014, long term leasehold land and factory buildings of the Group with a total carrying amount of RM33,927,605 (2013: RM34,696,302) have been charged to a bank for credit facilities granted to the Group as disclosed in Notes 16, 17 and 18 to the financial statements.

8. TRADEMARK

Group	Balance as at 1.1.2014 RM	Amortisation charges for the financial year RM	Balance as at 31.12.2014 RM
Carrying amount			
Trademark	2,217	(858)	1,359

	At 31.12.14		
	Cost RM	Accumulated amortisation RM	Carrying amount RM
Trademark	16,865	15,506	1,359

8. TRADEMARK (CONT'D)

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

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

9. INVESTMENTS IN SUBSIDIARIES

	Company 2014 RM	Company 2013 RM
At cost		
Unquoted shares	155,543,093	99,961,093

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

Name of company	Equity interest held 2014	Equity interest held 2013	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.	68.09%	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 5 November 2014, the Company acquired additional 55,582 RNCPS of TS Solartech Sdn. Bhd. ("TS Solartech") for a cash consideration of RM55,582,000.

(b) On 1 December 2014, equity interest of the Company in TS Solartech was reduced from 86.1% to 68.09% pursuant to the issuance of an additional 3,174,603 ordinary shares of RM1 each to a non-controlling interest ('NCI'). The issued and paid up share capital of TS Solartech was increased from RM12,000,000 to RM15,174,603.

9. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(c) The subsidiary of the Group that has material NCI is as follows:

	TS Solartech Sdn. Bhd. 2014	2013
NCI percentage of ownership interest and voting interest	31.91%	13.90%
Carrying amount of NCI (RM)	38,870,283	6,953,259
Loss allocated to NCI (RM)	(689,974)	(1,965,507)

(d) 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. 2014 RM	2013 RM
Assets and liabilities		
Non-current assets	146,400,255	103,339,294
Current assets	31,449,375	12,694,445
Non-current liabilities	(1,000,000)	(10,552,440)
Current liabilities	(55,037,400)	(55,457,859)
Net assets	121,812,230	50,023,440
Results		
Revenue	46,299,070	9,757,248
Loss for the financial year	(3,639,812)	(14,140,342)
Total comprehensive loss	(3,639,812)	(14,140,342)
Cash flows used in operating activities	(15,360,453)	(715,479)
Cash flows used in investing activities	(51,408,987)	(1,299,201)
Cash flows from financing activities	75,428,602	2,000,000
Net increase/(decrease) in cash and cash equivalents	8,659,162	(14,680)
Dividends paid to NCI	N/A	N/A

10. DEFERRED TAX (LIABILITIES)/ASSETS

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

	Group 2014 RM	2013 RM
Balance as at 1 January	456,000	2,966,000
Recognised in profit or loss (Note 28)	(2,547,500)	(2,510,000)
Balance as at 31 December	(2,091,500)	456,000

10. DEFERRED TAX (LIABILITIES)/ASSETS (CONT'D)

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

	Group	
	2014	**2013**
	RM	**RM**
Presented after appropriate offsetting:		
Deferred tax assets, net	0	1,317,500
Deferred tax liabilities, net	(2,091,500)	(861,500)
	(2,091,500)	456,000

(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	
	2014	**2013**
	RM	**RM**
At 1 January	861,500	821,400
Recognised in profit or loss	1,230,000	40,100
At 31 December	2,091,500	861,500

Deferred tax assets of the Group	Reinvestment allowances Group	
	2014	**2013**
	RM	**RM**
At 1 January	1,317,500	3,787,400
Recognised in profit or loss	(1,317,500)	(2,469,900)
At 31 December	0	1,317,500

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

	Group	
	2014	**2013**
	RM	**RM**
Unused tax losses	8,870,524	8,870,524
Unabsorbed capital allowances	15,947,929	12,428,883
	24,818,453	21,299,437

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	
	2014 RM	2013 RM
At cost		
Raw materials	19,993,209	12,076,566
Work-in-progress	3,797,741	2,241,257
Finished goods	16,365,077	16,075,238
	40,156,027	30,393,061

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Trade receivables				
Third parties	26,053,281	36,403,509	0	0
Other receivables				
Other receivables	4,000	30,880	0	0
Amounts owing by subsidiaries	0	0	1,141,945	46,812,572
	4,000	30,880	1,141,945	46,812,572
Loans and receivables	26,057,281	36,434,389	1,141,945	46,812,572
Deposits and prepayments				
Deposits	5,944,173	688,287	0	0
Prepayments	184,554	257,215	0	0
	6,128,727	945,502	0	0
	32,186,008	37,379,891	1,141,945	46,812,572

(a) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group range from 30 to 120 days (2013: 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 is 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 RM5,871,534 (2013: RM627,589).

12. TRADE AND OTHER RECEIVABLES (CONT'D)

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

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Ringgit Malaysia	28,499,423	31,475,720	1,141,945	46,812,572
US Dollar	3,595,870	5,886,200	0	0
Singapore Dollar	0	17,971	0	0
EURO	90,715	0	0	0
	32,186,008	37,379,891	1,141,945	46,812,572

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

	Group	
	2014 RM	2013 RM
Neither past due nor impaired	16,367,414	22,295,930
Past due, but not impaired		
1 to 30 days	5,016,976	8,070,813
31 to 60 days	2,289,324	2,733,795
61 to 90 days	1,379,491	1,628,682
More than 91 days	1,000,076	1,674,289
	9,685,867	14,107,579
	26,053,281	36,403,509

Receivables that are neither past due nor impaired

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

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

Receivables that are past due but not impaired

Trade receivables that are past due but not impaired amounting to RM9,685,867 (2013: RM14,107,579) mainly arose from active corporate clients with healthy business relationship, in which the management is of the view that the amounts are recoverable based on past payment history. The trade receivables that are past due but not impaired are unsecured in nature.

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

13. CASH AND BANK BALANCES

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Cash and bank balances	11,790,093	2,661,247	3,659	17,632
Deposit with a licensed bank	317,930	250,000	0	0
	12,108,023	2,911,247	3,659	17,632

(a) The currency exposure profile of cash and bank balances are as follows:

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Ringgit Malaysia	755,245	2,125,962	3,659	17,632
US Dollar	11,307,760	767,108	0	0
Singapore Dollar	32,380	17,591	0	0
EURO	12,638	586	0	0
	12,108,023	2,911,247	3,659	17,632

(b) 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		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Cash and bank balances	11,790,093	2,661,247	3,659	17,632
Deposits with a licensed bank (not more than three months)	317,930	250,000	0	0
Less:				
Bank overdrafts (Note 16)	(513,907)	(2,151)	0	0
	11,594,116	2,909,096	3,659	17,632

(c) Information on financial risks of cash and bank balances are disclosed in Note 34 to the financial statements.

14. SHARE CAPITAL

	Group and Company	
	2014 RM	2013 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. TRADE AND OTHER PAYABLES

	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
Current				
Trade payables				
Third parties	11,023,780	15,408,095	0	0
Other payables				
Other payables	52,419,467	12,114,215	823	1,072
Amounts owing to subsidiaries	0	0	8,221,779	33,247,111
Accruals	4,848,485	4,308,412	150,300	149,500
Deposits	750	0	0	0
	57,268,702	16,422,627	8,372,902	33,397,683
	68,292,482	31,830,722	8,372,902	33,397,683
Non-current				
Amounts owing to a Director	11,310,840	6,896,621	0	0
Amounts owing to non-controlling interests of a subsidiary	0	6,672,000	0	0
	11,310,840	13,568,621	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 (2013: 30 to 60 days).

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

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

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

	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
Ringgit Malaysia	66,019,835	24,914,941	8,372,902	33,397,683
US Dollar	11,416,028	14,076,904	0	0
EURO	2,167,459	6,407,498	0	0
	79,603,322	45,399,343	8,372,902	33,397,683

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

16. BORROWINGS

	Group 2014 RM	Group 2013 RM
Current liabilities		
Secured		
Short term bank loans (Note 17)	35,290,058	51,166,926
Hire purchase (Note 19)	0	100,504
Bank overdrafts	513,907	2,151
Term loans (Note 18)	4,157,022	4,169,359
	39,960,987	55,438,940
Non-current liabilities		
Secured		
Term loans (Note 18)	14,687,500	18,437,500
Total borrowings		
Short term bank loans (Note 17)	35,290,058	51,166,926
Hire purchase (Note 19)	0	100,504
Bank overdrafts	513,907	2,151
Term loans (Note 18)	18,844,522	22,606,859
	54,648,487	73,876,440

(a) The currency exposure profile of borrowings is as follows:

	Group 2014 RM	Group 2013 RM
Ringgit Malaysia	49,024,935	61,272,271
US Dollar	5,623,552	12,604,169
	54,648,487	73,876,440

(b) Bank overdrafts of the Group are secured by:

(i) corporate guarantee executed by the Company; and

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

(c) Information on financial risks of borrowings are disclosed in Note 34 to the financial statements.

17. SHORT TERM BANK LOANS

	Group 2014 RM	2013 RM
Bankers' acceptances	29,666,506	38,562,757
Onshore foreign currency financing	0	3,951,128
Secured foreign currency trust receipts	0	635,880
Onshore foreign currency loan	4,400,302	6,868,636
Revolving credit	1,223,250	1,148,525
	35,290,058	51,166,926

(a) Short term bank loans of the Group are secured by:

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

(ii) corporate guarantee executed by the Company.

(b) Information on financial risks of borrowings are disclosed in Note 34 to the financial statements.

18. TERM LOANS

(a) Term loans of the Group are secured by:

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

(ii) corporate guarantee executed by the Company.

(b) 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 RM18,844,522 (2013: RM22,606,859) of a subsidiary.

(c) The term loans are repayable in sixty (60) monthly instalments from January 2015.

(d) Information on financial risks of borrowings and its remaining maturity are disclosed in Note 34 to the financial statements.

19. HIRE PURCHASE

	Group 2014 RM	2013 RM
Representing hire purchase liabilities:		
- current	0	100,504
Hire purchase liabilities:		
Minimum hire purchase payments:		
- not later than one (1) year	0	100,504
Future finance charges on hire purchase	0	0
Present value of hire purchase	0	100,504
Present value of hire purchase liabilities:		
- not later than one (1) year	0	100,504

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

20. GOVERNMENT FUND

	Group	
	2014	**2013**
	RM	**RM**
Current liabilities		
Government fund	1,000,000	0
Non-current liabilities		
Government fund	1,000,000	2,000,000

(a) 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.

(b) The Government fund is denominated in RM.

21. CAPITAL COMMITMENTS

	Group	
	2014	**2013**
	RM	**RM**
Capital expenditure in respect of purchase of property, plant and equipment:		
Contracted but not provided for	17,857,678	2,290,066

22. CONTINGENT LIABILITIES

	Company	
	2014	**2013**
	RM	**RM**
Secured corporate guarantees given to licensed banks for banking facilities granted to subsidiaries (Notes 16, 17 and 18)	142,123,250	141,194,525
Unsecured corporate guarantees given to suppliers of subsidiaries	6,990,000	6,563,000

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

23. REVENUE

	Group		Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Sale of goods	232,111,243	206,329,413	0	0
Dividend income from subsidiaries	0	0	35,200,060	17,820,050
Management fee from subsidiaries	0	0	90,000	90,000
	232,111,243	206,329,413	35,290,060	17,910,050

24. OTHER INCOME

	Group	
	2014	2013
	RM	RM
Bad debts recovered	300	650
Interest income	2,362	834
Gain on disposal of property, plant and equipment	126,279	121,513
Realised gain on foreign exchange	570,771	53,571
Unrealised gain on foreign exchange	59,604	102,712
Discount from a supplier	6,885,000	0
	7,644,316	279,280

25. EMPLOYEE BENEFITS

	Group	
	2014	2013
	RM	RM
Wages, salaries and bonus	16,470,860	14,417,536
Contributions to defined contribution plan	1,374,953	1,162,278
Social security contributions	157,059	135,436
Other benefits	412,266	312,198
	18,415,138	16,027,448

Included in employee benefits of the Group are Executive Directors' remuneration amounting to RM1,876,196 (2013 : RM1,593,975).

26. FINANCE COSTS

	Group	
	2014 RM	2013 RM
Interest expense on:		
- bank overdrafts	24,959	27,485
- short term bank loans	1,729,073	1,727,471
- term loans	1,178,940	1,354,864
Letter of credits charges	39,776	23,096
	2,972,748	3,132,916

27. PROFIT BEFORE TAX

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Profit before tax is arrived at after charging:				
Amortisation of trademark (Note 8)	858	858	0	0
Auditors' remuneration:				
- statutory audits	80,600	58,700	5,500	5,500
- other services	33,000	8,000	8,000	8,000
Bad debts written off	19,400	0	0	0
Depreciation of property, plant and equipment (Note 7)	18,598,988	18,967,956	0	0
Directors' remuneration				
Other emoluments				
- paid by Company	144,000	144,000	144,000	144,000
- paid by subsidiaries	1,876,196	1,593,975	0	0
Loss on foreign exchange				
- realised	83,378	195,849	0	0
- unrealised	604,402	1,048,943	0	0
Rental of plant and machinery	259,029	144,256	0	0
Rental of premises	16,400	15,600	0	0
And crediting:				
Gain on disposal of property, plant and equipment	126,279	121,513	0	0
Gain on foreign exchange				
- realised	570,771	53,571	0	0
- unrealised	59,604	102,712	0	0

28. TAXATION

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Current tax expense based on profit for the financial year	3,280,786	3,174,097	4,159	4,159
Underprovision of income tax in prior years	909,712	90,862	330	0
	4,190,498	3,264,959	4,489	4,159
Deferred tax (Note 10):				
Relating to origination and reversal of temporary differences	2,387,700	2,142,000	0	0
Underprovision in prior years	159,800	368,000	0	0
	6,737,998	5,774,959	4,489	4,159

Malaysian income tax is calculated at the statutory tax rate of 25% (2013: 25%) of the taxable profits for the fiscal year.

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	
	2014 RM	2013 RM	2014 RM	2013 RM
Tax at Malaysian statutory tax rate of 25%	4,531,844	1,885,085	8,731,668	4,404,200
Tax effect in respect of:				
Non-allowable expenses	248,945	(70,640)	22,506	35,000
Non-taxable income	7,697	(16,348)	(8,750,015)	(4,435,041)
Tax incentives and allowances	0	(12,000)	0	0
Deferred tax assets not recognised	880,000	3,530,000	0	0
	5,668,486	5,316,097	4,159	4,159
Underprovision in prior years				
-deferred tax	159,800	368,000	0	0
-income tax	909,712	90,862	330	0
	6,737,998	5,774,959	4,489	4,159

29. 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	
	2014 RM	2013 RM
Profit attributable to equity holders of the parent	12,079,351	3,730,775
Weighted average number of ordinary shares in issue (units)	240,000,000	240,000,000
Basic earnings per ordinary share	0.05	0.02

(b) Diluted earnings per ordinary share

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

30. DIVIDEND

	2014		2013	
	Dividend per share sen	Amount of dividend RM	Dividend per share sen	Amount of dividend RM
First and final single tier dividend paid in respect of financial year ended 31 December 2012	0	0	1.5	3,600,000

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 propose a first and final single tier dividend of 1 sen per ordinary share in respect of the current financial year ended 31 December 2014, which is subject to the approval of shareholders at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect this proposed dividend. This dividend, if approved by shareholders, would be accounted for as an appropriation of retained earnings in the financial year ending 31 December 2015.

31. RELATED PARTY DISCLOSURES

(a) Identities of related parties

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

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

(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	
	2014 RM	**2013 RM**	**2014 RM**	**2013 RM**
Subsidiaries				
Dividend received	0	0	35,200,060	17,820,050
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 2014 are disclosed in Notes 12 and 15 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	
	2014 RM	**2013 RM**
Short term employee benefits	1,715,796	1,423,588
Contributions to defined contribution plans	160,400	170,387
	1,876,196	1,593,975

32. 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.

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.

32. OPERATING SEGMENTS (CONT'D)

	PVC Sheeting RM	PP Non-Woven RM	PVC Leather RM	Solar RM	Others RM	Total RM
2014						
Revenue						
Total revenue	164,342,662	14,055,130	6,361,626	48,008,673	36,770,763	269,538,854
Inter-segment revenue	(30,329,787)	(4,100,610)	0	(592,508)	(2,404,706)	(37,427,611)
Revenue from external customers	134,012,875	9,954,520	6,361,626	47,416,165	34,366,057	232,111,243
Interest income	314	23	15	1,930	80	2,362
Finance costs	(2,140,252)	(158,979)	(101,598)	(23,077)	(548,842)	(2,972,748)
Net finance expense	(2,139,938)	(158,956)	(101,583)	(21,147)	(548,762)	(2,970,386)
Depreciation	(7,459,293)	(554,079)	(354,094)	(8,318,671)	(1,912,851)	(18,598,988)
Segment profit/(loss) before income tax	15,441,684	1,147,013	733,021	(3,154,184)	3,959,841	18,127,375
Income tax expenses	(4,800,932)	(356,615)	(227,901)	(121,407)	(1,231,143)	(6,737,998)
Segment assets	174,243,273	12,942,847	8,271,373	61,650,403	44,682,680	301,790,576
Segment liabilities	80,722,032	5,996,059	3,831,896	28,560,907	20,700,235	139,811,129
Capital expenditure	2,051,763	152,406	97,398	51,408,987	526,152	54,236,706

32. OPERATING SEGMENTS (CONT'D)

	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

32. OPERATING SEGMENTS (CONT'D)

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

	Group 2014 RM	Group 2013 RM
Revenue		
Total revenue for reportable segments	269,538,854	245,204,666
Elimination of inter-segmental revenue	(37,427,611)	(38,875,253)
Revenue per consolidated statement of profit or loss and other comprehensive income	232,111,243	206,329,413

	Group 2014 RM	Group 2013 RM
Profit for the financial year		
Total profit for reportable segments	18,127,375	7,540,227
Elimination of inter-segment profits	0	0
Profit before tax	18,127,375	7,540,227
Tax expenses	(6,737,998)	(5,774,959)
Profit for the financial year per consolidated statement of profit or loss and other comprehensive income	11,389,377	1,765,268

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 2014 RM	Group 2013 RM
Revenue from external customers in:		
Malaysia	105,428,502	115,478,246
South Africa	1,607,011	1,719,997
Indonesia	23,601,506	22,615,154
Myanmar	9,661,907	10,999,427
Nigeria	5,052,825	6,874,216
Singapore	31,797,678	6,487,377
Yemen	12,661,837	12,192,060
China	9,886,516	989,915
Others	32,413,461	28,973,021
	232,111,243	206,329,413

32. OPERATING SEGMENTS (CONT'D)

	Group	
	2014	**2013**
	RM	**RM**
Non-current assets		
Malaysia	217,294,740	183,108,055

Major customer

Revenue from a major customer in its respective segment with revenue equal or more than ten percent (10%) of Group revenue are as follows:

	Group	
	2014	**2013**
	RM	**RM**
Segment		
Solar	29,177,071	0
PVC Sheeting	0	21,937,249

33. FINANCIAL INSTRUMENTS

(a) Capital management

The primary objective of the Group's capital management is to ensure that entities of the Group would be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance. The overall strategy of the Group remains unchanged from that in the financial year ended 31 December 2013.

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 2014 and 31 December 2013.

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 60% determined as the proportion of net debt to equity plus net debt. The Group includes within net debt, loans and borrowings, trade and other payables, less cash and bank balances. Capital represents equity attributable to the owners of the parent.

	Group	
	2014	**2013**
	RM	**RM**
Loans and borrowings	54,648,487	73,876,440
Trade and other payables	79,603,322	45,399,343
Total liabilities	134,251,809	119,275,783
Less: Cash and bank balances	(11,790,093)	(2,661,247)
Net debt	122,461,716	116,614,536

33. FINANCIAL INSTRUMENTS (CONT'D)

(a) Capital management (cont'd)

	Group 2014 RM	Group 2013 RM
Total capital	123,109,164	123,790,209
Net debt	122,461,716	116,614,536
Equity plus net debt	245,570,880	240,404,745
Gearing ratio	50%	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 2014.

The Group is subject to an externally imposed capital requirement as disclosed in Note 18 to the financial statements.

(b) Financial instruments

(i) Categories of financial instruments

	Loans and receivables			
	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Financial assets				
Trade and other receivables excluding deposits and prepayments	26,057,281	36,434,389	1,141,945	46,812,572
Cash and bank balances	12,108,023	2,911,247	3,659	17,632
	38,165,304	39,345,636	1,145,604	46,830,204

	Other financial liabilities			
	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Financial liabilities				
Borrowings	54,648,487	73,876,440	0	0
Trade and other payables	79,603,322	45,399,343	8,372,902	33,397,683
	134,251,809	119,275,783	8,372,902	33,397,683

33. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial instruments (cont'd)

(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:

	Carrying amount RM	Fair value RM
2014		
Unrecognised		
Financial liabilities:		
Contingent liabilities	0	*

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

* The Company provides corporate guarantees to the financial institutions for banking facilities granted to subsidiaries and suppliers of subsidiaries as disclosed in Note 22 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.

(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.

33. FINANCIAL INSTRUMENTS (CONT'D)

(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 a Director	Discounted cash flows method	Discount rate (2014: 6.2%) (2013: 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 (2014: Nil%) (2013: 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.

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
2014			
Group			
Financial liabilities			
Other financial liabilities			
- Amounts owing to a Director	10,650,508	10,650,508	11,310,840

33. FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair value hierarchy (cont'd)

	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 a Director	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

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders whilst minimising potential adverse effects on its financial performance and positions. The Group is mainly exposed to credit risk, 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 bank balances.

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

Exposure to credit risk

At the end of the reporting 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.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(i) Credit risk (cont'd)

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			
	2014		2013	
	RM	% of total	RM	% of total
By country:				
Malaysia	22,728,511	87%	32,235,463	89%
Iraq	0	0%	270,396	1%
Philipines	150,158	1%	119,229	*
Singapore	954,696	4%	1,687,806	5%
United Arab Emirates	141,226	*	125,627	*
Myanmar	1,269,908	5%	881,919	2%
Nigeria	0	0%	626,077	2%
Others	808,782	3%	456,992	1%
	26,053,281	100%	36,403,509	100%

* Amount is less than 1%

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

Financial assets that are neither past due nor impaired

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

Financial assets that are past due but not impaired

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

(ii) Liquidity and cash flow risk

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

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(ii) Liquidity and cash flow risk (cont'd)

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 2014				
Group				
Financial liabilities				
Trade and other payables	68,292,482	11,310,840	0	79,603,322
Loans and borrowings	39,960,987	14,687,500	0	54,648,487
Government fund	1,000,000	1,000,000	0	2,000,000
Total undiscounted financial liabilities	109,253,469	26,998,340	0	136,251,809
As at 31 December 2014				
Company				
Financial liability				
Trade and other payables	8,372,902	0	0	8,372,902
Total undiscounted financial liability	8,372,902	0	0	8,372,902
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
Government fund	0	2,000,000	0	2,000,000
Total undiscounted financial liabilities	87,269,662	30,568,621	3,437,500	121,275,783
As at 31 December 2013				
Company				
Financial liability				
Trade and other payables	33,397,683	0	0	33,397,683
Total undiscounted financial liability	33,397,683	0	0	33,397,683

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments would 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.

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	
		2014 RM Profit after tax	**2013 RM Profit after tax**
Deposits with a licensed bank	- 50 basis points higher	1,192	23
	- 50 basis points lower	(1,192)	(23)
Bankers' acceptances	- 50 basis points higher	(111,249)	(5,748)
	- 50 basis points lower	111,249	5,748
Onshore foreign currency financing	- 50 basis points higher	0	(268)
	- 50 basis points lower	0	268
Secured foreign currency trust receipts	- 50 basis points higher	0	(46)
	- 50 basis points lower	0	46
Onshore foreign currency loan	- 50 basis points higher	(16,501)	(422)
	- 50 basis points lower	16,501	422
Revolving credit	- 50 basis points higher	(4,587)	(86)
	- 50 basis points lower	4,587	86
Bank overdrafts	- 50 basis points higher	(1,927)	(1)
	- 50 basis points lower	1,927	1
Term loans	- 50 basis points higher	(70,667)	(4,663)
	- 50 basis points lower	70,667	4,663

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(iii) Interest rate risk (cont'd)

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 2014									
Fixed rate									
Deposits with a licensed bank	13	2.45	317,930	0	0	0	0	0	317,930
Floating rates									
Bankers' acceptances	17	4.62	(29,666,506)	0	0	0	0	0	(29,666,506)
Revolving credit	17	2.00	(1,223,250)	0	0	0	0	0	(1,223,250)
Onshore foreign currency loan	17	1.53	(4,400,302)	0	0	0	0	0	(4,400,302)
Bank overdrafts	16	8.02	(513,907)	0	0	0	0	0	(513,907)
Term loans	18	5.81	(4,157,022)	(3,750,000)	(3,750,000)	(3,750,000)	(3,437,500)	0	(18,844,522)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(iii) Interest rate risk (cont'd)

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: (cont'd)

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	17	3.72	(38,562,757)	0	0	0	0	0	(38,562,757)
Onshore foreign currency financing	17	1.84	(3,951,128)	0	0	0	0	0	(3,951,128)
Secured foreign currency trust receipts	17	2.05	(635,880)	0	0	0	0	0	(635,880)
Onshore foreign currency loan	17	1.65	(6,868,636)	0	0	0	0	0	(6,868,636)
Revolving credit	17	2.00	(1,148,525)	0	0	0	0	0	(1,148,525)
Bank overdrafts	16	8.10	(2,151)	0	0	0	0	0	(2,151)
Term loans	18	5.50	(4,169,359)	(3,750,000)	(3,750,000)	(3,750,000)	(3,750,000)	(3,437,500)	(22,606,859)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(iv) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument would 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 and EURO exchange rate against the respective functional currency of the Group entities, with all other variables held constant.

		Group Profit net of tax	
		2014	**2013**
		RM	**RM**
USD/RM	- Strengthened 3%	(48,059)	(600,833)
	- Weakened 3%	48,059	600,833
SGD/RM	- Strengthened 3%	729	1,067
	- Weakened 3%	(729)	(1,067)
EURO/RM	- Strengthened 3%	(46,442)	(192,208)
	- Weakened 3%	46,442	192,208

35. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 11 September 2014, the Company and its 86.1% owned-subsidiary TS Solartech entered into a Memorandum Of Understanding ("MOU") with Solartech Energy Corporation ("SEC") for the purpose of a strategic alliance between the parties whereby SEC is proposing to invest in TS Solartech.

On 13 November 2014, the Company, TS Solartech and SEC entered into a subscription agreement, for SEC to subscribe for 3,174,603 shares in TS Solartech, representing 20.92% equity interest in TS Solartech for a total cash consideration of RM13,174,602. Pursuant to the issuance, TSHB's equity interests in TS Solartech was reduced from 86.1% to 68.09%. The issuance was completed on 1 December 2014.

(b) On 30 October 2014, the Company proposed to undertake the following:

(i) Proposed Bonus issue of 120,000,000 free Warrants on the basis of one (1) free Warrant for every two (2) existing shares held;

(ii) Proposed increase in the authorised share capital of the Company from RM100,000,000 comprising 400,000,000 shares to RM500,000,000 comprising 2,000,000,000 shares; and

(iii) Proposed amendments to the memorandum and articles of association of the Company.

Bursa Malaysia Securities Berhad ("Bursa Securities") had, vide its letter dated 4 December 2014 resolved to approve the following:

(i) Admission to the Official List and the listing and quotation of 120,000,000 Warrants to be issued pursuant to the Proposed Bonus Issue of Warrants; and

(ii) Listing and quotation of up to 120,000,000 new shares to be issued pursuant to the exercise of the Warrants.

The Bonus Issue of Warrants was completed on 10 February 2015 with the listing of 120,000,000 Warrants on the Main Market of Bursa Securities.

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	
	2014 RM	2013 RM	2014 RM	2013 RM
Total retained earnings of the Company and its subsidiaries:				
- Realised	234,304,218	141,489,868	88,305,606	53,383,425
- Unrealised	(2,636,298)	(490,231)	0	0
Total retained earnings	231,667,920	140,999,637	88,305,606	53,383,425
Less: Consolidation adjustments	(168,558,756)	(77,209,428)	0	0
Total retained earnings	63,109,164	63,790,209	88,305,606	53,383,425

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-14
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	13 years old/ Leasehold 60 years expiring on 11 Mar 2061	Land = RM2,713,803 Building = RM10,143,515
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	12 years old/ Leasehold 60 years expiring on 25 Aug 2063	Land = RM1,863,440 Building = RM9,499,693
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	9 year old/ Leasehold 60 years expiring on 25 Aug 2063	Land = RM1,740,844 Building = RM7,966,311
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	19 years old/ Freehold	Land = RM258,352 Building = RM119,582
5.	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	17 years old/ Freehold	Building = RM178,944
6.	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	4 years old/ Leasehold 60 years	Land = RM6,229,350 Building = RM33,879,772

STATISTICS ON SHAREHOLDINGS
AS AT 15 APRIL 2015

Authorised Share Capital	: RM500,000,000
Issued Capital	: 240,618,450 Units
Paid-Up Capital	: RM60,154,612.50
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
122	less than 100 shares	5,568	#
180	100 to 1,000 shares	93,460	0.04
1,612	1,001 to 10,000 shares	9,191,077	3.82
795	10,001 to 100,000 shares	26,292,478	10.93
84	100,001 to less than 5% of issued shares	54,674,467	22.72
3	5% and above of issued shares	150,361,400	62.49
2,796		240,618,450	100.00

Negligible

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS AS AT 15 APRIL 2015
(without aggregating the securities from different securities accounts belonging to the same Depositor)

	Name	No. of Shares	% of Total Issued Capital
1	LOH KOK CHENG	73,857,030	30.69
2	LOH KOK BENG	63,679,630	26.46
3	SOON SEOK CHOO	12,824,740	5.33
4	CHANG, JUNG-CHEN	7,464,741	3.10
5	TEOH THEAN HAI	7,160,325	2.98
6	HSU CHOU, YU-LING	6,542,566	2.72
7	KUMPULAN WANG SIMPANAN GURU-GURU	5,000,000	2.08
8	KUMPULAN WANG SIMPANAN GURU-GURU	2,000,000	0.83
9	ADDEEN HOLDINGS SDN BHD	1,789,800	0.74
10	LOH LOO NGOH	1,292,500	0.54
11	LOH JOO ENG	1,250,000	0.52
12	LOH LOO GUAT	1,250,000	0.52
13	HO POAY CHIEW	1,250,000	0.52
14	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHIA HONG@ GAN CHIA HONG(E-TMR)	1,200,000	0.50
15	WARISAN HARTA SABAH SDN. BHD.	957,000	0.40
16	WARISAN HARTA SABAH SDN. BHD.	953,000	0.40
17	TAN POW CHOO @ WONG SENG ENG	823,800	0.34
18	MAYBANK NOMINEES (TEMPATAN) SDN BHD MOHD TAUFIK BIN ABD MALIK	700,000	0.29
19	LAI CHIE KING	600,000	0.25
20	CHOONG NGOK MAM	565,000	0.23
21	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ONG CHOO HOON (MG0000126)	509,500	0.21

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS AS AT 15 APRIL 2015
(without aggregating the securities from different securities accounts belonging to the same Depositor) (cont'd)

	Name	No. of Shares	% of Total Issued Capital
22	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BONG KHIONG SIN	504,800	0.21
23	GOO MAA HOK	472,300	0.20
24	RUKIYAH BINTI OTHMAN	460,000	0.19
25	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD CHONG VUN FUI (T-471190)	446,000	0.19
26	HLIB NOMINEES (TEMPATAN) SDN BHD HONG LEONG BANK BHD FOR OOI YONG PING	435,000	0.18
27	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN BENG SAN	426,000	0.18
28	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (PHEIM)	416,960	0.17
29	HSBC NOMINEES (ASING) SDN BHD MORGAN STANLEY & CO. INTERNATIONAL PLC (FIRM A/C)	408,000	0.17
30	NG SEH HAN @ NG TEK LAI	400,000	0.17
	TOTAL	**195,638,692**	**81.31**

SUBSTANTIAL SHAREHOLDINGS

Substantial Shareholders	No. of ordinary shares of RM0.25 each held Direct Interest	%	Deemed Interest	%
Loh Kok Beng	63,679,630	26.46	-	-
Loh Kok Cheng	73,857,030	30.69	-	-
Soon Seok Choo	12,824,740	5.33	-	-

DIRECTORS' SHAREHOLDINGS

Name of Directors	No. of ordinary shares of RM0.25 each held Direct Interest	%	Deemed Interest		%
Loh Kok Beng	63,679,630	26.46	-		-
Loh Kok Cheng	73,857,030	30.69	-		-
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	-	-	-		-
Loh Eng Chun	-	-	-		-

Note:

(N1) Deemed interested by virtue of Section 134(12)(c) of the Companies Act 1965 held through spouse, son and daughter.

Negligible

STATISTICS ON WARRANTHOLDINGS
AS AT 15 APRIL 2015

Number of outstanding warrants	: 118,377,250 Units
Exercise period	: The exercise period is any time within a period of 5 years from the date of issue up to the expiry date of 09 February 2020
Exercise price	: RM0.25 each
Warrant Entitlement	: Each warrant entitles the registered holder during the Exercise period to subscribe for one new ordinary share of RM0.25 each
Number of warrant holders as at 15 April 2015	: 2,891

DISTRIBUTION OF WARRANT HOLDERS

No. of Holders	Size of Holdings	Total Holdings	% of Total Warrantholdings
202	less than 100 warrants	7,848	#
394	100 to 1,000 warrants	269,183	0.23
1,231	1,001 to 10,000 warrants	5,970,962	5.05
879	10,001 to 100,000 warrants	32,708,849	27.63
184	100,001 to less than 5% of issued warrants	72,933,708	61.61
1	5% and above of issued warrants	6,486,700	5.48
2,891		118,377,250	100.00

Negligible

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS AS AT 15 APRIL 2015
(without aggregating the securities from different securities accounts belonging to the same Depositor)

	Name	No. of Warrants	% of Total Warrantholdings
1	LOH KOK CHENG	6,486,700	5.48
2	CITIGROUP NOMINEES (ASING) SDN BHD CILTD FOR PHEIM SICAV-SIF	3,592,525	3.03
3	TEOH THEAN HAI	3,580,177	3.02
4	KUMPULAN WANG SIMPANAN GURU-GURU	2,500,000	2.11
5	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAY CHWEE KOK	2,377,000	2.01
6	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HO PHEA KEAT (007)	1,700,000	1.44
7	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR TAY HOCK SOON (MY1055)	1,464,200	1.24
8	TAN POW CHOO @ WONG SENG ENG	1,400,000	1.18
9	KHAW CHIN HONG	1,300,000	1.10
10	CHANG, JUNG-CHEN	1,232,300	1.04
11	CHONG KAH AN	1,100,000	0.93
12	KUMPULAN WANG SIMPANAN GURU-GURU	1,000,000	0.84
13	SEIK THYE KONG	1,000,000	0.84
14	DAN YOKE PYNG	910,000	0.77
15	NG YU HENG	900,000	0.76
16	ADDEEN HOLDINGS SDN BHD	894,900	0.76
17	KRISTIN CHOO MEI LEE	865,000	0.73
18	CHEW SIEW LIAN	800,000	0.68
19	QHB PROPERTIES SDN. BHD.	800,000	0.68
20	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KEK LIAN KIAT	800,000	0.68

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS AS AT 15 APRIL 2015
(without aggregating the securities from different securities accounts belonging to the same Depositor) (cont'd)

	Name	No. of Shares	% of Total Issued Capital
21	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR GOH SIEW LEAM	727,000	0.61
22	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIN SHIH SHYONG (REM 157-MARGIN)	700,000	0.59
23	FRANCIS CHAI KIM LUNG	687,200	0.58
24	MAYBANK NOMINEES (TEMPATAN) SDN BHD PHEIM ASSET MANAGEMENT SDN BHD FOR CB INDUSTRIAL PRODUCT HOLDING BHD (A/C 229) (211669)	674,425	0.57
25	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR CHAN YIN PENG	673,000	0.57
26	LEE YEAN FAT @ LI FAT	669,200	0.57
27	KHAW KEAN TECK	650,000	0.55
28	LOH JOO ENG	625,000	0.53
29	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOH YEAT CHUNG (PENANG-CL)	620,000	0.52
30	KHAW YEE KUAN	600,000	0.51
	TOTAL	**41,328,627**	**34.92**

DIRECTORS' WARRANTHOLDINGS

Name of Directors	No. of warrant held Direct Interest	%	Deemed Interest		%
Loh Kok Beng	-	-	-		-
Loh Kok Cheng	6,486,700	5.48	-		-
Loh Joo Eng	625,000	0.53	55,287	N1	0.05
Dr. Kamarudin Bin Ngah	2,187	#	-		-
Mohamed Haniffah Bin S.M. Mydin	20,000	0.02	-		-
Yeoh Aik Chuan	-	-	-		-
Loh Eng Chun	-	-	-		-

Note:

(N1) Deemed interested by virtue of Section 134(12)(c) of the Companies Act 1965 held through spouse, son and daughter.

\# Negligible

ADDITIONAL COMPLIANCE INFORMATION

Non-Audit Fees

During the financial year ended 31 December 2014, the non-audit fees amounting to RM33,000 were paid by the Company and its subsidiaries to the Company's External Auditors and its affiliates as professional fees.

Utilisation of Proceeds

For the financial year ended 31 December 2014, there were no proceeds raised by the Company from any corporate proposal.

Share Buy-backs

The Company does not have a share buy-backs 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 2014.

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 2014.

Depository Receipt Programme

The Company does not have any depository receipt programme during the financial year ended 31 December 2014.

Options or Convertible Securities

There were no options or convertible securities issued by the Company during the financial year ended 31 December 2014.

Recurrent Related Party Transactions

During the financial year ended 31 December 2014, there were no recurrent related party transactions of a revenue or trading nature conducted pursuant to a shareholders' mandate.

Material Contracts

Save as disclosed below, there are no other material contracts (not being contracts entered into in the ordinary course of business) entered into by the Group within two (2) years immediately preceding the 31 December 2014:

i) Memorandum of Understanding ("MOU") dated 11 September 2014 entered between TS Solartech Sdn Bhd ("TS Solartech") and Solartech Energy Corp. ("SEC") and announced to Bursa Securities on 11 September 2014 for the purpose of a strategic alliance between the parties whereby SEC is proposing to invest in TS Solartech. The MOU shall lapse if the parties are unable to finalise the terms of the proposed investment; and

ii) Subscription Agreement dated 13 November 2014 made between the Company, TS Solartech and SEC in respect of the proposed issuance of 3,174,603 ordinary shares of RM1.00 each in TS Solartech to SEC for a total cash consideration of RM13,174,602 ("Issuance"). The Issuance was completed on 1 December 2014.

iii) Shareholders Agreement dated 02 December 2014 entered between the Company, TS Solartech and SEC for the purpose of regulating of their relationships inter se as shareholders of TS Solartech.

NOTICE OF THIRTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 13th Annual General Meeting ("AGM") of Tek Seng Holdings Berhad ("TSHB" or "the Company") will be held at Laurel II Ballroom, Level 1, Evergreen Laurel Hotel of 53, Persiaran Gurney, 10250 Penang on Friday, 05 June 2015 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 2014 together with the Reports of Directors and Auditors thereon. **Please refer to Note 6**
2. To re-elect the following Directors who retire by rotation in accordance with Article 86 of the Company's Articles of Association and who, being eligible, offer themselves for re-election:

   i) Madam Loh Joo Eng **Resolution 1**
   ii) Dr. Kamarudin Bin Ngah **Resolution 2**
3. To re-elect Mr. Loh Eng Chun, the Director who retires in accordance with Article 93 of the Company's Articles of Association and who, being eligible, offers himself for re-election. **Resolution 3**
4. To approve the payment of a Single Tier First and Final Dividend of 1 sen per ordinary share of RM0.25 each for the financial year ended 31 December 2014. **Resolution 4**
5. To approve the payment of Directors' Fees for the financial year ended 31 December 2014. **Resolution 5**
6. To re-appoint Messrs. BDO as auditors of the Company to hold office until the next AGM of the Company and to authorise the Directors to fix their remuneration. **Resolution 6**

As Special Business:

To consider and if thought fit, to pass with or without modifications, the following resolutions as Ordinary Resolutions:

7. **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." **Resolution 7**
8. **AUTHORITY UNDER SECTION 132D OF THE COMPANIES ACT, 1965 FOR THE DIRECTORS TO ISSUE SHARES**

   "That, subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant government regulatory authorities, the Directors be and are hereby authorised, pursuant to Section 132D of the Companies Act, 1965, to allot and issue shares in the Company at any time until the conclusion of the next AGM 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 Securities for the listing and quotation for the additional shares to be issued." **Resolution 8**
9. To transact any other business of which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend the 13th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a General Meeting Record of Depositors as at 01 June 2015. Only a depositor whose name appears on the Record of Depositors as at 01 June 2015 shall be entitled to attend the AGM or appoint proxies to attend and/or vote on his/her behalf.

By Order of the Board,

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

Penang
Date: 14 May 2015

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, 51-21-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang 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 specifies 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 Resolution 7, 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 15.02 of the Main Market Listing Requirements of Bursa Securities 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 the Company's 2014 Annual Report.*

8. *The Resolution 8, 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 a general meeting will expire at the conclusion of the next AGM.*

   As at the date of notice of 13th AGM, no shares has been issued pursuant to the general mandate granted at the last AGM of the Company and of which, it will lapse at the conclusion of the 13th AGM of the Company to be held on 05 June 2015.

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

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN that a Single Tier First and Final Dividend of 1 sen per ordinary share for the financial year ended 31 December 2014, if approved, will be paid on 28 July 2015 to shareholders registered in the Record of Depositors of the Company on 30 June 2015.

A depositor shall qualify for entitlement only in respect of:

a. Shares transferred into the depositor's securities account before 4.00 p.m. on 30 June 2015 in respect of ordinary transfers; and

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

By Order of the Board,

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

Penang
Date: 14 May 2015

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 13th Annual General Meeting of the Company, to be held at Laurel II Ballroom, Level 1, Evergreen Laurel Hotel of 53, Persiaran Gurney, 10250 Penang on Friday, 05 June 2015 at 9.30 a.m. and at any adjournment thereof.

NO.	ORDINARY RESOLUTIONS	FOR	AGAINST
1	To re-elect Madam Loh Joo Eng as a director.		
2	To re-elect Dr. Kamarudin Bin Ngah as a director.		
3	To re-elect Mr. Loh Eng Chun as a director.		
4	To approve the payment of a single tier first and final dividend.		
5	To approve the payment of directors' fees.		
6	To re-appoint Messrs. BDO as auditors of the Company.		
7	To re-appoint Dr. Kamarudin Bin Ngah as Independent Director.		
8	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 ...., 2015.

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, 51-21-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang 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 specifies 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.*
6. *In respect of deposited securities, only a depositor whose name appear on the Record of Depositors on 01 June 2015 shall be eligible to attend the meeting or appoint proxies to attend and/or vote on his/her behalf.*

* *Strike out whichever is not desired.*

Please fold here

Affix
Stamp
Here

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

Please fold here

www.tekseng.com.my

TEK SENG HOLDINGS BERHAD (579572-M)
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14000 Bukit Mertajam, S.P.T.,
Pulau Pinang, Malaysia.
T 604-507 5808 (Hunting Lines)