

INDUSTRONICS BERHAD
(Company No.: 23699-x)
(Incorporated in Malaysia)

REPORT AND FINANCIAL STATEMENTS

31 December 2014

Registered office:

Suite 18.06, 18th Floor,
Wisma Zelan, No. 1,
Jalan Tasik Permaisuri 2,
Bandar Tun Razak,
56000 Kuala Lumpur.

Principal place of business

9, Jalan Taming 3,
Taman Tanming Jaya,
43300 Seri Kembangan,
Selangor Darul Ehsan.

**Industronics Berhad
(Incorporated in Malaysia)**

| Contents | Page |
|--|-------------|
| Directors' Report | 1 - 6 |
| Statement By Directors | 7 |
| Statutory Declaration | 8 |
| Independent Auditors' Report | 9 - 11 |
| Statements of Profit or Loss and Other Comprehensive Income | 12 - 13 |
| Statements of Financial Position | 14 - 15 |
| Statements of Changes In Equity | 16 - 19 |
| Statements of Cash Flows | 20 - 22 |
| Notes to The Financial Statements | 23 - 103 |
| Supplementary Information On The Disclosure of Realised And Unrealised Profits or Losses | 104 |

Industronics Berhad
(Incorporated in Malaysia)

Directors' report

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2014.

Principal activities

The principal activities of the Company include the design, manufacturing and installation of electronics and microprocessor controlled products, telecommunication system, audio video multimedia systems, intelligent transportation systems and information communication technology related system.

The principal activities of the subsidiaries are described in Note 36 to the financial statements. There have been no significant changes in the nature of the principal activities during the financial year.

Results

| | Group RM | Company RM |
|---------------------------|---------------------|-----------------------|
| Loss for the year | <u>(19,375,853)</u> | <u>(27,016,781)</u> |
| Attributable to: | | |
| Owners of the parent | (17,729,096) | (27,016,781) |
| Non-controlling interests | <u>(1,646,757)</u> | <u>-</u> |
| | <u>(19,375,853)</u> | <u>(27,016,781)</u> |

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

Dividend

No dividend has been recommended, declared or paid by the Company since the end of the previous financial year.

The directors do not recommend any dividend in respect of the financial year ended 31 December 2014.

Industronics Berhad
(Incorporated in Malaysia)

Directors

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

| | |
|-----------------------|---------------------------------|
| Liu Wing Yee Amy | |
| Tsui Kwok Ho | |
| Leung Kwok Kuen Jacob | |
| Lu Zhi Qin | (Appointed on 16 June 2014) |
| Fung Ling Yip | (Appointed on 10 December 2014) |
| Wong Yuk Ching Anna | (Resigned on 8 July 2014) |
| Tang Wai Man Raymond | (Resigned on 9 July 2014) |
| Liau Lian Fatt | (Resigned on 9 October 2014) |

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 10 of the financial statements) by reason of a contract made by the Company or a related corporation with any 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, except as disclosed in Note 32(c) to the financial statements.

Directors' interests

According to the register of directors' shareholdings, none of the directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

Industronics Berhad
(Incorporated in Malaysia)

Treasury shares

There was no share repurchased or disposed off during the financial year.

Industronics Berhad Share Issuance Scheme

The Company Share Issuance Scheme (SIS) was approved by the shareholders at the Extraordinary General Meeting held on 26 June 2013 and become effective on 12 November 2013. The scheme shall be in force for a period of three years from 12 November 2013.

The salient features and other terms of the SIS, details of share options exercised during the financial year, and outstanding at the end of the financial year are disclosed in Note 25 to the financial statements.

The list of names of employees accepting the offer under the SIS are as follows:

| Name | Grant date | Exercise price RM / share | <----- Number of share options -----> | | |
|---|------------|------------------------------|---------------------------------------|-----------|-----------|
| | | | Granted | Exercised | 31.12.14 |
| Champley Reill Edward | 12.11.2013 | 0.565 | 1,100,000 | 1,100,000 | - |
| Fung Chan Man Alex | 12.11.2013 | 0.565 | 418,000 | 418,000 | - |
| Gabriel Dominic Nathan Heilesen Henrick | 12.11.2013 | 0.565 | 1,100,000 | 1,100,000 | - |
| Kowk Hang Yau | 12.11.2013 | 0.565 | 2,000,000 | 2,000,000 | - |
| Hung Ka Chun | 12.11.2013 | 0.565 | 941,000 | - | 941,000 |
| Siu Hiu Ki | 12.11.2013 | 0.565 | 2,000,000 | 1,040,600 | 959,400 |
| Yau Chi Shing | 12.11.2013 | 0.565 | 1,500,000 | 1,186,900 | 313,100 |
| Yip Wai Man Raymond | 12.11.2013 | 0.565 | 941,000 | 654,300 | 286,700 |
| Christian Kwok-Leun Yau Heilesen | 30.12.2013 | 0.572 | 4,119,800 | - | 4,119,800 |

On 17 March 2015, the Company SIS committee has cancelled the unexercised SIS share options as at that date, number of unexercised share options were same as those unexercised as at 31 December 2014.

After the cancellation, the Company SIS committee has granted the share options to the following eligible employees:

| Name | Grant date | Exercise price RM / share | <----- Number of share options -----> | | |
|----------------------------------|------------|------------------------------|---------------------------------------|-----------|-----------------------|
| | | | Granted at 17.3.15 | Exercised | Balance at 28.4.15 |
| Siu Hiu Ki | 17.3.2015 | 0.500 | 2,187,100 | - | 2,187,100 |
| Yau Chi Shing | 17.3.2015 | 0.500 | 313,100 | - | 313,100 |
| Christian Kwok-Leun Yau Heilesen | 17.3.2015 | 0.500 | 4,119,800 | - | 4,119,800 |

Industronics Berhad
(Incorporated in Malaysia)

Issue of shares and debentures

The Company increased its paid up capital from RM 50,336,450 to RM 51,381,400 by allotments of 2,089,900 ordinary shares of RM 0.50 each at par for cash via an exercise of share issuance scheme and for the purpose of increasing the working capital. The details of exercise of share issuance scheme are disclosed in Note 37(a).

These new shares rank pari passu with the existing shares of the Company.

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

Other statutory information

- (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 allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances:
 - (i) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
 - (ii) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or
 - (iii) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

Industronics Berhad
(Incorporated in Malaysia)

Other statutory information (continued)

- (b) At the date of this report, the directors are not aware of any circumstances: (continued)
 - (iv) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (c) At the date of this report, there does not exist:
 - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (d) In the opinion of the directors:
 - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

Significant events

Details of significant events are disclosed in Note 37 to the financial statements.

Subsequent events

Details of subsequent events are disclosed in Note 38 to the financial statements.

23699-X

Industronics Berhad
(Incorporated in Malaysia)

Auditors

The auditors, Messrs. CHI-LLTC have indicated their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors,

Liu Wing Yee Amy

Leung Kwok Kuen Jacob

Seri Kembangan, Selangor Darul Ehsan

Date: 28 April 2015

Industronics Berhad
(Incorporated in Malaysia)

Statement by directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, the undersigned, being two of the directors of Industronics Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 12 to 103 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2014 and of their financial performance and cash flows for the year then ended.

The supplementary information set out on page 104 have 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, and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance with a resolution of the directors,

Liu Wing Yee Amy

Leung Kwok Kuen Jacob

Seri Kembangan, Selangor Darul Ehsan

Dated: 28 April 2015

23699-X

Industronics Berhad
(Incorporated in Malaysia)

Statutory declaration

Pursuant to Section 169(16) of the Companies Act, 1965

I, Lee Kim Vun, being the officer primarily responsible for the financial management of Industronics Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 12 to 104 are in my opinion 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 Lee Kim Vun
at Kuala Lumpur in the Federal
Territory on 28 April 2015

Lee Kim Vun

Before me,

No. W272

Commissioner for Oaths

Ho Fook Keong



**Independent auditors' report to the members of
Industronics Berhad
(Company No.: 23699-X)
(Incorporated in Malaysia)**

Report on the financial statements

We have audited the financial statements of Industronics Berhad, which comprise 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 year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages **12 to 103**.

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.



**Independent auditors' report to the members of
Industronics Berhad (continued)
(Company No.: 23699-X)
(Incorporated in Malaysia)**

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at **31 December 2014** and of their financial performance and cash flows for the 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 of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in **Note 36** to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the accounts of the subsidiary companies 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 on **page 104** 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.



CHI-LLTC (AF: 1114)
Chartered Accountants

Suite 18.07, 18th Floor, Wisma Zelan,
No. 1, Jalan Tasik Permaisuri 2,
Bandar Tun Razak, 56000 Kuala Lumpur.
Tel: 03-9173 8180/0181 Fax: 03-9173 1989
(With offices in Bukit Mertajam, Ipoh, Penang,
Petaling Jaya, Subang Jaya & Taiping)

**Independent auditors' report to the members of
Industronics Berhad (continued)
(Company No.: 23699-X)
(Incorporated in Malaysia)**

Other matters

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

The financial statements of the Group and of the Company for the financial year ended 31 December 2013 were audited by another auditor who expressed an unqualified opinion on those statements on 28 April 2014.

CHI-LLTC
AF: 1114
Chartered Accountants

Kuala Lumpur

Dated: 28 April 2015

Chong Sai Sin
Partner - 2398/06/15(J)
Chartered Accountant

Industronics Berhad
(Incorporated in Malaysia)

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 | 4 | 16,270,764 | 42,801,145 | 14,429,744 | 27,357,702 |
| Cost of sales | 5 | (12,792,185) | (35,004,646) | (9,430,356) | (22,078,390) |
| Gross profit | | 3,478,579 | 7,796,499 | 4,999,388 | 5,279,312 |
| Other income | 6 | 1,627,649 | 10,468,598 | 295,646 | 7,621,620 |
| Administrative expenses | | (15,420,177) | (17,220,720) | (7,077,059) | (7,045,119) |
| Selling and marketing expenses | | (2,051,107) | (3,803,349) | (1,987,118) | (2,861,156) |
| Other expenses | | (5,948,776) | (3,436,201) | (23,198,550) | (1,758,543) |
| Operating (loss)/profit | | (18,313,832) | (6,195,173) | (26,967,693) | 1,236,114 |
| Finance costs | 7 | (186,448) | (212,507) | (49,088) | (110,452) |
| (Loss)/profit before tax | 8 | (18,500,280) | (6,407,680) | (27,016,781) | 1,125,662 |
| Income tax (expense)/credit | 11 | (875,573) | 944,035 | - | 14,263 |
| (Loss)/profit net of tax | | (19,375,853) | (5,463,645) | (27,016,781) | 1,139,925 |
| Other comprehensive income | | | | | |
| (Reversal of revaluation)/revaluation of land and buildings | | (700,000) | 11,919,576 | (700,000) | 7,095,950 |
| Foreign currency translation | | 1,275,017 | (54,567) | - | - |
| Fair value (loss)/gain on financial assets | | (585,143) | 2,938,533 | (585,143) | 2,938,533 |
| Available-for-sale financial assets reclassification of fair value adjustment to profit or loss upon disposal | | (2,278,584) | - | (2,278,584) | - |
| Income tax relating to components comprehensive income/(loss) | | 761,306 | (1,069,895) | 604,588 | (671,988) |
| | | (1,527,404) | 13,733,647 | (2,959,139) | 9,362,495 |
| Total comprehensive (loss)/income for the year | | (20,903,257) | 8,270,002 | (29,975,920) | 10,502,420 |
| Loss attributable to: | | | | | |
| Owners of the parent | | (17,729,096) | (4,343,609) | | |
| Non-controlling interests | | (1,646,757) | (1,120,036) | | |
| | | (19,375,853) | (5,463,645) | | |
| Total comprehensive (loss)/income attributable to: | | | | | |
| Owners of the parent | | (19,514,924) | 7,535,193 | | |
| Non-controlling interests | | (1,388,333) | 734,809 | | |
| | | (20,903,257) | 8,270,002 | | |

Industronics Berhad
(Incorporated in Malaysia)

Statements of profit or loss and other comprehensive income
For the financial year ended 31 December 2014 (continued)

| | | Group | |
|---|-------------|----------------|---------------|
| | Note | 2014 | 2013 |
| | | RM | RM |
| Loss per share attributable to owners of the parent (sen per share): | | | |
| Basic | 12(a) | <u>(17.29)</u> | <u>(4.56)</u> |
| Diluted | 12(b) | <u>(16.24)</u> | <u>(4.60)</u> |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Industronics Berhad
(Incorporated in Malaysia)

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 | 13 | 13,168,113 | 25,352,792 | 4,694,670 | 15,114,534 |
| Investments in subsidiaries | 14 | - | - | 4,358,065 | 3,922,115 |
| Investment properties | 15 | 461,727 | 501,490 | 196,794 | 201,489 |
| Intangible assets | 16 | - | 1,495,307 | - | - |
| Other investments | 17 | 1,034,231 | 6,931,246 | 1,034,231 | 6,931,246 |
| Deferred tax assets | 18 | - | 848,117 | - | - |
| | | <u>14,664,071</u> | <u>35,128,952</u> | <u>10,283,760</u> | <u>26,169,384</u> |
| Current assets | | | | | |
| Inventories | 19 | 6,271,323 | 3,403,237 | 1,180,185 | 2,269,540 |
| Trade and other receivables | 20 | 29,332,067 | 11,200,680 | 18,252,209 | 6,777,956 |
| Amount due from customers on contract | 21 | 1,541,064 | 8,230,053 | 1,541,064 | 4,154,052 |
| Amount due from subsidiaries | 22 | - | - | 5,023,049 | 6,737,793 |
| Tax recoverable | | 319,078 | 332,419 | 152,546 | 145,878 |
| Cash and bank balances | 23 | 6,443,800 | 27,544,478 | 3,811,643 | 22,698,970 |
| | | <u>43,907,332</u> | <u>50,710,867</u> | <u>29,960,696</u> | <u>42,784,189</u> |
| Total assets | | <u>58,571,403</u> | <u>85,839,819</u> | <u>40,244,456</u> | <u>68,953,573</u> |

Industronics Berhad
(Incorporated in Malaysia)

Statements of financial position
As at 31 December 2014 (continued)

| | | Group | | Company | |
|--|-------------|-------------------|-------------------|-------------------|-------------------|
| | Note | 2014 | 2013 | 2014 | 2013 |
| | | RM | RM | RM | RM |
| Equity and liabilities | | | | | |
| Equity attributable to owners of the parent | | | | | |
| Share capital | 24 | 51,381,400 | 50,336,450 | 51,381,400 | 50,336,450 |
| Treasury shares | 24 | - | - | - | - |
| Reserves | 26 | (7,760,408) | 11,618,672 | (22,802,785) | 7,037,291 |
| | | <u>43,620,992</u> | <u>61,955,122</u> | <u>28,578,615</u> | <u>57,373,741</u> |
| Non-controlling interests | | <u>4,111,650</u> | <u>5,499,983</u> | <u>-</u> | <u>-</u> |
| Total equity | | <u>47,732,642</u> | <u>67,455,105</u> | <u>28,578,615</u> | <u>57,373,741</u> |
| Non-current liabilities | | | | | |
| Borrowings | 27 | 300,728 | 303,726 | 27,589 | 34,964 |
| Deferred tax liabilities | 18 | 1,152,984 | 1,914,289 | 459,900 | 1,064,488 |
| | | <u>1,453,712</u> | <u>2,218,015</u> | <u>487,489</u> | <u>1,099,452</u> |
| Current liabilities | | | | | |
| Trade and other payables | 29 | 6,979,226 | 12,809,487 | 4,440,922 | 7,495,185 |
| Amount due to customers on contract | 21 | 932,585 | 895,831 | 545,151 | 895,626 |
| Provisions for maintenance warranties | | 130,211 | 114,175 | 94,123 | 78,087 |
| Borrowings | 27 | 1,335,774 | 2,313,046 | 42,266 | 185,961 |
| Amount due to subsidiaries | 22 | - | - | 6,055,890 | 1,825,521 |
| Tax payable | | 7,253 | 34,160 | - | - |
| | | <u>9,385,049</u> | <u>16,166,699</u> | <u>11,178,352</u> | <u>10,480,380</u> |
| Total liabilities | | <u>10,838,761</u> | <u>18,384,714</u> | <u>11,665,841</u> | <u>11,579,832</u> |
| Total equity and liabilities | | <u>58,571,403</u> | <u>85,839,819</u> | <u>40,244,456</u> | <u>68,953,573</u> |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Industronics Berhad
(Incorporated in Malaysia)

Statement of changes in equity
For the year ended 31 December 2014

| Group | Attributable to owners of the parent | | | | | | | | | | Total equity RM |
|--|--------------------------------------|------------------------------|----------------------------|--|-----------------------------------|---|--|--------------|------------------------------|---------------------------------|-----------------|
| | Non-distributable | | | | | | | Total RM | Non-controlling interests RM | | |
| | Share capital RM (Note 24) | Treasury shares RM (Note 24) | Share premium RM (Note 26) | Share issuance scheme (SIS) reserve RM (Note 26) | Revaluation reserves RM (Note 26) | Foreign currency translation reserve RM (Note 26) | Fair value adjustment reserve RM (Note 26) | | | Accumulated losses RM (Note 26) | |
| At 1 January 2014 | 50,336,450 | - | 946,674 | 629,156 | 11,220,043 | (64,312) | 2,938,533 | (4,051,422) | 61,955,122 | 5,499,983 | 67,455,105 |
| Loss for the financial year | - | - | - | - | - | - | - | (17,729,096) | (17,729,096) | (1,646,757) | (19,375,853) |
| Other comprehensive income: | | | | | | | | | | | |
| - Reversal of revaluation of land and | - | - | - | - | (700,000) | - | - | - | (700,000) | - | (700,000) |
| - Available-for-sales financial assets | | | | | | | | | | | |
| - Current year gain | - | - | - | - | - | - | (585,143) | - | (585,143) | - | (585,143) |
| - Available-for-sale financial assets | | | | | | | | | | | |
| reclassification of fair value | | | | | | | | | | | |
| adjustment to profit or loss | | | | | | | | | | | |
| upon disposal | - | - | - | - | - | - | (2,278,584) | - | (2,278,584) | - | (2,278,584) |
| - Crystallisation of deferred tax upon | | | | | | | | | | | |
| disposal of properties | - | - | - | - | - | - | - | 761,306 | 761,306 | - | 761,306 |
| - Foreign exchange translation | - | - | - | - | - | 1,016,593 | - | - | 1,016,593 | 258,424 | 1,275,017 |
| Total comprehensive income financial year | - | - | - | - | (700,000) | 1,016,593 | (2,863,727) | (16,967,790) | (19,514,924) | (1,388,333) | (20,903,257) |
| Transactions with owners | | | | | | | | | | | |
| Share based payments under SIS | - | - | - | - | - | - | - | - | - | - | - |
| Exercise of SIS options | 1,044,950 | - | 306,380 | (170,536) | - | - | - | - | 1,180,794 | - | 1,180,794 |
| Total transactions with owners | 1,044,950 | - | 306,380 | (170,536) | - | - | - | - | 1,180,794 | - | 1,180,794 |
| Arising from disposal of properties | - | - | - | - | (6,121,767) | - | - | 6,121,767 | - | - | - |
| At 31 December 2014 | 51,381,400 | - | 1,253,054 | 458,620 | 4,398,276 | 952,281 | 74,806 | (14,897,445) | 43,620,992 | 4,111,650 | 47,732,642 |

Industronics Berhad
(Incorporated in Malaysia)

Statement of changes in equity
For the year ended 31 December 2014 (continued)

| Group | Attributable to owners of the parent | | | | | | | Total RM | Non-controlling interests RM | Total equity RM | |
|---|--------------------------------------|---------------------------------|-------------------------------|---|--------------------------------------|--|---|-------------|------------------------------|-----------------|------------------------------------|
| | Non-distributable | | | | | | | | | | |
| | Share capital RM (Note 24) | Treasury shares RM (Note 24) | Share premium RM (Note 26) | Share issuance scheme (SIS) reserve RM (Note 26) | Revaluation reserves RM (Note 26) | Foreign currency translation reserve RM (Note 26) | Fair value adjustment reserve RM (Note 26) | | | | Accumulated losses RM (Note 26) |
| At 1 January 2013 | 47,631,500 | (545,154) | 732 | - | 2,889,122 | 40,925 | - | (422,399) | 49,594,726 | 4,765,174 | 54,359,900 |
| Loss for the financial year | - | - | - | - | - | - | - | (4,343,609) | (4,343,609) | (1,120,036) | (5,463,645) |
| Other comprehensive income: | | | | | | | | | | | |
| - Revaluation of land and building | - | - | - | - | 9,045,507 | - | - | - | 9,045,507 | 1,804,175 | 10,849,682 |
| - Available-for-sales financial assets | | | | | | | | | | | |
| - Current year gain | - | - | - | - | - | - | 2,938,533 | - | 2,938,533 | - | 2,938,533 |
| - Foreign exchange translation | - | - | - | - | - | (105,237) | - | - | (105,237) | 50,670 | (54,567) |
| Total other comprehensive income for the financial year | - | - | - | - | 9,045,507 | (105,237) | 2,938,533 | (4,343,609) | 7,535,194 | 734,809 | 8,270,003 |
| Transactions with owners | | | | | | | | | | | |
| Share based payments under SIS | - | - | - | 1,070,604 | - | - | - | - | 1,070,604 | - | 1,070,604 |
| Exercise of SIS options | 2,704,950 | - | 793,091 | (441,448) | - | - | - | - | 3,056,593 | - | 3,056,593 |
| Total transactions with owners | 2,704,950 | - | 793,091 | 629,156 | - | - | - | - | 4,127,197 | - | 4,127,197 |
| Disposal of treasury shares | - | 545,154 | 152,851 | - | - | - | - | - | 698,005 | - | 698,005 |
| Arising from disposal of properties | - | - | - | - | (714,586) | - | - | 714,586 | - | - | - |
| At 31 December 2013 | 50,336,450 | - | 946,674 | 629,156 | 11,220,043 | (64,312) | 2,938,533 | (4,051,422) | 61,955,122 | 5,499,983 | 67,455,105 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Industronics Berhad
(Incorporated in Malaysia)

Statement of changes in equity
For the year ended 31 December 2014

| Company | Non-distributable | | | | | | Accumulated losses RM (Note 26) | Total equity RM |
|--|----------------------------------|------------------------------------|----------------------------------|--|---|--|---------------------------------------|--------------------|
| | Share capital RM (Note 24) | Treasury shares RM (Note 24) | Share premium RM (Note 26) | Share issuance scheme (SIS) reserve RM (Note 26) | Revaluation reserves RM (Note 26) | Fair value adjustment reserve RM (Note 26) | | |
| At 1 January 2014 | 50,336,450 | - | 946,674 | 629,156 | 8,540,690 | 2,938,533 | (6,017,762) | 57,373,741 |
| Loss for the financial year | - | - | - | - | - | - | (27,016,781) | (27,016,781) |
| Other comprehensive income: | | | | | | | | |
| Revaluation of land and building | - | - | - | - | (700,000) | - | - | (700,000) |
| Available-for-sales financial assets | | | | | | | | |
| - Current year loss | - | - | - | - | - | (585,143) | - | (585,143) |
| Available-for-sale financial assets | | | | | | | | |
| reclassification of fair value | | | | | | | | |
| adjustment to profit or loss | | | | | | | | |
| upon disposal | - | - | - | - | - | (2,278,584) | - | (2,278,584) |
| Crystallisation of deferred tax upon | | | | | | | | |
| disposal of properties | - | - | - | - | - | - | 604,588 | 604,588 |
| Total comprehensive income for the financial year | - | - | - | - | (700,000) | (2,863,727) | (26,412,193) | (29,975,920) |
| Transactions with owners | | | | | | | | |
| Exercise of SIS options | 1,044,950 | - | 306,380 | (170,536) | - | - | - | 1,180,794 |
| Arising from disposal of properties | - | - | - | - | (5,005,936) | - | 5,005,936 | - |
| At 31 December 2014 | 51,381,400 | - | 1,253,054 | 458,620 | 2,834,754 | 74,806 | (27,424,019) | 28,578,615 |

Industronics Berhad
(Incorporated in Malaysia)

Statement of changes in equity
For the year ended 31 December 2014 (continued)

| | -----Non-distributable----- | | | | | | Accumulated losses RM (Note 26) | Total equity RM |
|--|----------------------------------|------------------------------------|----------------------------------|--|---|--|---------------------------------------|--------------------|
| | Share capital RM (Note 24) | Treasury shares RM (Note 24) | Share premium RM (Note 26) | Share issuance scheme (SIS) reserve RM (Note 26) | Revaluation reserves RM (Note 26) | Fair value adjustment reserve RM (Note 26) | | |
| Company | | | | | | | | |
| At 1 January 2013 | 47,631,500 | (545,154) | 732 | - | 2,219,069 | - | (7,260,028) | 42,046,119 |
| Profit for the financial year | - | - | - | - | - | - | 1,139,925 | 1,139,925 |
| Other comprehensive income: | | | | | | | | |
| Revaluation of land and building | - | - | - | - | 6,423,962 | - | - | 6,423,962 |
| Available-for-sales financial assets | | | | | | | | |
| - Current year gain | - | - | - | - | - | 2,938,533 | - | 2,938,533 |
| Total comprehensive income for the financial year | - | - | - | - | 6,423,962 | 2,938,533 | 1,139,925 | 10,502,420 |
| Transactions with owners | | | | | | | | |
| Share based payments under SIS | - | - | - | 1,070,604 | - | - | - | 1,070,604 |
| Exercise of SIS options | 2,704,950 | - | 793,091 | (441,448) | - | - | - | 3,056,593 |
| Total transactions with owners | 2,704,950 | - | 793,091 | 629,156 | - | - | - | 4,127,197 |
| Disposal of treasury shares | - | 545,154 | 152,851 | - | - | - | - | 698,005 |
| Arising from disposal of properties | - | - | - | - | (102,341) | - | 102,341 | - |
| At 31 December 2013 | 50,336,450 | - | 946,674 | 629,156 | 8,540,690 | 2,938,533 | (6,017,762) | 57,373,741 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Industronics Berhad
(Incorporated in Malaysia)

Statements of cash flows
For the year ended 31 December 2014

| | Group | | Company | |
|--|---------------------|---------------------|--------------------|--------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Operating activities | | | | |
| (Loss)/profit before tax | (18,500,280) | (6,407,680) | (27,016,781) | 1,125,662 |
| Adjustments for: | | | | |
| Interest income | (131,516) | (148,343) | (146,903) | (158,934) |
| Dividend income | - | - | - | - |
| Bad debts written off | 35,944 | 38,291 | - | - |
| Trade and other payables written off | (26,447) | - | - | - |
| (Reversal)/provision for maintenance warranties | 16,036 | (25,753) | 16,036 | (25,753) |
| Share based payment expense | - | 1,070,604 | - | 1,070,604 |
| Property, plant and equipment written off | 241,212 | 39,286 | - | - |
| Loss/(gain) on disposal of subsidiaries | - | 2,772 | - | (20,000) |
| Gain on disposal of transferable membership in golf clubs | (5,000) | - | (5,000) | - |
| Interest expense | 131,047 | 105,243 | 13,663 | 29,216 |
| Depreciation of property, plant and equipment | 806,376 | 882,846 | 339,914 | 396,340 |
| Depreciation of investment properties | 39,763 | 39,763 | 4,695 | 4,695 |
| Amortisation of intangible assets | 349,520 | 191,567 | - | - |
| Impairment on investment properties | - | 249,863 | - | - |
| Impairment on intangible assets | 1,145,787 | | | |
| Loss/(Gain) on disposal of property, plant and equipment - net | 1,434,908 | (3,971,931) | 1,354,432 | (2,148,974) |
| (Reversal of write-down)/write-down of inventories - net | 7,560 | 1,837,846 | (1,397,435) | 1,727,746 |
| Allowance/(Reversal) for doubtful debts | | | | |
| - Third parties | 213,885 | 253,320 | - | - |
| - Written back - third parties | - | (1,078,906) | - | (110,000) |
| - Related companies | - | - | 20,140,598 | - |
| Loss/(Gain) on disposal of quoted investments | 963,445 | (3,898,544) | 963,445 | (3,898,544) |
| Gain on disposal of unquoted investments | - | (999,999) | - | (999,999) |
| Net unrealised (gain)/loss on foreign exchange | 21,134 | (84,925) | (4,383) | (127,000) |
| Operating loss before working capital changes carried forward | (13,256,626) | (11,904,680) | (5,737,719) | (3,134,941) |

Industronics Berhad
(Incorporated in Malaysia)

Statements of cash flows
For the year ended 31 December 2014 (continued)

| | Group | | Company | |
|--|---------------------|--------------------|---------------------|---------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Operating activities (continued) | | | | |
| Operating loss before working capital changes brought forward | (13,256,626) | (11,904,680) | (5,737,719) | (3,134,941) |
| Decrease/(increase) in inventories | (2,875,646) | 1,974,952 | 2,486,790 | 890,456 |
| Decrease/(increase) in trade and other receivables | (10,104,411) | 5,431,823 | (4,184,253) | 723,450 |
| Decrease/(increase) in amount due from customers on contract | 6,725,743 | 2,959,516 | 2,262,513 | (236,625) |
| (Decrease)/increase in trade and other payables | (6,186,745) | (7,699,621) | (3,411,677) | (465,686) |
| (Increase)/decrease in amount due from subsidiaries | - | - | (14,195,485) | (8,358,105) |
| Cash flows used in operations | (25,697,685) | (9,238,010) | (22,779,831) | (10,581,451) |
| Interest paid | (131,047) | (105,243) | (13,663) | (29,216) |
| Income taxes refunded | - | 81,583 | - | 12,736 |
| Income taxes paid | (13,566) | (133,072) | (6,668) | (10,000) |
| Net cash flows used in operating activities | (25,842,298) | (9,394,742) | (22,800,162) | (10,607,931) |
| Investing activities | | | | |
| Purchase of property, plant and equipment | (162,189) | (1,414,595) | (45,520) | (601,999) |
| Purchase of quoted investments | - | (10,489,323) | - | (10,489,323) |
| Purchase of intangible assets | - | (1,692,800) | - | - |
| Proceeds from disposal of property, plant and equipment | 1,813,761 | 6,650,702 | 1,182,835 | 3,779,212 |
| Proceeds from disposal of investments | 2,074,843 | 11,512,154 | 2,074,843 | 11,512,154 |
| Net cash (outflow)/inflow from disposal of subsidiaries | - | (3,637) | - | 20,004 |
| Investment in a subsidiary | - | - | (435,950) | - |
| Interest received | 131,516 | 148,343 | 146,903 | 133,136 |
| Net cash flows from investing activities | 3,857,931 | 4,710,844 | 2,923,111 | 4,353,184 |

Industronics Berhad
(Incorporated in Malaysia)

Statements of cash flows
For the year ended 31 December 2014 (continued)

| | Group | | Company | |
|--|---------------------|--------------------|---------------------|--------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Financing activities | | | | |
| Proceeds from issuance of ordinary shares pursuant to SIS | 1,180,794 | 3,056,593 | 1,180,794 | 3,056,593 |
| Proceeds from disposal of treasury shares | - | 698,005 | - | 698,005 |
| Net (repayment)/drawdown of bankers acceptances | (984,000) | (1,251,000) | - | (486,000) |
| Net drawdown/(repayment) of term loan | (182,495) | 69,414 | - | - |
| Net drawdown/(repayment) of hire purchase liabilities | (267,085) | (214,801) | (84,786) | (92,074) |
| Net cash flows from financing activities | (252,786) | 2,358,211 | 1,096,008 | 3,176,524 |
| Net decrease in cash and cash equivalents | (22,237,153) | (2,325,687) | (18,781,043) | (3,078,223) |
| Effects of foreign exchange rate changes | 1,226,943 | (25,114) | - | - |
| Cash and cash equivalents at beginning of year | 26,383,579 | 28,734,380 | 22,592,686 | 25,670,909 |
| Cash and cash equivalents at end of year | 5,373,369 | 26,383,579 | 3,811,643 | 22,592,686 |
| Cash and cash equivalents at end of year comprised: | | | | |
| Cash and bank balances | 6,443,800 | 27,544,478 | 3,811,643 | 22,698,970 |
| Bank overdrafts - unsecured (Note 27) | (1,070,431) | (1,160,899) | - | (106,284) |
| | 5,373,369 | 26,383,579 | 3,811,643 | 22,592,686 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Industronics Berhad
(Incorporated in Malaysia)

Notes to the financial statements - 31 December 2014

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 Suite 18.06, 18th Floor, Wisma Zelan, No. 1, Jalan Tasik Permaisuri 2, Bandar Tun Razak, 56000 Kuala Lumpur and principal place of business of the Company is located at No. 9, Jalan Taming 3, Taman Tanming Jaya, 43300 Seri Kembangan, Selangor Darul Ehsan.

The principal activities of the Company include the design, manufacturing and installation of electronics and microprocessor controlled products, telecommunication system, audio video multimedia systems, intelligent transportation systems and information communication technology related system. The principal activities of the subsidiaries are disclosed in Note 36. There have been no significant changes in the nature of these principal activities during the financial year.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

The financial statements of the Group and of the Company have been prepared on the historical cost conversion, unless otherwise indicated in the summary of significant accounting policies.

The financial statements are presented in Ringgit Malaysia ("RM").

2.2 Statement of Compliance

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of new standards and interpretations as follows:-

On 1 January 2014, the Group and the Company adopted the following new and amended MFRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2014.

Effective for financial periods beginning on or after 1 January 2014

| | |
|------------------------|---|
| Amendments to MFRS 10 | Consolidated Financial Statements - Investments Entities |
| Amendments to MFRS 12 | Disclosure of Interest in Other Entities - Investments Entities |
| Amendments to MFRS 127 | Consolidated and Separate Financial Statements - Investments Entities |
| Amendments to MFRS 132 | Financial Instruments: Presentation - Offsetting |
| | Financial Assets and Financial Liabilities |

Industronics Berhad
(Incorporated in Malaysia)

2. Summary of significant accounting policies (continued)

2.2 Statement of Compliance (Continued)

Effective for financial periods beginning on or after 1 January 2014 (continued)

| | |
|------------------------|---|
| Amendments to MFRS 136 | Impairment of Assets – Recoverable Amount Disclosure for Non-Financial Assets |
| Amendments to MFRS 139 | Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting |
| IC Interpretation 21 | Levies |

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group and of the Company.

Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intends to adopt these standards and interpretations, if applicable when they become effective.

Effective for financial periods beginning on or after 1 July 2014

| | |
|-----------------------|--|
| Amendment to MFRS 2 | Share-based Payment (Annual Improvement to MFRSs 2010-2012 Cycle) |
| Amendment to MFRS 3 | Business Combinations (Annual Improvement to MFRSs 2010-2012 Cycle) |
| Amendment to MFRS 3 | Business Combinations (Annual Improvement to MFRSs 2011-2013 Cycle) |
| Amendment to MFRS 8 | Operating Segments (Annual Improvement to MFRSs 2010-2012 Cycle) |
| Amendment to MFRS 13 | Fair Value Adjustment (Annual Improvement to MFRSs 2011-2013 Cycle) |
| Amendment to MFRS 116 | Property, Plant and Equipment (Annual Improvement to MFRSs 2010-2012 Cycle) |
| Amendment to MFRS 119 | Employee Benefits (Defined Benefit Plans: Employee Contributions) |
| Amendment to MFRS 124 | Related Party Disclosures (Annual Improvements to MFRSs 2010-2012 Cycle) |
| Amendment to MFRS 138 | Intangible Assets (Annual Improvements to MFRSs 2010-2012 Cycle) |
| Amendment to MFRS 140 | Investment Property (Annual Improvements to MFRSs 2011-2013 Cycle) |

Effective for financial periods beginning on or after 1 January 2016

| | |
|---------------------|--|
| Amendment to MFRS 5 | Non-current Assets Held for Sale and Discontinued Operation (Annual Improvements to MFRSs 2012-2014 Cycle) |
| Amendment to MFRS 7 | Financial Instruments (Annual Improvements to MFRSs 2012-2014 Cycle) |

Industronics Berhad
(Incorporated in Malaysia)

2. Summary of significant accounting policies (continued)

2.2 Statement of Compliance (Continued)

Standards issued but not yet effective (continued)

Effective for financial periods beginning on or after 1 January 2016 (continued)

| | |
|-----------------------|---|
| Amendment to MFRS 10 | Consolidated Financial Statements (Sale or Contribution of Assets between an Investor and its Associate or Joint Venture) |
| Amendment to MFRS 10 | Consolidated Financial Statements (Investment Entities: Applying the Consolidation Exception) |
| Amendment to MFRS 11 | Joint Arrangement (Accounting for Acquisitions of interest in Joint Operations) |
| Amendment to MFRS 12 | Disclosures of Interest in Other Entities (Investment Entities: Applying the Consolidation Exception) |
| Amendment to MFRS 101 | Presentation of Financial Statements (Disclosure Initiatives) |
| Amendment to MFRS 116 | Property, Plant and Equipment (Clarification of Acceptable Methods of Depreciation and Amortisation) |
| Amendment to MFRS 116 | Property, Plant and Equipment (Bearer Plants) |
| Amendment to MFRS 119 | Employee Benefits (Annual Improvements to MFRSs 2012-2014 Cycle) |
| Amendment to MFRS 127 | Consolidated and Separate Financial Statements (Equity Method in Separate Financial Statements) |
| Amendment to MFRS 128 | Investment in Associates (Sale or Contribution of Assets between an Investor and its Associate or Joint Venture) |
| Amendment to MFRS 128 | Investment in Associates (investment Entities: Applying the Consolidation Exception) |
| Amendment to MFRS 134 | Interim Financial Reporting (Annual improvements to MFRSs 2012-2014 Cycle) |
| Amendment to MFRS 138 | Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation) |
| Amendment to MFRS 141 | Agriculture - Bearer Plants |
| MFRS 14 | Regulatory Deferred Accounts |

Effective for financial periods beginning on or after 1 January 2017

| | |
|---------|---------------------------------------|
| MFRS 15 | Revenue from Contracts with Customers |
|---------|---------------------------------------|

Effective for financial periods beginning on or after 1 January 2018

| | |
|--------|-----------------------|
| MFRS 9 | Financial Instruments |
|--------|-----------------------|

Industronics Berhad
(Incorporated in Malaysia)

2. Summary of significant accounting policies (continued)

2.2 Statement of Compliance (Continued)

Standards issued but not yet effective (continued)

The Directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application except as discussed below:

MFRS 9 Financial Instruments: Classification and Measurement

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Restrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step models that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Directors anticipate that the application of MFRS 15 will have a material impact on the amounts reported and disclosures made in the Company's financial statements. The Company is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date.

2.3 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies, which have been prepared in accordance with the Group's accounting policies, and are all drawn up to the same reporting period.

Industronics Berhad
(Incorporated in Malaysia)

2. Summary of significant accounting policies (continued)

2.3 Basis of consolidation (continued)

(i) Subsidiary Companies

Subsidiary companies are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In the Company's separate financial statements, investments in subsidiary companies are stated at cost less any impairment losses, unless the investment is held for sale or distribution. The cost of investments includes transaction costs.

Upon the disposal of investment in a subsidiary company, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

(ii) Consolidation

The acquisition method of accounting is used to account for business combination. The consideration transferred for acquisition of a subsidiary company is the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange, as well as any contingent consideration given. Acquisition related costs are expensed off in the profit or loss as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition.

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies made up to the end of the financial year. Subsidiary companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

In a business combination achieved in stages, the previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Changes in the Company owners' ownership interest in a subsidiary company that do not result in a loss of control are accounted for as equity transactions. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid is recognised directly in equity.

Industronics Berhad
(Incorporated in Malaysia)

2. Summary of significant accounting policies (continued)

2.3 Basis of consolidation (continued)

(ii) Consolidation (continued)

If the Group loses control of a subsidiary company, the assets and liabilities of the subsidiary company, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in profit or loss. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated, unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, the accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

(iii) Non-controlling interest

Non-controlling interest is the equity in a subsidiary company not attributable, directly or indirectly, to a parent. On an acquisition-by-acquisition basis, the Group measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. At the end of reporting period, non-controlling interest consists of amount calculated on the date of combinations and its share of changes in the subsidiary's equity since the date of combination.

All earnings and losses of the subsidiary company are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interests for prior years is not restated.

2.4 Foreign currency

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Group and the Company's functional currency.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date.

Industronics Berhad
(Incorporated in Malaysia)

2. Summary of significant accounting policies (continued)

2.4 Foreign currency (continued)

(b) Foreign currency transactions (continued)

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

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

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

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

(c) Foreign operations

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

2.5 Property, plant and equipment

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

Industronics Berhad
(Incorporated in Malaysia)

2. Summary of significant accounting policies (continued)

2.5 Property, plant and equipment (continued)

Subsequent to recognition, property, plant and equipment other than freehold land and buildings are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group and the Company recognise such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. Freehold land and buildings are measured at revalued amount, which is the fair value at the date of the revaluation less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Revaluations are made at least once in every five years based on a valuation by an independent valuer on an open market value basis. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the freehold land and buildings at the reporting date.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation is computed on the straight line basis to write off the cost of each asset to its residual value over their estimated useful lives, at the following annual rates:

| | remaining lease period |
|------------------------------------|------------------------|
| Leasehold land | |
| Buildings | 2% |
| Plant and machinery | 10% - 20% |
| Factory, tools and equipment | 10% - 15% |
| Motor vehicles | 20% |
| Computer and office equipment | 10% - 33% |
| Furniture, fittings and renovation | 5% - 50% |

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

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

Industronics Berhad
(Incorporated in Malaysia)

2. Summary of significant accounting policies (continued)

2.6 Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are stated at cost less accumulated depreciation and any accumulated impairment losses. No depreciation is provided on the freehold land within investment properties as it has an indefinite useful life. Depreciation on the building is provided on the straight-line basis to write off the cost of investment properties to its residual value over its estimated useful life.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.5 up to the date of change in use.

2.7 Impairment of non-financial assets

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group and the Company make an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

2. Summary of significant accounting policies (continued)

2.7 Impairment of non-financial assets (continued)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2.8 Other non-current investments

Non-current investments other than investment in subsidiaries and jointly controlled entity are stated at cost less impairment losses. On disposal of a non-current investments, the difference between net disposal proceeds and its carrying amount is recognised in profit or loss.

2.9 Financial assets

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

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately in profit or loss.

The Group and the Company classify their financial assets depends on the purpose for which it was acquired at initial recognition, into the following categories:

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading, including derivative or financial assets that are designated into this category upon initial recognition. A financial asset is classified in this category if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

After initial recognition, financial assets in this category are measured at fair value with any gains or losses arising from changes in the fair values recognised in profit or loss in the period in which the changes arise.

Industronics Berhad
(Incorporated in Malaysia)

2. Summary of significant accounting policies (continued)

2.9 Financial assets (continued)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the end of the reporting period which are presented as non-current assets.

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

(iii) Held-to-maturity investment

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group and the Company have the positive intention and ability to hold to maturity. They are classified as non-current assets, except for those having maturity within 12 months after the end of the reporting period which are classified as current.

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

(iv) Available-for-sales financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless management intends to dispose of the assets within 12 months after the end of the reporting period.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment loss.

2. Summary of significant accounting policies (continued)

2.9 Financial assets (continued)

(v) Regular way purchase or sale of financial assets

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group and the Company commit to purchase or sell the asset.

(vi) Derecognition of financial assets

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all risks and rewards of ownership. On derecognition of a financial asset, the difference between the carrying amount and the sum of consideration received and any cumulative gains or loss that had been recognised in equity is recognised in the profit or loss.

2.10 Impairment of financial assets

All financial assets, other than those at fair value through profit or loss, investment in subsidiary company and investment on associate company, are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

Financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with defaults on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of impairment loss is recognised in the profit or loss.

2. Summary of significant accounting policies (continued)**2.10 Impairment of financial assets (continued)**Financial assets carried at amortised cost (continued)

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

Available-for-sale financial assets

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 are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, the amount of impairment loss is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised. When a decline of fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss is reclassified from equity to profit or loss.

Impairment losses on available-for-sale equity investment that is carried at cost are not reversed in profit or loss in the subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss, if an 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.

2.11 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's and the Company's cash management.

2.12 Construction contracts

Where the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

2. Summary of significant accounting policies (continued)

2.12 Construction contracts (continued)

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

When the total of costs incurred on construction contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus, recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

2.13 Inventories

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

Cost of raw materials and finished goods is determined on a weighted average or first-in-first-out basis, as appropriate, according to the category of inventories concerned. The cost of raw materials comprises costs of purchase.

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.

2.14 Provisions

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

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

Warranties

Provisions for the expected cost of warranty obligations are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's and the Company's obligation.

Industronics Berhad
(Incorporated in Malaysia)

2. Summary of significant accounting policies (continued)

2.15 Financial liabilities

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

Financial liabilities, within the scope of MFRS 139, are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities of the Group and the Company are classified as other financial liabilities.

Other financial liabilities

Other financial liabilities are non-derivatives financial liabilities. The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method. For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

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

Financial guarantee contracts

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

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

Derecognition of financial liabilities

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

Industronics Berhad
(Incorporated in Malaysia)

2. Summary of significant accounting policies (continued)

2.16 Borrowing costs

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

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

2.17 Employee benefits

(a) Defined contribution plans

The Group and the Company participate in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employees Provident Fund ("EPF") in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed. Once the contributions have been paid, the Group has no further payment obligations.

(b) Short term benefits

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

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

(c) Share-based payments

Equity-settled Share-based Payment Transaction

The Group operates an equity-settled, share-based compensation plan for the employees of the Group. Employee services received in exchange for the grant of the share options is recognised as an expense in the profit or loss over the vesting periods of the grant with a corresponding increase in equity.

Industronics Berhad
(Incorporated in Malaysia)

2. Summary of significant accounting policies (continued)

2.17 Employee benefits (continued)

(c) Share-based payments (continued)

Equity-settled Share-based Payment Transaction (continued)

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to be vested. At the end of each reporting date, the Group revises its estimates of the number of share options that are expected to be vested. It recognises the impact of the revision of original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

(d) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group and the Company recognise termination benefits as a liability and an expense when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting period are discounted to present value.

2.18 Leases

(a) As lessee

Finance leases, which transfer to the Group and to the Company substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group or the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Industronics Berhad
(Incorporated in Malaysia)

2. Summary of significant accounting policies (continued)

2.18 Leases (Continued)

(a) As lessee (Continued)

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

(b) As lessor

Leases where the Group and the Company retain substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.20(f).

2.19 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Subsequent expenditure is capitalised when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Intangible assets which have finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives. The useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each reporting date.

Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses, are not amortised but tested for impairment annually. The assessment of indefinite useful lives is reviewed annually to determine whether the indefinite useful lives continue to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gain or losses arising from derecognition of intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

2. Summary of significant accounting policies (continued)

2.20 Revenue

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

(a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Rendering of services

Revenue from services rendered is recognised net of service taxes and discounts as and when the services are performed.

(c) Construction contracts

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 2.12.

(d) Interest income

Interest income is recognised using the effective interest method.

(e) Dividend income

Dividend income is recognised when the Group's and the Company's rights to receive payment is established.

(f) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(g) Management fee

Management fee is recognised when services are rendered.

Industronics Berhad
(Incorporated in Malaysia)

2. Summary of significant accounting policies (continued)

2.21 Income taxes

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2. Summary of significant accounting policies (continued)

2.21 Income taxes (Continued)

(b) Deferred tax (Continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to 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 at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax

- Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

2.22 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 35, including the factors used to identify the reportable segments and the measurement basis of segment information.

2. Summary of significant accounting policies (continued)

2.23 Share capital and share issuance expenses

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

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

2.24 Treasury shares

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

2.25 Contingencies

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

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

Industronics Berhad
(Incorporated in Malaysia)

3. Significant accounting judgements and estimates

The preparation of the Group's and the Company's financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Judgements made in applying accounting policies

There are no critical judgements made by management in the process of applying the Group's accounting policies that may have significant effect on the amounts recognised in the financial statements except for the following:

Classification between investment properties and property, plant and equipment

The Group has developed certain criteria based on MFRS 140 in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

3.2 Key sources of estimation uncertainty

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

(a) Write-down of inventories

Significant judgement is exercised by management when determining items of inventories considered slow-moving and the amount of write-down required to net realisable value. Management takes into consideration the useful life of these inventories, their alternative uses, the possible technological obsolescence, the number of customers who still rely on the Group and the Company to provide maintenance service and other numerous factors before determining the amount of write-down required.

Industronics Berhad
(Incorporated in Malaysia)

3. Significant accounting judgements and estimates (continued)

3.2 Key sources of estimation uncertainty (continued)

(b) Useful lives of property, plant and equipment

Management estimates the useful lives of the property, plant and equipment to be within 2 to 50 years and reviews the useful lives of depreciable assets at end of each reporting period. At 31 December 2014 management assesses that the useful lives represent the expected utilisation of the assets to the Group. Actual results, however, may vary due to change in the business plan and strategies, expected level of usage and technological developments, which resulting the adjustment to the Group's assets. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the value of property, plant and equipment.

(c) Income taxes

Significant estimation is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that have been initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(d) 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 profit will 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. The total carrying value of unrecognised tax losses, unabsorbed capital allowances and other unrecognised deductible differences of the Group and of the Company are disclosed in Note 18.

(e) Contracts accounting

The Group and the Company recognise contracts revenue and expenses in the profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that costs incurred for work performed to date bear to the estimated total costs.

Significant judgement is required in determining the stage of completion, the extent of the costs incurred, the estimated total revenue and costs, as well as the recoverability of the projects. In making the judgement, the Group and the Company evaluate based on past experience.

Industronics Berhad
(Incorporated in Malaysia)

3. Significant accounting judgements and estimates (continued)

3.2 Key sources of estimation uncertainty (continued)

(f) Maintenance warranties

The Group and the Company give an average one (1) year warranty on certain products and undertakes to repair or replace items that fail to perform satisfactorily due to manufacturing defect. A provision is recognised for expected warranty claims on products sold during the year, based on past experience of the level of repairs. Assumptions used to calculate the provision for warranties were based on current sales levels and current data on repairs and replacement costs on past one year warranty period for all products sold.

(g) Material litigations

The Group and the Company determine whether a present obligation in relation to a material litigation exists at the reporting date by taking into account all available evidence, including the opinion of its solicitors and subsequent events after the statements of financial position date. On the basis of such evidence, the Group and the Company evaluate if a provision needs to be recognised in the financial statements.

(h) Allowance for bad and doubtful debts

The Group and the Company make allowance for doubtful debts based on objective evidence and the circumstances that affect the recoverability of receivables and counterparties.

Allowances are applied to receivables and counterparties where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically reviewed historical bad debts, customer creditworthiness and current economic trends when making a judgement to evaluate the allowance for doubtful debts on receivables and counterparties where the expectation is different from the original estimate, such difference will impact the carrying amounts.

(i) Amortisation of intangible assets

Management estimates the useful lives of the intangible assets to be within 5 years and reviews the useful lives of the assets at the end of each reporting period. At 31 December 2014, the management assesses that the useful lives represent the expected utilisation of the assets to the Company. Actual results, however, may vary due to change in the business plan and strategies, expected level of usage and technological developments, resulting in the adjustment to the Company's assets. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the value of intangible assets.

Industronics Berhad
(Incorporated in Malaysia)

3. Significant accounting judgements and estimates (continued)

3.2 Key sources of estimation uncertainty (continued)

(j) Employee share options

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also require determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

4. Revenue

| | Group | | Company | |
|------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Construction contracts | 2,617,020 | 26,792,554 | 1,783,450 | 18,516,060 |
| Sale of goods | 13,249,813 | 15,992,332 | 12,646,294 | 8,841,642 |
| Rendering of services | 403,931 | 16,259 | - | - |
| | <u>16,270,764</u> | <u>42,801,145</u> | <u>14,429,744</u> | <u>27,357,702</u> |

5. Cost of sales

| | Group | | Company | |
|-----------------------------|-------------------|-------------------|------------------|-------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Construction contract costs | 4,513,825 | 24,367,568 | 1,345,480 | 16,250,223 |
| Cost of goods sold | 7,951,143 | 10,538,148 | 8,084,876 | 5,828,167 |
| Cost of Service rendered | 327,217 | 98,930 | - | - |
| | <u>12,792,185</u> | <u>35,004,646</u> | <u>9,430,356</u> | <u>22,078,390</u> |

Industronics Berhad
(Incorporated in Malaysia)

6. Other income

The other income are included the followings:

| | Group | | Company | |
|---|--------------|-------------|----------------|-------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Written back of allowance for doubtful debts | - | 1,078,906 | - | 110,000 |
| Bad debts recovered | - | 21,020 | - | - |
| Trade and other payables written off | 26,447 | - | - | - |
| Gain on disposal of property, plant and equipment | 19,903 | 3,971,931 | - | 2,148,974 |
| Gain on foreign exchange | | | | |
| - Realised | 17,538 | 14,600 | 26,767 | - |
| - Unrealised | 30,739 | 144,974 | 4,383 | 127,000 |
| Interest income | | | | |
| - Fixed deposits and short term deposits | 131,516 | 148,343 | 121,105 | 133,136 |
| - Subsidiary | - | - | 25,798 | 25,798 |
| Rental income | | | | |
| - Third parties | 91,400 | 101,400 | - | - |
| - Subsidiaries | - | - | 48,000 | 108,000 |
| Gain on disposal of quoted investments | - | 3,898,544 | - | 3,898,544 |
| Gain on disposal of unquoted investments | - | 999,999 | - | 999,999 |
| Gain on disposal on transferable membership in golf clubs | 5,000 | - | 5,000 | - |
| Gain on disposal of a subsidiary | - | - | - | 20,000 |
| Reversal of share of collaboration profit | 1,096,495 | - | - | - |

Industronics Berhad
(Incorporated in Malaysia)

7. Finance costs

| | Group | | Company | |
|-------------------------------|----------------|----------------|----------------|----------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Interest expense: | | | | |
| - Bank overdrafts | 107,781 | 85,756 | 6,750 | 18,534 |
| - Term loans | 10,449 | 6,296 | - | - |
| - Hire purchase/finance lease | 12,817 | 13,191 | 6,913 | 10,682 |
| | <u>131,047</u> | <u>105,243</u> | <u>13,663</u> | <u>29,216</u> |
| Other finance costs | 55,401 | 107,264 | 35,425 | 81,236 |
| | <u>186,448</u> | <u>212,507</u> | <u>49,088</u> | <u>110,452</u> |

8. (Loss)/Profit before tax

The following amounts have been included in arriving at (loss)/profit before tax:

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Employee benefits expenses | | | | |
| - Included in expenses (Note 9) | 11,813,193 | 14,443,091 | 7,024,927 | 8,303,608 |
| Directors' remuneration (Note 10) | 1,549,934 | 2,342,592 | 194,839 | 104,060 |
| Allowance for doubtful debts | | | | |
| - Third parties (Note 20) | 213,885 | 253,320 | - | - |
| - Related companies (Note 22) | - | - | 20,140,598 | - |
| Auditors' remuneration | | | | |
| - Statutory auditors | 110,000 | 110,000 | 65,000 | 62,000 |
| - Other auditors | 67,723 | 93,614 | 16,000 | 62,000 |
| - Overprovision in prior year | (42,000) | (14,250) | (42,000) | (11,500) |
| | <u>135,723</u> | <u>189,364</u> | <u>39,000</u> | <u>112,500</u> |
| Bad debts written off | 35,944 | 38,291 | - | - |
| Amortisation of intangible assets (Note 16) | 349,520 | 191,567 | - | - |
| Depreciation of property, plant and equipment | | | | |
| - Included in cost of sales | 18,558 | 51,005 | - | - |
| - Included in administrative expenses | 447,904 | 435,501 | - | - |
| - Included in other operating expenses | 339,914 | 396,340 | 339,914 | 396,340 |
| | <u>806,376</u> | <u>882,846</u> | <u>339,914</u> | <u>396,340</u> |
| (Reversal)/provision for maintaince warranties | | | | |
| - Included in the cost of sales | 16,036 | (25,753) | 16,036 | (25,753) |

Industronics Berhad
(Incorporated in Malaysia)

8. (Loss)/Profit before tax (continued)

The following amounts have been included in arriving at (loss)/profit before tax: (continued)

| | Group | | Company | |
|---|--------------|-------------|----------------|-------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Depreciation of investment properties | 39,763 | 39,763 | 4,695 | 4,695 |
| Loss on foreign exchange | | | | |
| - Realised | - | - | 8,454 | - |
| - Unrealised | 51,873 | 60,049 | - | - |
| Rental of premises | 242,728 | 228,777 | 669,663 | 204,400 |
| Property, plant and equipment written off | 241,212 | 39,286 | - | - |
| (Reversal of write-down)/ write-down of inventories | | | | |
| - Included in cost of sales | (1,397,435) | 1,837,846 | (1,397,435) | 1,727,746 |
| - Included in other expenses | 1,404,995 | - | - | - |
| Loss on disposal of property, plant and equipment | 1,454,811 | - | 1,354,432 | - |
| Loss on disposal of quoted investments | 963,445 | - | 963,445 | - |
| Loss on disposal of subsidiaries | - | 2,772 | - | - |
| Impairment loss on intangible assets | 1,145,787 | - | - | - |
| Impairment loss on investment properties | - | 249,863 | - | - |

9. Employee benefits expense

| | Group | | Company | |
|--|-------------------|-------------------|------------------|------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Wages and salaries | 10,778,457 | 11,807,955 | 6,412,559 | 6,189,611 |
| Social security contributions | 45,994 | 68,921 | 35,487 | 48,495 |
| Contributions to defined contribution plan | 824,986 | 1,079,381 | 466,295 | 646,636 |
| Share based payment expenses | - | 1,070,604 | - | 1,070,604 |
| Termination benefits | 44,000 | 227,040 | 44,000 | 227,040 |
| Other benefits | 119,756 | 189,190 | 66,586 | 121,222 |
| | <u>11,813,193</u> | <u>14,443,091</u> | <u>7,024,927</u> | <u>8,303,608</u> |

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM1,391,095 (2013: RM2,337,092) and RM36,000 (2013: RM98,560) respectively as further disclosed in Note 10.

Industronics Berhad
(Incorporated in Malaysia)

10. Directors' remuneration

| | Group | | Company | |
|--|------------------|------------------|----------------|----------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Directors of the Group: | | | | |
| Executive directors' remuneration: | | | | |
| - Salaries and other emoluments | 1,340,577 | 2,239,995 | 36,000 | 88,000 |
| - Defined contribution plan | 50,518 | 97,097 | - | 10,560 |
| Total remuneration including benefits-in-kind (Note 9) | <u>1,391,095</u> | <u>2,337,092</u> | <u>36,000</u> | <u>98,560</u> |
| Non-executive directors' remuneration: | | | | |
| - Fees | | | | |
| - Current year | 158,839 | 69,000 | 158,839 | 69,000 |
| - Overprovision in prior year | - | (89,000) | - | (89,000) |
| - Other emoluments | - | 25,500 | - | 25,500 |
| | <u>158,839</u> | <u>5,500</u> | <u>158,839</u> | <u>5,500</u> |
| Total directors' remuneration (Note 8 and Note 32(c)) | <u>1,549,934</u> | <u>2,342,592</u> | <u>194,839</u> | <u>104,060</u> |
| Directors of the Company: | | | | |
| Executive directors' remuneration | | | | |
| - Salaries and other emoluments | 36,000 | 88,000 | 36,000 | 88,000 |
| - Defined contribution plan | - | 10,560 | - | 10,560 |
| | <u>36,000</u> | <u>98,560</u> | <u>36,000</u> | <u>98,560</u> |
| Non-executive directors' remuneration: | | | | |
| - Fees | | | | |
| - Current year | 158,839 | 69,000 | 158,839 | 69,000 |
| - Other emoluments | - | 25,500 | - | 25,500 |
| | <u>158,839</u> | <u>94,500</u> | <u>158,839</u> | <u>94,500</u> |
| Total directors' remuneration | <u>194,839</u> | <u>193,060</u> | <u>194,839</u> | <u>193,060</u> |

Industronics Berhad
(Incorporated in Malaysia)

10. Directors' remuneration (continued)

The number of directors of the Company whose total remuneration during the year fell within the following bands is analysed below:

| | Number of directors | |
|---------------------------------|----------------------------|-------------|
| | 2014 | 2013 |
| Executive director: | | |
| RM50,001 and below | 1 | 1 |
| RM50,001 - RM150,000 | - | 1 |
| RM200,001 - RM300,000 | - | - |
| RM300,001 - RM350,000 | - | - |
| | <hr/> | <hr/> |
| Non-executive directors: | | |
| RM50,001 and below | 7 | 10 |
| | <hr/> | <hr/> |

11. Income tax credit

| | Group | | Company | |
|---|--------------|-------------|----------------|-------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Statements of profit or loss and other comprehensive income: | | | | |
| Current income tax: | | | | |
| Malaysian income tax | - | 61,500 | - | - |
| Foreign tax | - | - | - | - |
| Overprovision in prior year | - | (83,510) | - | - |
| Income tax credit | <hr/> | <hr/> | <hr/> | <hr/> |
| | - | (22,010) | - | - |
| Deferred income tax (Note 18): | | | | |
| Reversal of temporary differences | - | (922,025) | - | (14,263) |
| Overprovision in prior year | 875,573 | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 875,573 | (922,025) | - | (14,263) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 875,573 | (944,035) | - | (14,263) |

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2013: 25%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

Industronics Berhad
(Incorporated in Malaysia)

11. Income tax credit (continued)

The reconciliation between tax (credit)/expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2014 and 2013 is as follows:

| | 2014 RM | 2013 RM |
|--|--------------------------|--------------------------|
| Group | | |
| Loss before tax | <u>(18,500,280)</u> | <u>(6,407,680)</u> |
| Tax at Malaysian statutory tax rate of 25% (2013: 25%) | (4,625,070) | (1,601,920) |
| Different tax rate in other countries | 552,245 | 457,608 |
| Effect of income not subject to tax | (337,823) | (2,093,593) |
| Effect of non-deductible expenses | 1,605,167 | 498,800 |
| Crystallisation of deferred tax liabilities of revaluation surplus | - | (99,360) |
| Utilisation of previously unrecognised tax losses, unabsorbed capital allowances and other temporary differences | (3,246) | - |
| Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances | 2,808,727 | 1,977,940 |
| Overprovision of tax expense in prior year | - | (83,510) |
| Overprovision of deferred tax in prior year | 875,573 | - |
| Income tax credit/(expense) recognised in profit or loss | <u>875,573</u> | <u>(944,035)</u> |
| Company | | |
| (Loss)/Profit before tax | <u>(27,016,781)</u> | <u>1,125,662</u> |
| Tax at Malaysian statutory tax rate of 25% (2013: 25%) | (6,754,195) | 281,416 |
| Effect of income not subject to tax | (2,346) | (1,604,916) |
| Effect of non-deductible expenses | 3,494,269 | 107,769 |
| Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances | 3,262,272 | 1,215,731 |
| Crystallisation of deferred tax on revaluation surplus | - | (14,263) |
| Income tax expense recognised in profit or loss | <u>-</u> | <u>(14,263)</u> |

The Group and the Company has unutilised tax losses and unabsorbed capital allowances available for carry forward to set-off against future taxable profits. The said amounts are subject to approval by the tax authorities.

| | Group | | Company | |
|-------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | 2014 RM | 2013 RM | 2014 RM | 2013 RM |
| Unutilised tax losses | 28,934,663 | 19,360,000 | 8,016,000 | 5,930,000 |
| Unabsorbed capital allowances | <u>764,430</u> | <u>8,985,000</u> | <u>517,000</u> | <u>472,000</u> |

Tax savings during the financial year arising from:

| | Company 2014 RM | 2013 RM |
|--|--|--------------------------|
| Utilisation of current year tax losses | <u>182,903</u> | <u>174,216</u> |

Industronics Berhad
(Incorporated in Malaysia)

12. Loss per share

(a) Basic

Basic loss per share are calculated by dividing the loss for the year, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial year.

| | Group 2014 | 2013 |
|--|-----------------------|--------------------|
| Loss, net of tax attributable to owners of the parent (RM) | <u>(17,729,096)</u> | <u>(4,343,609)</u> |
| Weighted average number of ordinary shares in issue | <u>102,551,775</u> | <u>95,299,766</u> |
| Basic loss per share (sen) | <u>(17.29)</u> | <u>(4.56)</u> |

(b) Diluted

Diluted loss per share are calculated by dividing the loss for the year, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

| | Group 2014 | 2013 |
|--|-----------------------|--------------------|
| Loss, net of tax attributable to owners of the parent (RM) | <u>(17,729,096)</u> | <u>(4,343,609)</u> |
| Weighted average number of ordinary shares in issue | 102,551,775 | 92,798,788 |
| Adjusted for: | | |
| Shares issuance scheme | <u>6,620,000</u> | <u>1,713,234</u> |
| | <u>109,171,775</u> | <u>94,512,022</u> |
| Diluted loss per share (sen) | <u>(16.24)</u> | <u>(4.60)</u> |

Industronics Berhad
(Incorporated in Malaysia)

13. Property, plant and equipment

| Group | Freehold land RM | Freehold buildings RM | Leasehold buildings RM | Long term leasehold land RM | Plant and machinery RM | Factory tools and equipment RM | Motor vehicles RM | Computer and office equipment RM | Furniture, fittings and renovation RM | Total RM |
|----------------------------|------------------------|-----------------------------|------------------------------|--------------------------------------|---------------------------------|---|-------------------------|---|--|--------------|
| At 31 December 2014 | | | | | | | | | | |
| Cost or valuation | | | | | | | | | | |
| At 1 January 2014 | | | | | | | | | | |
| At cost | - | - | - | - | 3,359,823 | 953,536 | 2,575,038 | 2,468,646 | 2,369,313 | 11,726,356 |
| At valuation | 15,160,000 | 8,040,000 | - | - | - | - | - | - | - | 23,200,000 |
| | 15,160,000 | 8,040,000 | - | - | 3,359,823 | 953,536 | 2,575,038 | 2,468,646 | 2,369,313 | 34,926,356 |
| Additions | - | - | - | - | - | - | 654,638 | 6,550 | 44,779 | 705,967 |
| Disposals | (7,090,000) | (3,810,000) | - | - | (40,234) | (27,739) | (711,416) | (2,752) | (410) | (11,682,551) |
| Written off | - | - | - | - | (27,787) | (350,658) | (60,727) | (332,479) | (623,627) | (1,395,278) |
| Revaluation surplus | (370,588) | (329,412) | - | - | - | - | - | - | - | (700,000) |
| Exchange differences | - | - | - | - | - | - | - | 13,700 | 16,440 | 30,140 |
| At 31 December 2014 | 7,699,412 | 3,900,588 | - | - | 3,291,802 | 575,139 | 2,457,533 | 2,153,665 | 1,806,495 | 21,884,634 |
| Representing: | | | | | | | | | | |
| At cost | - | - | - | - | 3,291,802 | 575,139 | 2,457,533 | 2,153,665 | 1,806,495 | 10,284,634 |
| At valuation | 7,699,412 | 3,900,588 | - | - | - | - | - | - | - | 11,600,000 |
| At 31 December 2014 | 7,699,412 | 3,900,588 | - | - | 3,291,802 | 575,139 | 2,457,533 | 2,153,665 | 1,806,495 | 21,884,634 |

Industronics Berhad
(Incorporated in Malaysia)

13. Property, plant and equipment (continued)

| | Freehold land RM | Freehold buildings RM | Leasehold buildings RM | Long term leasehold land RM | Plant and machinery RM | Factory tools and equipment RM | Motor vehicles RM | Computer and office equipment RM | Furniture, fittings and renovation RM | Total RM |
|---|------------------------|-----------------------------|------------------------------|--------------------------------------|---------------------------------|---|-------------------------|---|--|-------------|
| Group (continued) | | | | | | | | | | |
| At 31 December 2014 | | | | | | | | | | |
| Accumulated depreciation | | | | | | | | | | |
| At 1 January 2014 | - | - | - | - | 2,997,336 | 848,876 | 1,865,534 | 2,103,639 | 1,758,179 | 9,573,564 |
| Depreciation for the year | - | 154,471 | - | - | 106,606 | 12,521 | 216,547 | 106,941 | 209,290 | 806,376 |
| Disposals | - | (67,871) | - | - | (40,234) | (25,157) | (384,944) | (504) | (164) | (518,874) |
| Written off | - | - | - | - | (12,704) | (345,511) | (60,727) | (330,710) | (404,414) | (1,154,066) |
| Elimination of accumulated depreciation on revaluation | - | - | - | - | - | - | - | - | - | - |
| Exchange differences | - | - | - | - | - | - | 821 | 3,197 | 5,503 | 9,521 |
| At 31 December 2014 | - | 86,600 | - | - | 3,051,004 | 490,729 | 1,637,231 | 1,882,563 | 1,568,394 | 8,716,521 |
| Net carrying amount | | | | | | | | | | |
| At cost | - | - | - | - | 240,798 | 84,410 | 820,302 | 271,102 | 238,101 | 1,654,713 |
| At valuation | 7,699,412 | 3,813,988 | - | - | - | - | - | - | - | 11,513,400 |
| At 31 December 2014 | 7,699,412 | 3,813,988 | - | - | 240,798 | 84,410 | 820,302 | 271,102 | 238,101 | 13,168,113 |

Industronics Berhad
(Incorporated in Malaysia)

13. Property, plant and equipment (continued)

| Group | Freehold land RM | Freehold buildings RM | Leasehold buildings RM | Long term leasehold land RM | Plant and machinery RM | Factory tools and equipment RM | Motor vehicles RM | Computer and office equipment RM | Furniture, fittings and renovation RM | Total RM |
|----------------------------|------------------------|-----------------------------|------------------------------|--------------------------------------|---------------------------------|---|-------------------------|---|--|-------------|
| At 31 December 2013 | | | | | | | | | | |
| Cost or valuation | | | | | | | | | | |
| At 1 January 2013 | | | | | | | | | | |
| At cost | - | - | - | - | 4,037,564 | 958,026 | 2,770,815 | 2,539,769 | 1,850,540 | 12,156,714 |
| At valuation | 5,610,000 | 6,115,000 | 1,150,000 | 1,550,000 | - | - | - | - | - | 14,425,000 |
| | 5,610,000 | 6,115,000 | 1,150,000 | 1,550,000 | 4,037,564 | 958,026 | 2,770,815 | 2,539,769 | 1,850,540 | 26,581,714 |
| Additions | - | - | - | - | 8,850 | - | 707,850 | 247,427 | 719,318 | 1,683,445 |
| Disposals | - | - | (1,150,000) | (1,550,000) | (121,331) | - | (905,338) | (194,443) | (500) | (3,921,612) |
| Written off | - | - | - | - | (565,260) | (4,490) | - | (125,768) | (201,974) | (897,492) |
| Revaluation surplus | 9,550,000 | 1,925,000 | - | - | - | - | - | - | - | 11,475,000 |
| Exchange differences | - | - | - | - | - | - | 1,711 | 1,661 | 1,929 | 5,301 |
| At 31 December 2013 | 15,160,000 | 8,040,000 | - | - | 3,359,823 | 953,536 | 2,575,038 | 2,468,646 | 2,369,313 | 34,926,356 |
| Representing: | | | | | | | | | | |
| At cost | - | - | - | - | 3,359,823 | 953,536 | 2,575,038 | 2,468,646 | 2,369,313 | 11,726,356 |
| At valuation | 15,160,000 | 8,040,000 | - | - | - | - | - | - | - | 23,200,000 |
| At 31 December 2013 | 15,160,000 | 8,040,000 | - | - | 3,359,823 | 953,536 | 2,575,038 | 2,468,646 | 2,369,313 | 34,926,356 |

Industronics Berhad
(Incorporated in Malaysia)

13. Property, plant and equipment (continued)

| | Freehold land RM | Freehold buildings RM | Leasehold buildings RM | Long term leasehold land RM | Plant and machinery RM | Factory tools and equipment RM | Motor vehicles RM | Computer and office equipment RM | Furniture, fittings and renovation RM | Total RM |
|---|------------------------|-----------------------------|------------------------------|--------------------------------------|---------------------------------|---|-------------------------|---|--|-------------|
| Group (continued) | | | | | | | | | | |
| At 31 December 2013 | | | | | | | | | | |
| Accumulated depreciation | | | | | | | | | | |
| At 1 January 2013 | - | 322,275 | 37,904 | 52,203 | 3,475,030 | 836,906 | 2,587,880 | 2,267,376 | 1,645,964 | 11,225,538 |
| Depreciation for the year | - | 122,301 | 12,114 | 15,222 | 150,720 | 15,833 | 181,334 | 111,116 | 274,206 | 882,846 |
| Disposals | - | - | (50,018) | (67,425) | (50,700) | - | (905,334) | (168,865) | (499) | (1,242,841) |
| Written off | - | - | - | - | (577,714) | (3,863) | - | (108,223) | (168,406) | (858,206) |
| Elimination of accumulated depreciation on revaluation | - | (444,576) | - | - | - | - | - | - | - | (444,576) |
| Exchange differences | - | - | - | - | - | - | 1,654 | 2,235 | 6,914 | 10,803 |
| At 31 December 2013 | - | - | - | - | 2,997,336 | 848,876 | 1,865,534 | 2,103,639 | 1,758,179 | 9,573,564 |
| Net carrying amount | | | | | | | | | | |
| At cost | - | - | - | - | 362,487 | 104,660 | 709,504 | 365,007 | 611,134 | 2,152,792 |
| At valuation | 15,160,000 | 8,040,000 | - | - | - | - | - | - | - | 23,200,000 |
| At 31 December 2013 | 15,160,000 | 8,040,000 | - | - | 362,487 | 104,660 | 709,504 | 365,007 | 611,134 | 25,352,792 |

Industronics Berhad
(Incorporated in Malaysia)

13. Property, plant and equipment (continued)

| | Freehold land RM | Freehold buildings RM | Leasehold buildings RM | Long term leasehold land RM | Plant and machinery RM | Factory tools and equipment RM | Motor vehicles RM | Computer and office equipment RM | Furniture, fittings and renovation RM | Total RM |
|----------------------------|------------------------|-----------------------------|------------------------------|--------------------------------------|---------------------------------|---|-------------------------|---|--|-------------|
| Company | | | | | | | | | | |
| At 31 December 2014 | | | | | | | | | | |
| Cost or valuation | | | | | | | | | | |
| At 1 January 2014 | | | | | | | | | | |
| At cost | - | - | - | - | 42,890 | 115,890 | 2,069,578 | 1,259,997 | 1,277,750 | 4,766,105 |
| At valuation | 8,450,000 | 5,850,000 | - | - | - | - | - | - | - | 14,300,000 |
| | 8,450,000 | 5,850,000 | - | - | 42,890 | 115,890 | 2,069,578 | 1,259,997 | 1,277,750 | 19,066,105 |
| Additions | - | - | - | - | - | - | 84,320 | 1,200 | - | 85,520 |
| Disposals | (5,750,000) | (3,450,000) | - | - | - | - | (666,750) | (2,752) | - | (9,869,502) |
| Revaluation reversal | (370,588) | (329,412) | - | - | - | - | - | - | - | (700,000) |
| At 31 December 2014 | 2,329,412 | 2,070,588 | - | - | 42,890 | 115,890 | 1,487,148 | 1,258,445 | 1,277,750 | 8,582,123 |
| Representing: | | | | | | | | | | |
| At cost | - | - | - | - | 42,890 | 115,890 | 1,487,148 | 1,258,445 | 1,277,750 | 4,182,123 |
| At valuation | 2,329,412 | 2,070,588 | - | - | - | - | - | - | - | 4,400,000 |
| At 31 December 2014 | 2,329,412 | 2,070,588 | - | - | 42,890 | 115,890 | 1,487,148 | 1,258,445 | 1,277,750 | 8,582,123 |

Industronics Berhad
(Incorporated in Malaysia)

13. Property, plant and equipment (continued)

| | Freehold land RM | Freehold buildings RM | Leasehold buildings RM | Long term leasehold land RM | Plant and machinery RM | Factory tools and equipment RM | Motor vehicles RM | Computer and office equipment RM | Furniture, fittings and renovation RM | Total RM |
|---------------------------------|------------------------|-----------------------------|------------------------------|--------------------------------------|---------------------------------|---|-------------------------|---|--|-------------|
| Company (continued) | | | | | | | | | | |
| At 31 December 2014 | | | | | | | | | | |
| Accumulated depreciation | | | | | | | | | | |
| At 1 January 2014 | - | - | - | - | 42,802 | 104,250 | 1,588,601 | 1,162,766 | 1,053,152 | 3,951,571 |
| Depreciation for the year | - | 111,250 | - | - | 87 | 3,168 | 126,609 | 35,278 | 63,522 | 339,914 |
| Disposals | - | (63,250) | - | - | - | - | (340,278) | (504) | - | (404,032) |
| At 31 December 2014 | - | 48,000 | - | - | 42,889 | 107,418 | 1,374,932 | 1,197,540 | 1,116,674 | 3,887,453 |
| Net carrying amount | | | | | | | | | | |
| At cost | - | - | - | - | 1 | 8,472 | 112,216 | 60,905 | 161,076 | 342,670 |
| At valuation | 2,329,412 | 2,022,588 | - | - | - | - | - | - | - | 4,352,000 |
| At 31 December 2014 | 2,329,412 | 2,022,588 | - | - | 1 | 8,472 | 112,216 | 60,905 | 161,076 | 4,694,670 |

Industronics Berhad
(Incorporated in Malaysia)

13. Property, plant and equipment (continued)

| | Freehold land RM | Freehold buildings RM | Leasehold buildings RM | Long term leasehold land RM | Plant and machinery RM | Factory tools and equipment RM | Motor vehicles RM | Computer and office equipment RM | Furniture, fittings and renovation RM | Total RM |
|----------------------------|------------------------|-----------------------------|------------------------------|--------------------------------------|---------------------------------|---|-------------------------|---|--|-------------|
| Company | | | | | | | | | | |
| At 31 December 2013 | | | | | | | | | | |
| Cost or valuation | | | | | | | | | | |
| At 1 January 2013 | | | | | | | | | | |
| At cost | - | - | - | - | 42,890 | 115,890 | 2,047,916 | 1,247,988 | 1,134,890 | 4,589,574 |
| At valuation | 2,940,000 | 4,585,000 | 800,000 | 900,000 | - | - | - | - | - | 9,225,000 |
| | 2,940,000 | 4,585,000 | 800,000 | 900,000 | 42,890 | 115,890 | 2,047,916 | 1,247,988 | 1,134,890 | 13,814,574 |
| Additions | - | - | - | - | - | - | 439,000 | 20,139 | 142,860 | 601,999 |
| Disposal | - | - | (800,000) | (900,000) | - | - | (417,338) | (8,130) | - | (2,125,468) |
| Revaluation surplus | 5,510,000 | 1,265,000 | - | - | - | - | - | - | - | 6,775,000 |
| At 31 December 2013 | 8,450,000 | 5,850,000 | - | - | 42,890 | 115,890 | 2,069,578 | 1,259,997 | 1,277,750 | 19,066,105 |
| Representing: | | | | | | | | | | |
| At cost | - | - | - | - | 42,890 | 115,890 | 2,069,578 | 1,259,997 | 1,277,750 | 4,766,105 |
| At valuation | 8,450,000 | 5,850,000 | - | - | - | - | - | - | - | 14,300,000 |
| At 31 December 2013 | 8,450,000 | 5,850,000 | - | - | 42,890 | 115,890 | 2,069,578 | 1,259,997 | 1,277,750 | 19,066,105 |

Industronics Berhad
(Incorporated in Malaysia)

13. Property, plant and equipment (continued)

| | Freehold land RM | Freehold buildings RM | Leasehold buildings RM | Long term leasehold land RM | Plant and machinery RM | Factory tools and equipment RM | Motor vehicles RM | Computer and office equipment RM | Furniture, fittings and renovation RM | Total RM |
|---|------------------------|-----------------------------|------------------------------|--------------------------------------|---------------------------------|---|-------------------------|---|--|-------------|
| Company (continued) | | | | | | | | | | |
| At 31 December 2013 | | | | | | | | | | |
| Accumulated depreciation | | | | | | | | | | |
| At 1 January 2013 | - | 229,250 | 24,844 | 27,950 | 42,585 | 100,992 | 1,869,825 | 1,120,089 | 955,876 | 4,371,411 |
| Depreciation for the year | - | 91,700 | 9,938 | 11,180 | 217 | 3,258 | 136,113 | 46,658 | 97,276 | 396,340 |
| Disposals | - | - | (34,782) | (39,130) | - | - | (417,337) | (3,981) | - | (495,230) |
| Elimination of accumulated depreciation on revaluation | - | (320,950) | - | - | - | - | - | - | - | (320,950) |
| At 31 December 2013 | - | - | - | - | 42,802 | 104,250 | 1,588,601 | 1,162,766 | 1,053,152 | 3,951,571 |
| Net carrying amount | | | | | | | | | | |
| At cost | - | - | - | - | 88 | 11,640 | 480,977 | 97,231 | 224,598 | 814,534 |
| At valuation | 8,450,000 | 5,850,000 | - | - | - | - | - | - | - | 14,300,000 |
| At 31 December 2013 | 8,450,000 | 5,850,000 | - | - | 88 | 11,640 | 480,977 | 97,231 | 224,598 | 15,114,534 |

Industronics Berhad
(Incorporated in Malaysia)

13. Property, plant and equipment (continued)

- (a) Freehold land and buildings were revalued on 31 December 2013 by the directors based on a valuation performed by a chartered surveyor and registered valuer, namely Messrs Stocker Roberts and Gupta Sdn. Bhd. who is a member of the Institution of Surveyors, Malaysia. Valuation were made using comparison method on the basis of open market value.

If the freehold land and buildings and leasehold buildings were measured using the cost model, the carrying amounts would be as follows:

| | Group | | Company | |
|-----------------------------|------------------|------------------|------------------|------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Freehold land and buildings | <u>3,058,076</u> | <u>6,588,082</u> | <u>1,458,352</u> | <u>4,676,497</u> |

- (b) During the financial year, the Group and the Company acquired motor vehicle under hire purchase and finance lease arrangements with the balance paid in cash.

| | Group | | Company | |
|---|----------------|----------------|----------------|-------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Financed by hire purchase and finance lease | <u>543,778</u> | <u>268,850</u> | <u>40,000</u> | <u>-</u> |

- (c) Net carrying amounts of property, plant and equipment held under hire purchase arrangements are as follows:

| | Group | | Company | |
|----------------|----------------|----------------|----------------|----------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Motor vehicles | <u>721,194</u> | <u>351,683</u> | <u>69,667</u> | <u>123,160</u> |

- (d) Freehold land and building of the Group with a net carrying amount of RM 11,513,400 (2013: RM8,900,000) are pledged as securities for borrowings as disclosed in Note 27.

14. Investments in subsidiaries

| | Company | |
|-------------------------------------|------------------|------------------|
| | 2014 | 2013 |
| | RM | RM |
| Unquoted shares at cost | 4,667,292 | 4,231,342 |
| Less: Accumulated impairment losses | <u>(309,227)</u> | <u>(309,227)</u> |
| | <u>4,358,065</u> | <u>3,922,115</u> |

Details of the subsidiaries are disclosed in Note 36.

Industronics Berhad
(Incorporated in Malaysia)

14. Investments in subsidiaries (continued)

- (a) Summarised financial information on subsidiaries with material non-controlling interests (NCI). Set out below are the Group's subsidiaries that have material non-controlling interest:

| Name of company | Proportion of ownership interests and voting rights held by non-controlling interests | | (Loss)/Profit allocated to non-controlling interests | | Accumulated non-controlling interests | |
|---|---|------|--|-------------|---------------------------------------|-----------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | % | % | RM | RM | RM | RM |
| Ademco (M) Sdn. Bhd | 5 | 5 | (80,493) | 46,889 | 71,750 | 152,244 |
| Sukitronics Sdn Bhd and its subsidiaries | 49 | 49 | (1,242,270) | (779,490) | 3,102,826 | 4,345,096 |
| Primeworth (M) Sdn Bhd and its subsidiaries | 30.8 | 30.8 | (245,072) | (266,857) | 259,581 | 504,653 |
| Industrial Electronics (S) Pte Ltd. | 30 | 30 | 179,502 | (120,578) | 677,492 | 497,990 |
| Total non-controlling interest | | | (1,388,333) | (1,120,036) | 4,111,650 | 5,499,983 |

Summarised financial information for each subsidiary that has non-controlling interest that are material to the Group is set out below. The summarised financial information below represents amounts before inter-company eliminations.

| | Ademco (M) Sdn. Bhd | | Sukitronics Sdn Bhd and its subsidiaries | | Primeworth (M) Sdn Bhd and its subsidiaries | | Industrial Electronics (S) Pte Ltd. | |
|--|---------------------|-----------|--|-------------|---|-------------|-------------------------------------|-----------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM | RM | RM | RM | RM |
| Total assets | 1,908,477 | 3,388,855 | 9,587,236 | 14,807,960 | 2,007,991 | 3,367,628 | 3,423,566 | 2,968,034 |
| Total liabilities | (473,473) | (343,978) | (3,254,938) | (5,940,417) | (1,165,194) | (1,729,142) | (1,165,258) | (652,010) |
| Net assets | 1,435,004 | 3,044,877 | 6,332,298 | 8,867,543 | 842,797 | 1,638,486 | 2,258,308 | 2,316,024 |
| Equity attributable to owners of the Company | 1,363,254 | 2,892,633 | 3,229,472 | 4,522,447 | 583,216 | 1,133,832 | 1,580,816 | 1,621,217 |
| Non-controlling interests | 71,750 | 152,244 | 3,102,826 | 4,345,096 | 259,581 | 504,653 | 677,492 | 694,807 |
| | 1,435,004 | 3,044,877 | 6,332,298 | 8,867,543 | 842,797 | 1,638,485 | 2,258,308 | 2,316,024 |

Industronics Berhad
(Incorporated in Malaysia)

14. Investments in subsidiaries (continued)

- (a) Summarised financial information on subsidiaries with material non-controlling interest (NCI). Set out below are the Group's subsidiaries that have material non-controlling interests (continue):

| | Ademco (M) Sdn. Bhd | | Sukitronics Sdn Bhd and its subsidiaries | | Primeworth (M) Sdn Bhd and its subsidiaries | | Industrial Electronics (S) Pte Ltd. | |
|--|----------------------------|--------------------|---|--------------------|--|--------------------|--|--------------------|
| | 2014 RM | 2013 RM | 2014 RM | 2013 RM | 2014 RM | 2013 RM | 2014 RM | 2013 RM |
| Revenue | 1,568,604 | 1,831,552 | 1,161,744 | 8,821,969 | 222,295 | 2,690,344 | 1,532,174 | 2,907,275 |
| Profit before taxation | (1,609,873) | 861,990 | (2,535,245) | (1,588,643) | (952,408) | (943,267) | (102,176) | (412,538) |
| Taxation | - | 75,794 | - | (2,153) | - | 76,853 | - | 10,612 |
| Net profit for the financial year | (1,609,873) | 937,784 | (2,535,245) | (1,590,796) | (952,408) | (866,414) | (102,176) | (401,926) |
| Other comprehensive income | - | - | - | (35,229) | 156,718 | 1,008,594 | - | - |
| Total comprehensive income | (1,609,873) | 937,784 | (2,535,245) | (1,626,025) | (795,690) | 142,180 | (102,176) | (401,926) |
| Net cash (used in) / generated from operating activities | (2,138,104) | (778,402) | 877,852 | (84,388) | 151,002 | (344,217) | (1,850,256) | 756,646 |
| Net cash generated from/ (used in) investing activities | 15,031 | 2,683,053 | (5,350) | 332 | 628,098 | 19,030 | (66,540) | 44 |
| Net cash (used in)/ from financing activities | - | - | (1,055,782) | (810,263) | (182,495) | 40,800 | 1,376,186 | (1,519,277) |
| Net increase / (decrease) in cash and cash equivalents | (2,123,073) | 1,904,651 | (183,280) | (894,319) | 596,605 | (284,387) | (540,610) | (762,587) |

Industronics Berhad
(Incorporated in Malaysia)

14. Investments in subsidiaries (continued)

(a) Incorporation of new subsidiary

On 27 February 2014, the Company has incorporated a wholly-owned subsidiary in Hong Kong with the name "DSC IB Limited" with paid up capital of HKD500,000 (approximately RM210,650). The intended principal activities of DSC IB Limited is general business. The subsidiary has subsequently changed its name to Itronic Services Limited on 26 June 2014.

(b) Winding up of a subsidiary

On 21 August 2013, the Board of Directors ("Board") of the Company announces the commencement of the proposed dissolution of its wholly owned subsidiary, Industronics Corporation Limited ("ICL").

The Board had decided to dissolve ICL as the business opportunities making loss. The Company was consolidated based on management account as at 31 December 2014, with the net loss of RM8,250 (RM125,162 in 2013). There was no revenue generated by ICL during the financial year ended 31 December 2014. Other than the above, there is no material impact to the Group on the proposed dissolution. The dissolution still in the process.

Industronics Berhad
(Incorporated in Malaysia)

15. Investment properties

| | Group | | Company | |
|------------------------------------|--------------|-------------|----------------|-------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Buildings | | | | |
| Cost | | | | |
| At 1 January/31 December | 2,534,394 | 2,534,394 | 234,745 | 234,745 |
| Accumulated depreciation | | | | |
| At 1 January | 313,803 | 274,040 | 33,256 | 28,561 |
| Depreciation for the year | 39,763 | 39,763 | 4,695 | 4,695 |
| At 31 December | 353,566 | 313,803 | 37,951 | 33,256 |
| Accumulated impairment loss | | | | |
| At 1 January | 1,719,101 | 1,469,238 | - | - |
| Impairment loss for the year | - | 249,863 | - | - |
| At 31 December | 1,719,101 | 1,719,101 | - | - |
| Carrying amount | | | | |
| At 31 December | 461,727 | 501,490 | 196,794 | 201,489 |
| Estimated fair value | 530,000 | 530,000 | 230,000 | 230,000 |

The impairment loss recorded in previous financial years was derived after considering the estimated fair value of those properties.

The fair value is derived based on valuation performed using the comparison method by Messrs D B Das Gupta, a chartered surveyor and registered valuer of Stocker Roberts & Gupta Sdn. Bhd.

16. Intangible assets

| | Group | |
|------------------------|--------------|-------------|
| | 2014 | 2013 |
| | RM | RM |
| Cost | | |
| At 1 January | 1,692,800 | - |
| Additions | - | 1,692,800 |
| Written off | (1,692,800) | - |
| At 31 December | - | 1,692,800 |
| Amortisation | | |
| At 1 January | 197,493 | - |
| Additions | 349,520 | 191,567 |
| Written off | (547,013) | - |
| Exchange difference | - | 5,926 |
| At 31 December | - | 197,493 |
| Carrying amount | | |
| At 31 December | - | 1,495,307 |

Intangible assets of the Group are the mobile game application acquired in previous year.

Industronics Berhad
(Incorporated in Malaysia)

17. Other investments

| | Group | | Company | |
|--|--------------|-------------|----------------|-------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Available-for-sales | | | | |
| Quoted shares in Malaysia | 945,231 | 6,814,246 | 945,231 | 6,814,246 |
| Transferable memberships in golf clubs, at cost | 236,000 | 264,000 | 236,000 | 264,000 |
| Less: Impairment losses | (147,000) | (147,000) | (147,000) | (147,000) |
| | 89,000 | 117,000 | 89,000 | 117,000 |
| | 1,034,231 | 6,931,246 | 1,034,231 | 6,931,246 |

18. Deferred tax assets/liabilities

(a) Deferred tax assets

| | Group | |
|--|--------------|-------------|
| | 2014 | 2013 |
| | RM | RM |
| At 1 January | 848,117 | - |
| Recognised in profit or loss (Note 11) | (875,573) | 822,665 |
| Exchange differences | 27,456 | 25,452 |
| At 31 December | - | 848,117 |

The net deferred tax assets and liabilities shown on the statements of the financial position after appropriate offsetting are as follows:

| | Group | |
|--------------------------|--------------|-------------|
| | 2014 | 2013 |
| | RM | RM |
| Deferred tax assets | - | 1,100,522 |
| Deferred tax liabilities | - | (252,405) |
| | - | 848,117 |

The components and movements of the deferred tax assets and liabilities are as follows:

Deferred tax assets of the Group:

| | Unabsorbed tax losses | | Accelerated capital allowance | |
|---------------------------------|----------------------------------|-------------|--|-------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| At 1 January | 1,100,522 | - | 252,405 | - |
| Recognised in profit or loss | (1,136,149) | 1,100,522 | (260,576) | 252,405 |
| Exchange differences | 35,627 | - | 8,171 | - |
| At 31 December | - | 1,100,522 | - | 252,405 |

Industronics Berhad
(Incorporated in Malaysia)

18. Deferred tax assets/liabilities (continued)

(b) Deferred tax liabilities

| | Group | | Company | |
|--|------------------|------------------|----------------|------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| At 1 January | 1,914,289 | 943,754 | 1,064,488 | 406,763 |
| Recognised in profit or loss (Note 11) | - | (99,360) | - | (14,263) |
| Recognised in other comprehensive income | (761,305) | 1,069,895 | (604,588) | 671,988 |
| At 31 December | <u>1,152,984</u> | <u>1,914,289</u> | <u>459,900</u> | <u>1,064,488</u> |

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

| | Group | | Company | |
|------------------------|------------------|------------------|----------------|------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Deferred tax assets | (393,821) | (393,821) | - | - |
| Deferred tax liability | <u>1,546,805</u> | <u>2,308,110</u> | <u>459,900</u> | <u>1,064,488</u> |
| | <u>1,152,984</u> | <u>1,914,289</u> | <u>459,900</u> | <u>1,064,488</u> |

Deferred tax liabilities of the Group:

| | Accelerated capital allowances | Revaluation surplus of land and buildings | Total |
|--|---------------------------------------|--|------------------|
| | RM | RM | RM |
| At 1 January 2014 | 514,053 | 1,794,057 | 2,308,110 |
| Recognised in profit or loss | - | - | - |
| Recognised in other comprehensive income | - | (761,305) | (761,305) |
| At 31 December 2014 | <u>514,053</u> | <u>1,032,752</u> | <u>1,546,805</u> |
| At 1 January 2013 | 514,053 | 823,522 | 1,337,575 |
| Recognised in profit or loss | - | (99,360) | (99,360) |
| Recognised in other comprehensive income | - | 1,069,895 | 1,069,895 |
| At 31 December 2013 | <u>514,053</u> | <u>1,794,057</u> | <u>2,308,110</u> |

Industronics Berhad
(Incorporated in Malaysia)

18. Deferred tax assets/liabilities (continued)

(b) Deferred tax liabilities (continued)

Deferred tax assets of the Group:

| | Unused tax losses and unabsorbed capital allowances RM | Provisions RM | Total RM |
|-------------------------------|---|--------------------------|---------------------|
| At 1 January/31 December 2014 | <u>(49,835)</u> | <u>(343,986)</u> | <u>(393,821)</u> |
| At 1 January/31 December 2013 | <u>(49,835)</u> | <u>(343,986)</u> | <u>(393,821)</u> |

Deferred tax liabilities of the Company:

| | Revaluation surplus of land and building RM |
|--|--|
| At 1 January 2014 | 1,064,488 |
| Recognised in profit or loss | - |
| Recognised in other comprehensive income | <u>(604,588)</u> |
| At 31 December 2014 | <u>459,900</u> |
| At 1 January 2013 | 406,763 |
| Recognised in profit or loss | (14,263) |
| Recognised in other comprehensive income | <u>671,988</u> |
| At 31 December 2013 | <u>1,064,488</u> |

Deferred tax assets have not been recognised in respect of the following items:

| | Group | | Company | |
|------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2014 RM | 2013 RM | 2014 RM | 2013 RM |
| Unutilised tax losses | 28,934,663 | 16,033,117 | 8,016,136 | 8,491,775 |
| Unabsorbed capital allowance | 764,430 | 3,327,034 | 517,117 | 493,253 |
| Other deductible differences | <u>3,632,285</u> | <u>5,281,895</u> | <u>23,082,913</u> | <u>2,942,315</u> |
| | <u>33,331,378</u> | <u>24,642,046</u> | <u>31,616,166</u> | <u>11,927,343</u> |

The availability of the unused tax losses for offsetting against future taxable profits of the respective subsidiaries is subject to no substantial changes in shareholdings of those subsidiaries under the Income Tax Act, 1967 and guidelines issued by the tax authority.

Industronics Berhad
(Incorporated in Malaysia)

19. Inventories

| | Group | | Company | |
|-----------------------------|------------------|------------------|------------------|------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Cost | | | | |
| Finished goods | 3,706,819 | 696,136 | 4,474 | 466,673 |
| Raw materials | 316,350 | 385,100 | - | - |
| Work-in-progress | 466,247 | 342,856 | 219,727 | 242,861 |
| | <u>4,489,416</u> | <u>1,424,092</u> | <u>224,201</u> | <u>709,534</u> |
| Net realisable value | | | | |
| Finished goods | 821,656 | 414,872 | - | - |
| Raw materials | 960,251 | 1,564,273 | 955,984 | 1,560,006 |
| | <u>1,781,907</u> | <u>1,979,145</u> | <u>955,984</u> | <u>1,560,006</u> |
| | <u>6,271,323</u> | <u>3,403,237</u> | <u>1,180,185</u> | <u>2,269,540</u> |

During the year, the amount of inventories recognised as an expense in cost of sales of the Group and of the Company were RM7,951,142 (2013: RM10,538,148) and RM8,084,876 (2013: RM5,828,167) respectively.

20. Trade and other receivables

| | Group | | Company | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Trade receivables | | | | |
| Third parties | 6,094,140 | 7,165,871 | 4,214,830 | 5,066,262 |
| Retention sum (Note 21) | 2,943,556 | 5,831,167 | 1,296,822 | 3,195,231 |
| | <u>9,037,696</u> | <u>12,997,038</u> | <u>5,511,652</u> | <u>8,261,493</u> |
| Less: Allowance for doubtful debts | <u>(3,007,917)</u> | <u>(2,802,292)</u> | <u>(2,156,165)</u> | <u>(2,164,425)</u> |
| Trade receivables, net | <u>6,029,779</u> | <u>10,194,746</u> | <u>3,355,487</u> | <u>6,097,068</u> |
| Other receivables | | | | |
| Other receivables | 8,891,242 | 509,110 | 7,640,940 | 473,377 |
| Less: Allowance for doubtful debts | <u>(35,633)</u> | <u>(35,633)</u> | <u>(35,633)</u> | <u>(35,633)</u> |
| Other receivables, net | <u>8,855,609</u> | <u>473,477</u> | <u>7,605,307</u> | <u>437,744</u> |
| Deposits | 14,283,835 | 361,066 | 7,223,972 | 163,489 |
| Prepayments | 162,844 | 171,391 | 67,443 | 79,655 |
| | <u>23,302,287</u> | <u>1,005,934</u> | <u>14,896,722</u> | <u>680,888</u> |
| Total trade and other receivables | <u>29,332,067</u> | <u>11,200,680</u> | <u>18,252,209</u> | <u>6,777,956</u> |

Trade receivables are generally on 30 to 90 day (2013: 30 to 90 day) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Industronics Berhad
(Incorporated in Malaysia)

20. Trade and other receivables (continued)

(a) Trade receivables

Ageing analysis of trade receivables for the financial year ended are as follow:

| | Group | | Company | |
|--|------------------|-------------------|------------------|------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Neither past due nor impaired | 1,983,425 | 2,858,001 | 1,282,815 | 2,571,888 |
| 1 to 3 months past due but not impaired | 733,884 | 1,418,298 | 505,431 | 835,938 |
| 4 to 6 months past due but not impaired | 388,937 | 1,538,487 | 351,193 | 99,621 |
| 7 to 12 months past due but not impaired | 571,234 | 368,371 | 536,322 | 69,226 |
| More than 12 months past due but no impaired | 2,352,299 | 4,011,589 | 679,726 | 2,520,395 |
| | <u>4,046,354</u> | <u>7,336,745</u> | <u>2,072,672</u> | <u>3,525,180</u> |
| | 6,029,779 | 10,194,746 | 3,355,487 | 6,097,068 |
| Impaired | <u>3,007,917</u> | <u>2,802,292</u> | <u>2,156,165</u> | <u>2,164,425</u> |
| | <u>9,037,696</u> | <u>12,997,038</u> | <u>5,511,652</u> | <u>8,261,493</u> |

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are credit worthy debtors with good payment record with the Group.

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

Receivables that are past due but not impaired

The Group and the Company have trade receivables amounting to RM4,046,354 (2013: RM7,336,745) and RM2,072,672 (2013: RM3,525,180) respectively that are past due at the reporting date but not impaired.

In assessing the recoverability of these debts, the directors have given due consideration to all pertinent information relating to the ability of these debtors to settle their debts. Aside from allowances for doubtful debts made above, the directors have assessed the remaining amounts that are past due but not impaired to be fully recoverable, notwithstanding that these debts have exceeded the terms granted. Accordingly, no further provision has been made in respect of these amounts.

Industronics Berhad
(Incorporated in Malaysia)

20. Trade and other receivables (continued)

(a) Trade receivables (continued)

Receivables that are impaired

The Group's trade and other receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

Movement in impairment on trade receivables' are as follows:

| | Group | | Company | |
|-------------------------------|------------------|------------------|------------------|------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| At 1 January | 2,802,292 | 3,781,177 | 2,164,425 | 2,264,425 |
| Charge for the year | 213,885 | 253,320 | - | - |
| Written off | (8,260) | (111,451) | (8,260) | - |
| Reversal of impairment losses | - | (1,068,906) | - | (100,000) |
| Subsidiaries disposed off | - | (51,848) | - | - |
| Exchange differences | - | - | - | - |
| At 31 December | <u>3,007,917</u> | <u>2,802,292</u> | <u>2,156,165</u> | <u>2,164,425</u> |

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

Credit risk

The Group's and the Company's primary exposure to credit risk arises through their trade receivables. The Group and the Company seek to maintain strict control over its outstanding receivables and have a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest bearing.

In determining the recoverability of a contract and trade receivables, the Group and the Company consider any change in the credit quality of the contract and trade receivables from the date the credit was initially granted up to the reporting date. At the reporting date, management has taken the current market conditions into account when assessing the credit quality of contract and trade receivables. The project directors also hold regular meetings with contract customers to renegotiate payment terms and to ensure the credit-worthiness of the ultimate end-users.

Other information on financial risks of other receivables are disclosed in Note 35(a).

Industronics Berhad
(Incorporated in Malaysia)

20. Trade and other receivables (continued)

(b) Other receivables

Movement in impairment of other receivables are as follows:

| | Group | | Company | |
|-------------------------------|---------------|---------------|----------------|---------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| At 1 January | 35,633 | 137,425 | 35,633 | 122,459 |
| Charge for the year | - | - | - | - |
| Written off | - | (91,792) | - | (76,826) |
| Reversal of impairment losses | - | (10,000) | - | (10,000) |
| At 31 December | <u>35,633</u> | <u>35,633</u> | <u>35,633</u> | <u>35,633</u> |

21. Amount due from/(to) customers on contracts

| | Group | | Company | |
|--|---------------------|---------------------|---------------------|---------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Contract costs incurred to date | 27,233,035 | 47,615,365 | 23,233,628 | 21,053,694 |
| Attributable profits | <u>5,250,291</u> | <u>10,812,075</u> | <u>7,438,944</u> | <u>7,100,974</u> |
| | 32,483,326 | 58,427,440 | 30,672,572 | 28,154,668 |
| Less: Progress billings | <u>(31,874,847)</u> | <u>(51,093,218)</u> | <u>(29,676,659)</u> | <u>(24,896,242)</u> |
| | <u>608,479</u> | <u>7,334,222</u> | <u>995,913</u> | <u>3,258,426</u> |
| Presented as: | | | | |
| Amount due from customers on contract | 1,541,064 | 8,230,053 | 1,541,064 | 4,154,052 |
| Amount due to customers on contract | <u>(932,585)</u> | <u>(895,831)</u> | <u>(545,151)</u> | <u>(895,626)</u> |
| | <u>608,479</u> | <u>7,334,222</u> | <u>995,913</u> | <u>3,258,426</u> |
| Retention sum on contract, included within trade receivables (Note 20) | <u>2,943,556</u> | <u>5,831,167</u> | <u>1,296,822</u> | <u>3,195,231</u> |

Industronics Berhad
(Incorporated in Malaysia)

22. Amount due from/(to) subsidiaries

| | Company | |
|-------------------------------|--------------------|--------------------|
| | 2014 | 2013 |
| | RM | RM |
| Amount due from subsidiaries | 29,058,706 | 10,632,852 |
| Less: Accumulated impairments | (24,035,657) | (3,895,059) |
| | <u>5,023,049</u> | <u>6,737,793</u> |
| Amount due to subsidiaries | <u>(6,055,890)</u> | <u>(1,825,521)</u> |

Movement in impairment on amount due from subsidiaries are as follows:

| | Company | |
|---|-------------------|------------------|
| | 2014 | 2013 |
| | RM | RM |
| At 1 January | 3,895,059 | 9,028,238 |
| Impairment make during the financial year | 20,140,598 | - |
| Disposal of subsidiaries | - | (5,133,179) |
| At 31 December | <u>24,035,657</u> | <u>3,895,059</u> |

The normal trade credit term given to trade amount ranges from 60 to 90 days (2013: 60 to 90 days).

The non-trade amount is non-interest bearing, unsecured and repayable on demand.

Further details on related party transactions are disclosed in Note 32.

23. Cash and bank balances

| | Group | | Company | |
|----------------------------------|------------------|-------------------|------------------|-------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Cash on hand and at banks | 6,429,417 | 16,015,376 | 3,811,643 | 13,198,970 |
| Fixed deposit with licensed bank | <u>14,383</u> | <u>11,529,102</u> | <u>-</u> | <u>9,500,000</u> |
| Total cash and bank balances | <u>6,443,800</u> | <u>27,544,478</u> | <u>3,811,643</u> | <u>22,698,970</u> |

The range of effective interest rates and maturities of deposits at the reporting date were as follows:

| | Group | | Company | |
|------------------------------|--------------|----------------|----------------|--------------|
| | 2014 | 2013 | 2014 | 2013 |
| Effective interest rates (%) | 0.50 | 0.50 to 2.95 | - | 0.50 to 2.95 |
| Maturities (months) | <u>2</u> | <u>1 to 14</u> | <u>-</u> | <u>1</u> |

Industronics Berhad
(Incorporated in Malaysia)

24. Share capital and treasury shares

| | -----Group/Company----- | | | |
|--|---|------|------------------|------------|
| | Number of ordinary shares of RM0.50 each | | -----Amount----- | |
| | 2014 | 2013 | 2014 RM | 2013 RM |

Authorised share capital

| | | | | |
|--------------------------|-------------|-------------|-------------|-------------|
| At 1 January/31 December | 200,000,000 | 200,000,000 | 100,000,000 | 100,000,000 |
|--------------------------|-------------|-------------|-------------|-------------|

| | -----Group/Company----- | | | |
|---------------------------|---|-----------------------------|--|--------------------------|
| | Number of ordinary share of RM0.50 each | | -----Amount----- | |
| | Share capital (issued and fully paid) Units | Treasury shares Units | Share capital (issued and fully paid) RM | Treasury shares RM |
| At 1 January 2014 | 100,672,900 | - | 50,336,450 | - |
| Exercise of SIS (Note 25) | 2,089,900 | - | 1,044,950 | - |
| At 31 December 2014 | 102,762,800 | - | 51,381,400 | - |
| At 1 January 2013 | 95,263,000 | (1,131,000) | 47,631,500 | (545,154) |
| Exercise of SIS (Note 25) | 5,409,900 | - | 2,704,950 | - |
| Sale of treasury shares | - | 1,131,000 | - | 545,154 |
| At 31 December 2013 | 100,672,900 | - | 50,336,450 | - |

(a) Share capital

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(b) Treasury shares

There was no acquisition or disposal of treasury shares during the financial year.

25. Industronics Berhad Share Issuance Scheme

The Company SIS was approved by the shareholders at the Extraordinary General Meeting held on 26 June 2013 and become effective on 12 November 2013. The scheme shall be in force for a period of three years from 12 November 2013.

The principal features of the SIS are as follows:

- (i) The total number of shares offered under the scheme shall not exceed 15% of the total issued and paid up share capital of the Company excluding treasury shares at any one time during the duration of the scheme.

Industronics Berhad
(Incorporated in Malaysia)

25. Industronics Berhad Share Issuance Scheme (continued)

The principal features of the SIS are as follows: (continued)

- (ii) The aggregate number of SIS options that may be offered to the eligible persons shall be determined at the sole and absolute discretion of the option committee.
- (iii) The eligible persons are directors or employee of any company in the Group excluding dormant subsidiaries. For employee, he/she must attain 18 years old, employed full time and has been confirmed. For director, the director must attain 18 years old, his/her name is in the register of directors and the allocation of new shares must have been approved by the shareholders in a general meeting. Subject to the By-laws, there are no performance target to be achieved by the grantee before the SIS options can be exercised.
- (iv) All the new ordinary shares issued arising from the SIS shall rank pari-passu in all respect with the existing ordinary shares of the Company.

The fair value of services received in return for share options granted during the financial year is based on the fair value of share options granted, estimated by the management using Black-Scholes-Merton model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured at grant date and the assumptions are as follows:

| | First grant | Second grant |
|---------------------------------------|-------------|--------------|
| Fair value at grant date (RM) | 0.82 | 0.62 |
| Weighted average share price (RM) | 0.65 | 0.64 |
| Weighted average exercises price (RM) | 0.565 | 0.572 |
| Weighted average volatility | 16.69% | 16.15% |
| Expected weighted average option life | 3 years | 3 years |
| Expected dividends | - | - |
| Risk-free interest rate | 3.55% | 3.46% |

Movements in the number of share options outstanding and their related weighted average exercise prices ("WAEP") are as follows:

| | At 1 January | Granted | Exercised (Note 24) | At 31 December | Exercisable at 31 December |
|--------------|------------------|-------------------|------------------------|-------------------|-------------------------------|
| 2014 | | | | | |
| First grant | 4,590,100 | - | 2,089,900 | 2,500,200 | 2,500,200 |
| Second grant | 4,119,800 | - | - | 4,119,800 | 4,119,800 |
| | <u>8,709,900</u> | <u>-</u> | <u>2,089,900</u> | <u>6,620,000</u> | <u>6,620,000</u> |
| WAEP | <u>0.57</u> | <u>-</u> | <u>0.57</u> | <u>0.57</u> | <u>0.57</u> |
| 2013 | | | | | |
| First grant | - | 10,000,000 | 5,409,900 | 4,590,100 | 4,590,100 |
| Second grant | - | 4,119,800 | - | 4,119,800 | 4,119,800 |
| | <u>-</u> | <u>14,119,800</u> | <u>5,409,900</u> | <u>8,709,900</u> | <u>8,709,900</u> |
| WAEP | <u>-</u> | <u>0.57</u> | <u>0.57</u> | <u>0.57</u> | <u>0.57</u> |

Industronics Berhad
(Incorporated in Malaysia)

26. Reserves

| | Group | | Company | |
|---|---------------------|--------------------|---------------------|--------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Non-distributable | | | | |
| Share premium (Note a) | 1,253,054 | 946,674 | 1,253,054 | 946,674 |
| Foreign currency translation reserve (Note b) | 952,281 | (64,312) | - | - |
| Revaluation reserves (Note c) | 4,398,276 | 11,220,043 | 2,834,754 | 8,540,690 |
| Share issuance scheme reserve (note d) | 458,620 | 629,156 | 458,620 | 629,156 |
| Fair value adjustment reserve (Note e) | 74,806 | 2,938,533 | 74,806 | 2,938,533 |
| | <u>7,137,037</u> | <u>15,670,094</u> | <u>4,621,234</u> | <u>13,055,053</u> |
| Accumulated losses | <u>(14,897,445)</u> | <u>(4,051,422)</u> | <u>(27,424,019)</u> | <u>(6,017,762)</u> |
| | <u>(7,760,408)</u> | <u>11,618,672</u> | <u>(22,802,785)</u> | <u>7,037,291</u> |

(a) Share premium

| | Group | | Company | |
|-----------------------------|------------------|----------------|------------------|----------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| At 1 January | 946,674 | 732 | 946,674 | 732 |
| Exercise of SIS options | 306,380 | 793,091 | 306,380 | 793,091 |
| Disposal of treasury shares | - | 152,851 | - | 152,851 |
| At 31 December | <u>1,253,054</u> | <u>946,674</u> | <u>1,253,054</u> | <u>946,674</u> |

(b) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

(c) Revaluation reserves

| | Group | | Company | |
|----------------------------|--------------------|-------------------|--------------------|------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| At 1 January | 11,220,043 | 2,889,122 | 8,540,690 | 2,219,069 |
| (Reversal)/Additions | (700,000) | 9,045,507 | (700,000) | 6,423,962 |
| Realisation of revaluation | <u>(6,121,767)</u> | <u>(714,586)</u> | <u>(5,005,936)</u> | <u>(102,341)</u> |
| At 31 December | <u>4,398,276</u> | <u>11,220,043</u> | <u>2,834,754</u> | <u>8,540,690</u> |

Revaluation reserves comprise the cumulative changes, net of tax effects, arising from the revaluation of freehold and leasehold land and buildings which are not distributable.

Industronics Berhad
(Incorporated in Malaysia)

26. Reserves (continued)

(d) Share issuance scheme reserve

| | Group/Company | |
|------------------------------|----------------------|----------------|
| | 2014 | 2013 |
| | RM | RM |
| At 1 January | 629,156 | - |
| Share based payment expenses | - | 1,070,604 |
| Exercise of SIS options | (170,536) | (441,448) |
| At 31 December | <u>458,620</u> | <u>629,156</u> |

Share issuance scheme reserve represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded on the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

(e) Fair value adjustment reserve

Fair value adjustment reserve represents the cumulative fair value changes in the fair value of available-for-sale financial assets until they are disposed or impaired.

27. Borrowings

| | Group | | Company | |
|--|------------------|------------------|----------------|----------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Current | | | | |
| Secured: | | | | |
| Term loans | - | 16,688 | - | - |
| Hire purchase liabilities (Note 28) | <u>265,343</u> | <u>151,459</u> | <u>42,266</u> | <u>79,677</u> |
| | <u>265,343</u> | <u>168,147</u> | <u>42,266</u> | <u>79,677</u> |
| Unsecured: | | | | |
| Bank overdrafts | 1,070,431 | 1,160,899 | - | 106,284 |
| Bankers acceptances | <u>-</u> | <u>984,000</u> | <u>-</u> | <u>-</u> |
| | <u>1,070,431</u> | <u>2,144,899</u> | <u>-</u> | <u>106,284</u> |
| | <u>1,335,774</u> | <u>2,313,046</u> | <u>42,266</u> | <u>185,961</u> |
| Non-current | | | | |
| Secured: | | | | |
| Term loans | - | 165,807 | - | - |
| Hire purchase liabilities (Note 28) | <u>300,728</u> | <u>137,919</u> | <u>27,589</u> | <u>34,964</u> |
| | <u>300,728</u> | <u>303,726</u> | <u>27,589</u> | <u>34,964</u> |

Industronics Berhad
(Incorporated in Malaysia)

27. Borrowings (continued)

| | Group | | Company | |
|--|------------------|------------------|----------------|----------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Total borrowings | | | | |
| Bank overdrafts | 1,070,431 | 1,160,899 | - | 106,284 |
| Bankers acceptances | - | 984,000 | - | - |
| Term loans | - | 182,495 | - | - |
| Hire purchase liabilities (Note 28) | 566,071 | 289,378 | 69,855 | 114,641 |
| | <u>1,636,502</u> | <u>2,616,772</u> | <u>69,855</u> | <u>220,925</u> |

The borrowings of the Group and of the Company are denominated in RM.

The maturity periods for these borrowings were as follows:

| | Group | | Company | |
|---------------------------|--------------------|--------------------|----------------|--------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Bank overdrafts | On demand | On demand | On demand | On demand |
| Bankers acceptances | Within 1 year | Within 1 year | Within 1 year | Within 1 year |
| Term loans | - | 2024 | - | - |
| Hire purchase liabilities | <u>2015 - 2017</u> | <u>2014 - 2016</u> | <u>2015</u> | <u>2014 - 2015</u> |

The range of effective interest rates during the financial year for these borrowings, excluding hire purchase payables, were as follows:

| | | Group | | Company | |
|---------------------|---------------------|--------------|------------------|----------------|--------------|
| | Type of rate | 2014 | 2013 | 2014 | 2013 |
| | | % | % | % | % |
| Bank overdrafts | Floating | 8.10 - 8.60 | 8.10 - 8.60 | 8.10 - 8.35 | 8.10 - 8.35 |
| Bankers acceptances | Floating | 4.25 - 4.70 | 4.25 - 4.70 | 4.27 to 4.70 | 4.27 to 4.70 |
| Term loans | Floating | <u>-</u> | <u>BFR - 1.9</u> | <u>-</u> | <u>-</u> |

Borrowings

The secured borrowings of the Group are pledged against a freehold land and building of the Group at a carrying amount of RM 11,513,400 (2013: RM8,900,000) as disclosed in Note 13(d).

Industronics Berhad
(Incorporated in Malaysia)

27. Borrowings (continued)

Maturity of the term loans are as follows:

| | Group | |
|---|--------------|----------------|
| | 2014 | 2013 |
| | RM | RM |
| Analysis of maturity period of term loans: | | |
| Not later than 1 year | - | 16,688 |
| Later than 1 year but not later than 2 years | - | 17,489 |
| Later than 2 years but not later than 5 years | - | 57,671 |
| 5 years and more | - | 90,647 |
| | <u>-</u> | <u>182,495</u> |
| Less: Amount due within 12 months | - | (16,688) |
| Amount due after 12 months | <u>-</u> | <u>165,807</u> |

Other information on financial risk of borrowings are disclosed in Note 34.

28. Hire purchase/finance lease liabilities

| | Group | | Company | |
|--|------------------|------------------|-----------------|-----------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Future minimum lease payments: | | | | |
| Not later than 1 year | 290,752 | 165,166 | 45,127 | 84,634 |
| Later than 1 year and not later than 2 years | 201,343 | 116,239 | 9,420 | 35,707 |
| Later than 2 years and not later than 5 years | <u>112,753</u> | <u>26,830</u> | <u>21,195</u> | <u>-</u> |
| Total minimum future lease payments | 604,848 | 308,235 | 75,742 | 120,341 |
| Less: Future finance charges | <u>(38,777)</u> | <u>(18,857)</u> | <u>(5,887)</u> | <u>(5,700)</u> |
| Present value of finance lease liabilities (Note 27) | <u>566,071</u> | <u>289,378</u> | <u>69,855</u> | <u>114,641</u> |
| Analysis of present value of finance lease liabilities: | | | | |
| Not later than 1 year | 265,343 | 151,459 | 42,266 | 79,677 |
| Later than 1 year and not later than 2 years | 190,507 | 111,414 | 7,860 | 34,964 |
| Later than 2 years and not later than 5 years | <u>110,221</u> | <u>26,505</u> | <u>19,729</u> | <u>-</u> |
| Present value of finance lease liabilities | 566,071 | 289,378 | 69,855 | 114,641 |
| Less: Amount due within 12 months (Note 27) | <u>(265,343)</u> | <u>(151,459)</u> | <u>(42,266)</u> | <u>(79,677)</u> |
| Amount due after 12 months (Note 27) | <u>300,728</u> | <u>137,919</u> | <u>27,589</u> | <u>34,964</u> |

These obligations are secured by a charge over the lease assets. The average discount rate implicit in the leases is 3.19% per annum (2013: 3.37% per annum).

Industronics Berhad
(Incorporated in Malaysia)

29. Trade and other payables

| | Group | | Company | |
|---------------------------------|------------------|-------------------|------------------|------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Trade payables | | | | |
| Third parties | 1,337,931 | 3,232,629 | 601,937 | 1,034,967 |
| Other payables | | | | |
| Deposits | - | 5,730 | - | - |
| Accruals | 4,345,246 | 8,110,112 | 3,379,064 | 5,794,971 |
| Sundry payables | 934,252 | 1,461,016 | 98,124 | 665,247 |
| Real property gain tax payables | 361,797 | - | 361,797 | - |
| | <u>5,641,295</u> | <u>9,576,858</u> | <u>3,838,985</u> | <u>6,460,218</u> |
| Total trade and other payables | <u>6,979,226</u> | <u>12,809,487</u> | <u>4,440,922</u> | <u>7,495,185</u> |

The normal trade credit terms granted to the Group ranges from 60 to 90 days (2013: 60 to 90 days).

30. Operating lease commitments

Operating lease payments represent rentals payable by the Group and the Company for use of office buildings and warehouse.

The future aggregate minimum lease payments under non-cancellable operating leases contracted for as at the reporting date but not recognised as liabilities, are as follows:

| | Group | | Company | |
|--|------------------|----------------|----------------|-------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Future minimum rental payments: | | | | |
| Not later than 1 year | 1,262,434 | 569,588 | 13,800 | - |
| Later than 1 year and not later than 5 years | <u>1,832,642</u> | <u>164,200</u> | <u>-</u> | <u>-</u> |
| | <u>3,095,076</u> | <u>733,788</u> | <u>13,800</u> | <u>-</u> |

31. Contingent liabilities

| | Group | | Company | |
|---|--------------|-------------|------------------|------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Unsecured | | | | |
| Potential liquidated ascertained damages chargeable by customers | 260,212 | 510,212 | - | 250,000 |
| Corporate guarantees given to the license banks for credit facility granted to subsidiary company - unsecured | <u>-</u> | <u>-</u> | <u>5,000,000</u> | <u>5,000,000</u> |

Industronics Berhad
(Incorporated in Malaysia)

32. Related party disclosures

In addition to the related party information disclosed in Note 22, the significant related party transactions of the Group and the Company are as follows:

(a) Group

| | 2014 | 2013 |
|---|------------------|------------------|
| | RM | RM |
| Sales to an entity connected with a director of a subsidiary of the Group | <u>2,376,466</u> | <u>8,553,235</u> |

Outstanding balance arising from the above transactions with related party as at 31 December 2014 is as follows:

| | 2014 | 2013 |
|---|------------------|------------------|
| | RM | RM |
| Sales to an entity connected with a director of a subsidiary of the Group | <u>1,291,711</u> | <u>2,264,880</u> |

(b) Company

| | 2014 | 2013 |
|--|---------------|----------------|
| | RM | RM |
| Sales to subsidiaries | 2,804,455 | 910,432 |
| Purchases from subsidiaries | (1,513,251) | (1,774,770) |
| Management fee receivable from a subsidiary | 36,000 | 36,000 |
| Secretarial fee receivable from subsidiaries | - | 5,700 |
| Loan to subsidiaries | (18,207,524) | (7,016,000) |
| Interest income from a subsidiary | 25,798 | 25,798 |
| Recharge of costs from a subsidiary | (3,296,740) | (1,083,533) |
| Rental income from subsidiaries | <u>48,000</u> | <u>108,000</u> |

Industronics Berhad
(Incorporated in Malaysia)

32. Related party disclosures (continued)

(c) Remuneration package of key management personnel

The remuneration package of the directors and other member of key management personnel during the year is as follows:

| | Group | | Company | |
|------------------------------|------------------|------------------|----------------|------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Short-term employee benefits | 5,391,429 | 4,625,270 | 841,980 | 1,726,980 |
| Defined contribution plan | 238,898 | 374,836 | 76,560 | 204,150 |
| | <u>5,630,327</u> | <u>5,000,106</u> | <u>918,540</u> | <u>1,931,130</u> |

Included in the total key management personnel are:

| | Group | | Company | |
|-----------------------------------|------------------|------------------|----------------|----------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Directors' remuneration (Note 10) | <u>1,549,934</u> | <u>2,342,592</u> | <u>194,839</u> | <u>104,060</u> |

33. Financial instruments

The carrying amounts of all financial assets and liabilities are a reasonable approximation of their fair values, except for the following:

(a) Fair values

In addition to information disclosed elsewhere in the financial statements, the carrying amounts of financial assets and liabilities of the Group and of the Company at the reporting date approximated their fair values except for the following

| | Note | Group | | Company | |
|-------------------------------|-------------|------------------------|-------------------|------------------------|-------------------|
| | | Carrying amount | Fair value | Carrying amount | Fair value |
| | | RM | RM | RM | RM |
| At 31 December 2014 | | | | | |
| Financial liabilities: | | | | | |
| Hire purchase liabilities | 27 | <u>604,848</u> | <u>566,071</u> | <u>75,742</u> | <u>69,855</u> |

Industronics Berhad
(Incorporated in Malaysia)

33. Financial instruments (continued)

(a) Fair values (continued)

| | | Group | | Company | |
|-------------------------------|------|--------------------------|---------------------|--------------------------|---------------------|
| | Note | Carrying amount RM | Fair value RM | Carrying amount RM | Fair value RM |
| At 31 December 2013 | | | | | |
| Financial liabilities: | | | | | |
| Hire purchase liabilities | 27 | 308,235 | 289,378 | 120,341 | 114,641 |

The following methods and assumptions used by management to determine fair values of the following classes of financial instruments:

(i) Cash and cash equivalents, receivables/payables and current borrowings and floating rate term loans

The carrying amounts of these financial assets and liabilities are approximate fair values due to the relatively short term maturity of these financial instruments. The discounted amounts are not material. The carrying amounts of non-current term loans are reasonable approximate of fair value as they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

(ii) Amount owing from/(to) subsidiaries

The carrying amounts of amount owing from/(to) subsidiaries approximate their fair values due to the short-term nature of the repayment terms.

(b) Categories of financial instruments

| | Loan and receivables RM | Available-for- sales financial assets RM | Other financial liabilities RM | Total RM |
|--------------------------------|-------------------------------|---|---|-------------------|
| Group | | | | |
| Financial assets | | | | |
| 2014 | | | | |
| Other investments | - | 1,034,231 | - | 1,034,231 |
| Trade and other receivables | 29,332,067 | - | - | 29,332,067 |
| Cash and bank balances | 6,443,800 | - | - | 6,443,800 |
| | <u>35,775,867</u> | <u>1,034,231</u> | <u>-</u> | <u>36,810,098</u> |

Industronics Berhad
(Incorporated in Malaysia)

33. Financial instruments (continued)

(b) Categories of financial instruments (continued)

| | Loan and receivables RM | Available-for- sales financial assets RM | Other financial liabilities RM | Total RM |
|--|--|---|---|---------------------|
| Group | | | | |
| 2013 | | | | |
| Other investments | - | 6,931,246 | - | 6,931,246 |
| Trade and other receivables | 11,200,680 | - | - | 11,200,680 |
| Cash and bank balances | 27,544,478 | - | - | 27,544,478 |
| | <u>38,745,158</u> | <u>6,931,246</u> | <u>-</u> | <u>45,676,404</u> |
| Financial Liabilities | | | | |
| 2014 | | | | |
| Trade and other payables | - | - | 6,979,226 | 6,979,226 |
| Provisions for maintenance warranty | - | - | 130,211 | 130,211 |
| Borrowings | - | - | 1,636,502 | 1,636,502 |
| | <u>-</u> | <u>-</u> | <u>8,745,939</u> | <u>8,745,939</u> |
| 2013 | | | | |
| Trade and other payables | - | - | 12,809,487 | 12,809,487 |
| Provisions for maintenance warranty | - | - | 114,175 | 114,175 |
| Borrowings | - | - | 2,616,772 | 2,616,772 |
| | <u>-</u> | <u>-</u> | <u>15,540,434</u> | <u>15,540,434</u> |
| Company | | | | |
| 2014 | | | | |
| Other investments | - | 1,034,231 | - | 1,034,231 |
| Trade and other receivables | 18,252,209 | - | - | 18,252,209 |
| Amount due by subsidiaries | 5,023,049 | - | - | 5,023,049 |
| Cash and bank balances | 3,811,644 | - | - | 3,811,644 |
| | <u>27,086,902</u> | <u>1,034,231</u> | <u>-</u> | <u>28,121,133</u> |
| 2013 | | | | |
| Other investments | - | 6,931,246 | - | 6,931,246 |
| Trade and other receivables | 6,777,956 | - | - | 6,777,956 |
| Amount due by subsidiaries | 6,737,793 | - | - | 6,737,793 |
| Cash and bank balances | 22,698,970 | - | - | 22,698,970 |
| | <u>36,214,719</u> | <u>6,931,246</u> | <u>-</u> | <u>43,145,965</u> |

Industronics Berhad
(Incorporated in Malaysia)

33. Financial instruments (continued)

(b) Categories of financial instruments (continued)

| | Loan and receivables RM | Available-for- sales financial assets RM | Other financial liabilities RM | Total RM |
|--------------------------------------|--|---|---|---------------------|
| Company | | | | |
| Financial liabilities | | | | |
| 2014 | | | | |
| Trade and other payables | - | - | 4,440,922 | 4,440,922 |
| Provisions for maintenance warranty | - | - | 94,123 | 94,123 |
| Borrowings | - | - | 69,855 | 69,855 |
| Amount owing to subsidiaries company | - | - | 6,055,890 | 6,055,890 |
| | - | - | 10,660,790 | 10,660,790 |
| 2013 | | | | |
| Trade and other payables | - | - | 7,495,185 | 7,495,185 |
| Provisions for maintenance warranty | - | - | 78,087 | 78,087 |
| Borrowings | - | - | 220,925 | 220,925 |
| Amount owing to subsidiaries company | - | - | 1,825,521 | 1,825,521 |
| | - | - | 9,619,718 | 9,619,718 |

The fair value measurement hierarchies used to measure financial instruments at fair value in the statements of financial position are as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: 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: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Industronics Berhad
(Incorporated in Malaysia)

33. Financial instruments (continued)

(b) Categories of financial instruments (continued)

| | Group/Company | | | |
|---------------------------------------|----------------------|----------------|----------------|------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| | RM | RM | RM | RM |
| Financial assets | | | | |
| 2014 | | | | |
| Quoted shares | 945,231 | - | - | 945,231 |
| Transferable memberships in golf club | - | - | 89,000 | 89,000 |
| | <u>945,231</u> | <u>-</u> | <u>89,000</u> | <u>1,034,231</u> |
| 2013 | | | | |
| Quoted shares | 6,814,246 | - | - | 6,814,246 |
| Transferable memberships in golf club | - | - | 117,000 | 117,000 |
| | <u>6,814,246</u> | <u>-</u> | <u>117,000</u> | <u>6,931,246</u> |

34. Financial risk management objectives and policies

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

(a) Credit risk

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

The Group's objectives is to seek continual revenue growth while minimising losses incurred due to increase credit risk exposure. The Group trade only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Industronics Berhad
(Incorporated in Malaysia)

34. Financial risk management objectives and policies (continued)

(a) Credit risk (continued)

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 20(a).

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the business segment of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's and the Company's trade receivables at the end of the reporting period is as follows:

| | 2014 | | 2013 | |
|---|------------------|-------------------|-------------------|-------------------|
| | RM | % of total | RM | % of total |
| By business segments: | | | | |
| Electronics and system integration | 3,425,399 | 57% | 6,133,555 | 60% |
| Security systems, mechanical and electrical engineering | 2,070,043 | 35% | 3,111,278 | 31% |
| Sheet metal fabrication | 330,290 | 5% | 912,243 | 9% |
| Other operations | 204,047 | 3% | 37,670 | * 0% |
| | <u>6,029,779</u> | <u>100%</u> | <u>10,194,746</u> | <u>100%</u> |

By geographical regions:

| | 2014 | | 2013 | |
|-----------|------------------|-------------------|-------------------|-------------------|
| | RM | % of total | RM | % of total |
| Malaysia | 5,761,566 | 100% | 10,135,533 | 100% |
| Singapore | 69,913 | * 0% | 27,290 | * 0% |
| Hong Kong | 198,300 | * 0% | 3,038 | * 0% |
| Vietnam | - | 0% | 28,885 | * 0% |
| | <u>6,029,779</u> | <u>100%</u> | <u>10,194,746</u> | <u>100%</u> |

* Below 1%

Industronics Berhad
(Incorporated in Malaysia)

34. Financial risk management objectives and policies (continued)

(a) Credit risk (continued)

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 20. Cash and cash equivalents are placed with or entered into with reputable financial institutions.

Financial assets that are either past due or impaired

Information regarding trade receivables that are either past due or impaired is disclosed in Note 20.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and of the Company's financial instrument will fluctuate because of changes in market interest rates. The Group's interest-bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits with financial institutions.

The information on effective interest rates of the financial assets and financial liabilities are disclosed in Note 23 and Note 27.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 10 basis points (2013: 10 basis points) lower/higher, with all other variables held constant, the Group's loss net of tax would have been RM1,217 (2013: RM43) lower/higher, arising mainly as a result of lower/higher interest income from deposit with financial institutions. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(c) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by management to finance the Group's and the Company's operations and to mitigate the effect of fluctuating in cash flows.

Analysis of financial instruments by remaining contractual maturities

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

Industronics Berhad
(Incorporated in Malaysia)

34. Financial risk management objectives and policies (continued)

(c) Liquidity risk (continued)

| | On demand or within one year RM | One to two years RM | Two to five years RM | After five years RM | Total Contracted Cash flows RM | Carrying amount RM |
|--|--|---------------------------|----------------------------|---------------------------|---|--------------------------|
| At 31 December 2014 | | | | | | |
| Group | | | | | | |
| Trade and other payables | 6,979,226 | - | - | - | 6,979,226 | 6,979,226 |
| Provision for maintenance warranty | 130,211 | - | - | - | 130,211 | 130,211 |
| Borrowings | 1,361,183 | 201,343 | 112,753 | - | 1,675,279 | 1,636,502 |
| Total undiscounted financial liabilities | <u>8,470,620</u> | <u>201,343</u> | <u>112,753</u> | <u>-</u> | <u>8,784,716</u> | <u>8,745,939</u> |
| Company | | | | | | |
| Trade and other payables | 4,440,922 | - | - | - | 4,440,922 | 4,440,922 |
| Provision for maintenance warranty | 94,123 | - | - | - | 94,123 | 94,123 |
| Borrowings | 45,127 | 9,420 | 21,195 | - | 75,742 | 69,855 |
| Amount owing to subsidiaries | 6,055,890 | - | - | - | 6,055,890 | 6,055,890 |
| Total undiscounted financial liabilities | <u>10,636,062</u> | <u>9,420</u> | <u>21,195</u> | <u>-</u> | <u>10,666,677</u> | <u>10,660,790</u> |
| At 31 December 2013 | | | | | | |
| Group | | | | | | |
| Trade and other payables | 12,809,482 | - | - | - | 12,809,482 | 12,809,482 |
| Provision for maintenance warranty | 114,175 | - | - | - | 114,175 | 114,175 |
| Borrowings | 2,339,200 | 141,344 | 102,145 | 104,605 | 2,687,294 | 2,616,772 |
| Total undiscounted financial liabilities | <u>15,262,857</u> | <u>141,344</u> | <u>102,145</u> | <u>104,605</u> | <u>15,610,951</u> | <u>15,540,429</u> |
| Company | | | | | | |
| Trade and other payables | 7,565,055 | - | - | - | 7,565,055 | 7,565,055 |
| Provision for maintenance warranty | 78,087 | - | - | - | 78,087 | 78,087 |
| Borrowings | 190,918 | 35,707 | - | - | 226,625 | 220,925 |
| Amount owing to subsidiaries | 1,825,521 | - | - | - | 1,825,521 | 1,825,521 |
| Total undiscounted financial liabilities | <u>9,659,581</u> | <u>35,707</u> | <u>-</u> | <u>-</u> | <u>9,695,288</u> | <u>9,689,588</u> |

Industronics Berhad
(Incorporated in Malaysia)

34. Financial risk management objectives and policies (continued)

(d) Foreign currency risk

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

The net unhedged financial assets and financial liabilities of the Group that are not denominated in their functional currencies are as follows:

| Functional currency of Group companies | Singapore Dollar RM | United States Dollar RM | Thai Baht RM | Philippines Peso RM | Hong Kong Dollar RM | Others RM | Total RM |
|---|------------------------------------|--|-----------------------------|------------------------------------|--|----------------------|---------------------|
| At 31 December 2014 | | | | | | | |
| Ringgit Malaysia | | | | | | | |
| Cash and bank balances | 758,251 | 1,548,773 | 42,400 | - | 3,041 | 44,363 | 2,396,828 |
| Trade receivables | 437,834 | 448,193 | - | - | - | 103,190 | 989,217 |
| Trade payables | (16,597) | (93,360) | - | - | - | (3,884) | (113,841) |
| Singapore Dollar | | | | | | | |
| Cash and bank balances | - | 506,078 | - | - | - | - | 506,078 |
| Trade receivables | - | 9,548 | - | - | - | - | 9,548 |
| Trade payables | - | - | - | - | - | - | - |
| | 1,179,488 | 2,419,232 | 42,400 | - | 3,041 | 143,669 | 3,787,830 |

Industronics Berhad
(Incorporated in Malaysia)

34. Financial risk management objectives and policies (continued)

(d) Foreign currency risk (continued)

| Functional currency of Group companies | Singapore Dollar RM | United States Dollar RM | Thai Baht RM | Philippines Peso RM | Hong Kong Dollar RM | Others RM | Total RM |
|---|------------------------------------|--|-----------------------------|------------------------------------|--|----------------------|---------------------|
| At 31 December 2013 | | | | | | | |
| Ringgit Malaysia | | | | | | | |
| Cash and bank balances | 407,988 | 2,536,745 | 3,247,911 | - | 1,084,445 | 80,700 | 7,357,789 |
| Trade receivables | - | 535,714 | - | 998,034 | - | - | 1,533,748 |
| Trade payables | (48,054) | (535,050) | - | - | - | (7,342) | (590,446) |
| Singapore Dollar | | | | | | | |
| Cash and bank balances | - | 383,759 | - | - | - | - | 383,759 |
| Trade receivables | - | 20,020 | - | - | - | - | 20,020 |
| Trade payables | - | - | - | - | - | - | - |
| | 359,934 | 2,941,188 | 3,247,911 | 998,034 | 1,084,445 | 73,358 | 8,704,870 |

Industronics Berhad
(Incorporated in Malaysia)

34. Financial risk management objectives and policies (continued)

(d) Foreign currency risk (continued)

Sensitivity analysis for foreign currency risk

A 10% (2013: 10%) strengthening of RM against the following currencies at the reporting date would have increased/(decreased) the loss before tax by the amount shown below and increase would have an equal but opposite effect.

| | Group | |
|-----------------------------|----------------|----------------|
| | 2014 | 2013 |
| | RM | RM |
| Singapore Dollar | 117,949 | 35,993 |
| United States Dollar | 241,923 | 294,119 |
| Thai Baht | 4,240 | 324,791 |
| Philippines Peso | - | 99,803 |
| Hong Kong Dollar | 304 | 108,445 |
| Others | 14,367 | 7,336 |
| Decrease in loss before tax | <u>378,783</u> | <u>870,487</u> |

35. Segment information

During the year, for management purposes, the Group was reorganised into business units based on their services and has five reportable business segments as follows:

| | |
|---|---|
| Electronics and system integration | - Design, manufacturing and installation of electronics and microprocessor controlled products. Trading, maintenance and supply of industrial electronic equipment. Intelligent transportation system and major system integration projects involving Information Communication Technology, supply and service of telecommunication equipment, audio visual multimedia systems. |
| Security systems, mechanical and electrical engineering ("M&E") | - Supply and installation of security systems. Specialist in fire protection system design and installation works and mechanical engineering services. Industrial maintenance and service works. Trading of transport equipment and provision of related services. Manufacturing of filter inclusive of import and marketing. |
| Environment and scada system | - Design and Scada integration in environmental monitoring services. |

Industronics Berhad
(Incorporated in Malaysia)

35. Segment information (continued)

- | | |
|-------------------------|--|
| Sheet metal fabrication | - Involving in precision sheet metal fabrication works and manufacturing of precision fabrication. |
| Other operations | - Assemble and maintain electronic display system of public security and fire systems. |

Geographical segments

The Group operates in three principal geographical areas based on location of assets:

- | | |
|-----------|---|
| Malaysia | - All main businesses disclosed in primary reporting format-business segments |
| Hong Kong | - Provision of mobile entertainment services, general trading and provision of integrated internet marketing services |
| Singapore | - Trading, maintenance and supply of industrial electronic equipment |

Allocation basis and transfer pricing

Segment revenue, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Inter-segment sales comprise revenue from projects and trading, office rental and secretarial and management fees. The inter-segment transactions have been entered into in the ordinary course of business at terms mutually agreed between the companies concerned.

Industronics Berhad
(Incorporated in Malaysia)

35. Segment information (continued)

Business segments:

| | Electronics and System Integration | | Security Systems and M&E | | Environmental & Scada System | | Sheet Metal Fabrication | | Other operations | | Adjustments and eliminations | | Per consolidated financial statements | |
|---|---|---------------|---|---------------|---|---------------|------------------------------------|---------------|-------------------------|---------------|---|---------------|--|---------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | | | | | | | | | | | | | | |
| External customers | 12,796 | 29,335 | 2,730 | 10,592 | - | 250 | 222 | 2,473 | 523 | 151 | - | - | 16,271 | 42,801 |
| Inter-segment | 2,298 | 3,500 | 3,061 | 61 | - | 79 | - | 217 | - | 100 | (5,359) | (3,957) | - | - |
| Total revenue | 15,094 | 32,835 | 5,791 | 10,652 | - | 329 | 222 | 2,690 | 523 | 251 | (5,359) | (3,957) | 16,271 | 42,801 |
| Results | | | | | | | | | | | | | | |
| Interest income | 121 | 133 | 10 | 15 | - | - | - | - | - | - | - | - | 131 | 148 |
| Finance costs | 76 | 136 | 80 | 49 | - | - | 50 | 53 | 5 | 1 | (25) | (25) | 186 | 213 |
| Depreciation | 357 | 416 | 163 | 114 | - | - | 103 | 119 | 183 | 234 | - | - | 806 | 883 |
| Amortisation | - | - | - | - | - | - | - | - | 350 | 192 | - | - | 350 | 192 |
| Impairment loss on intangible assets | - | - | - | - | - | - | - | - | 1,146 | - | - | - | 1,146 | - |
| Impairment loss on investment property | - | - | - | 250 | - | - | - | - | - | - | - | - | - | 250 |
| Write-down of inventories | - | 1,838 | 1,338 | - | - | - | 67 | - | - | - | - | - | 1,405 | 1,838 |
| Allowance for doubtful debts | - | - | - | 135 | - | - | 214 | 118 | - | - | - | - | 214 | 253 |
| Reversal of allowance for doubtful debts | - | (110) | - | (969) | - | - | - | - | - | - | - | - | - | (1,079) |
| Segment (loss)/profit | (27,246) | 826 | (4,145) | (727) | - | (229) | (953) | (943) | (6,396) | (5,324) | 20,240 | (11) | (18,500) | (6,408) |
| Assets | | | | | | | | | | | | | | |
| Segment assets | 38,588 | 48,291 | 11,496 | 15,624 | - | - | 2,015 | 3,284 | 13,093 | 2,280 | (6,621) | (12,372) | 58,571 | 57,106 |
| Unallocated assets | - | 24,569 | 2,573 | 2,573 | - | - | - | 67 | - | 1,523 | - | - | - | 28,733 |
| Total assets | 38,588 | 72,860 | 14,069 | 18,197 | - | - | 2,015 | 3,351 | 13,093 | 3,803 | (6,621) | (12,372) | 58,571 | 85,839 |
| Segment liabilities | (10,550) | (9,451) | (7,087) | (6,394) | - | - | (1,644) | (1,488) | (11,598) | (11,598) | 20,040 | 12,495 | (10,839) | (16,436) |
| Unallocated liabilities | - | (1,099) | - | (693) | - | - | - | (156) | - | - | - | - | - | (1,948) |
| Total Liabilities | (10,550) | (10,550) | (7,087) | (7,087) | - | - | (1,644) | (1,644) | (11,598) | (11,598) | 20,040 | 12,495 | (10,839) | (18,384) |
| Capital expenditure | 152 | 602 | 5 | 362 | - | - | - | - | 549 | 2,412 | - | - | 706 | 3,376 |

23699-X

Industronics Berhad
(Incorporated in Malaysia)

35. Segment information (continued)

Geographical segments:

| | Malaysia | | Hong Kong | | Singapore | | Vietnam | | Adjustments and eliminations | | Per consolidated financial statements | |
|--|----------|----------|-----------|---------|-----------|--------|---------|--------|------------------------------|----------|---------------------------------------|----------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | | | | | | | | | | | | |
| Revenue from external customers | 14,217 | 39,880 | 522 | 34 | 1,532 | 2,887 | - | - | - | - | 16,271 | 42,801 |
| Results | | | | | | | | | | | | |
| Interest income | 131 | 148 | - | - | - | - | - | - | - | - | 131 | 148 |
| Finance costs | 202 | 235 | 6 | - | 3 | 3 | - | - | (25) | (25) | 186 | 213 |
| Depreciation | 614 | 683 | 180 | 192 | 12 | 8 | - | - | - | - | 806 | 883 |
| Amortisation | - | - | 350 | 192 | - | - | - | - | - | - | 350 | 192 |
| Impairment loss on intangible assets | - | - | 1,146 | - | - | - | - | - | - | - | 1,146 | - |
| Impairment loss on investment property | - | 250 | - | - | - | - | - | - | - | - | - | 250 |
| Write-down of inventories | 1,405 | 1,838 | - | - | - | - | - | - | - | - | 1,405 | 1,838 |
| Allowance for doubtful debts | 214 | 253 | - | - | - | - | - | - | - | - | 214 | 253 |
| Reversal of allowance for doubtful debts | - | (1,079) | - | - | - | - | - | - | - | - | - | (1,079) |
| Segment (loss)/profit | (32,229) | (864) | (6,401) | (4,995) | (102) | (413) | (8) | (125) | 20,240 | (11) | (18,500) | (6,408) |
| Total assets | 48,502 | 91,115 | 12,979 | 3,818 | 3,634 | 3,171 | 77 | 107 | (6,621) | (12,372) | 58,571 | 85,839 |
| Total liabilities | (5,593) | (22,061) | (24,120) | (7,936) | (1,165) | (855) | (2) | (28) | 20,041 | 12,495 | (10,839) | (18,385) |
| Capital expenditure | 90 | 964 | 549 | 2,412 | 67 | - | - | - | - | - | 706 | 3,376 |

Note

- (a) Inter-segment sales are eliminated on consolidation.
- (b) The inter-segment assets are added to segment assets to arrive at total assets reported in the consolidated financial statements.
- (c) The inter-segment liabilities are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position.

Industronics Berhad
(Incorporated in Malaysia)

36. Subsidiaries

Details of subsidiaries are as follows:

| Name of subsidiaries | Country of incorporation | Equity interest | | Principal activities |
|---|--------------------------|-----------------|--------|--|
| | | 2014 % | 2013 % | |
| Held by the Company: | | | | |
| Industronics Manufacturing Sdn. Bhd. | Malaysia | 100 | 100 | Assembly, installation and maintenance of high-tech electronics appliances and communication |
| TTE Electronics Sdn. Bhd. | Malaysia | 100 | 100 | Assembly of electronics device and contract manufacturing |
| * Industronics (HK) Limited | Hong Kong | 100 | 100 | Provision of mobile entertainment services and general trading |
| * Industronics Technology Limited | Hong Kong | 100 | 100 | Undertake the development of IT applications |
| * Itronic Services Limited (formerly known as DSC IB Limited) | Hong Kong | 100 | - | Provision of integrated internet marketing services |
| Ademco (Malaysia) Sdn. Bhd. | Malaysia | 95 | 95 | Supply and installation of security systems |
| * Industrial Electronics (S) Pte. Ltd. | Singapore | 70 | 70 | Trading, maintenance and supply of industrial electronic equipment |
| Primeworth (M) Sdn. Bhd. | Malaysia | 69.2 | 69.2 | Involving in precision sheet metal fabrications works |
| Sukitronics Sdn. Bhd. | Malaysia | 51 | 51 | Specialist in fire protection system design and installation works and mechanical engineering services |
| * Industronics Corporation Ltd. # | Vietnam | 100 | 100 | Supply, assembly and maintenance of electronic displays, mechanical and electrical equipment |

Industronics Berhad
(Incorporated in Malaysia)

36. Subsidiaries (continued)

| Name of subsidiaries | Country of incorporation | Equity interest | | Principal activities |
|---------------------------------------|--------------------------|-----------------|--------|--|
| | | 2014 % | 2013 % | |
| Held through Sukitronics Sdn. Bhd. | | | | |
| Sukitronics PMC Sdn. Bhd. | Malaysia | 100 | 100 | Mechanical engineering and contracting in fire fighting system |
| Held through Primeworth (M) Sdn. Bhd. | | | | |
| PW Precision Sdn. Bhd. | Malaysia | 100 | 100 | Manufacturing of precision fabrication |

* Subsidiaries audited by firms of auditors other than CHI-LLTC.

Subsidiary which is in the process of dissolution and the company being consolidated based on management account.

37. Significant events

During the financial year, the following significant events took place for the Company:

(a) Issued of ordinary shares pursuant to the Company's SIS

- (i) On 13 January 2014, the Company issued 812,000 ordinary shares of RM0.50 per share for cash pursuant to the Company's SIS at an exercise price of RM0.565 per ordinary share.
- (ii) On 14 February 2014, the Company issued 581,400 ordinary shares of RM0.50 per share for cash pursuant to the Company's SIS at an exercise price of RM0.565 per ordinary share.
- (iii) On 5 March 2014, the Company issued 138,600 ordinary shares of RM0.50 per share for cash pursuant to the Company's SIS at an exercise price of RM0.565 per ordinary share.
- (iv) On 4 April 2014, the Company issued 557,900 ordinary shares of RM0.50 per share for cash pursuant to the Company's SIS at an exercise price of RM0.565 per ordinary share.

Industronics Berhad
(Incorporated in Malaysia)

37. Significant events (continued)

(b) Incorporated a wholly-owned subsidiary in Hong Kong

- (i) On 27 February 2014, the Company has incorporated a wholly-owned subsidiary in Hong Kong, Itronics Services Limited (formerly known as DSC IB Limited) with paid up capital of HKD500,000 (approximately RM210,650). The intended principal activities of the subsidiary is general business.

(c) Disposal of ordinary shares in Solution Engineering Holding Berhad

- (i) On 28 April 2014, the Company disposed in the open market an aggregate of 5,500,000 ordinary shares of RM0.10 each in Solution Engineering Holding Berhad at a proceed of RM696,650.
- (ii) On 29 April 2014, the Company disposed in the open market an aggregate of 8,000,000 ordinary shares of RM0.10 each in Solution Engineering Holding Berhad at a proceed of RM1,054,610.
- (iii) On 8 May 2014, the Company disposed in the open market an aggregate of 140,800 ordinary shares of RM0.10 each in Solution Engineering Holding Berhad at a proceed of RM21,824.
- (iv) On 9 May 2014, the Company disposed in the open market an aggregate of 900,000 ordinary shares of RM0.10 each in Solution Engineering Holding Berhad at a proceed of RM135,000.
- (v) On 16 May 2014, the Company disposed in the open market an aggregate of 1,000,000 ordinary shares of RM0.10 each in Solution Engineering Holding Berhad at a proceed of RM140,000.

(d) Disposal of properties

- (i) On 4 Aug 2014, the subsidiary of the Company, Primeworth (M) Sdn Bhd has entered into a sale and purchase agreement with Perniagaan Mehko Sdn Bhd to dispose its property for a total consideration of RM1,650,000. The carrying amount of the property is RM1,695,378.
- (ii) On 19 November 2014, the Company had entered into a sale and purchase agreement with Uptownace (M) Sdn Bhd to dispose a two (2) storey factory with office and guardhouse bearing postal address of No. 6, Jalan Perusahaan Utama, Taman Industri Selesa Jaya, 43300 Kajang, Selangor Darul Ehsan to the Purchaser for a total consideration of RM8,100,000. The carrying amount of the property is RM9,148,250 and loss on disposal is approximately RM1.2 million.

(e) Agreements signed

- (i) On 9 July 2014, the Group entered into a Conditional Deposit Agreement in relation to the proposed subscription of shares in Vashion Group Limited by way of private placement for such number of new ordinary shares in Vashion and at such price and on such terms as shall be agreed and documented in a Placement Agreement to be entered into.

Industronics Berhad
(Incorporated in Malaysia)

37. Significant events (continued)

(e) Agreements signed (continued)

- (ii) On 10 July 2014, the Group had entered into an Exclusive Agency Contract with Dragonway Group Holdings Limited for the appointment of the Group as sole agent in Malaysia, Thailand and one of the authorised agent in Hong Kong.

38. Subsequent events

(a) Incorporated a wholly-owned subsidiary in Hong Kong

On 17 March 2015, the Company has incorporated a wholly-owned subsidiary in Hong Kong with the name "Itronic Management Limited" with paid up capital of HKD10,000. The intended principal activities of Itronic Management Limited is to carry on hospitality management.

(b) Cancellation of Share Issuance Scheme

On 17 March 2015, the Share Issuance Scheme (SIS) Committee of the Company agreed to cancel the existing unexercised SIS options of 6,620,000 and granted the same number of options to eligible persons at an exercise price of RM0.50. Details of the options granted are disclosed in Directors' report.

(c) Extension of agreement

On 31 March 2015, the Company and Vashion Group Limited ("Vashion") have agreed to extend the validity of the Conditional Deposit Agreement in relation to the proposed subscription of shares in Vashion by way of private placement for such number of new ordinary shares in Vashion and at such price and on such terms as shall be agreed and documented in a Placement Agreement to be entered into between Vashion and the Company, by another three (3) months i.e. until 30 June 2015.

(d) Disposal of ordinary shares in Solution Engineering Holding Berhad

- (i) On 17 April 2015, the Company disposed in the open market an aggregate of 3,241,900 ordinary shares of RM0.10 each in Solution Engineering Holding Berhad at a proceed of RM1,063,343.
- (ii) On 20 April 2015, the Company disposed in the open market an aggregate of 700,000 ordinary shares of RM0.10 each in Solution Engineering Holding Berhad at a proceed of RM232,500.
- (iii) On 21 April 2015, the Company disposed in the open market an aggregate of 100,000 ordinary shares of RM0.10 each in Solution Engineering Holding Berhad at a proceed of RM32,000.
- (iv) On 23 April 2015, the Company disposed in the open market an aggregate of 200,000 ordinary shares of RM0.10 each in Solution Engineering Holding Berhad at a proceed of RM64,500.

Industronics Berhad
(Incorporated in Malaysia)

39. Material litigation

Other than as disclosed below, the Group and the Company are not involved, either as plaintiff or defendant, in any other material litigations. In this aspect, the directors are not aware of any other proceedings pending and against the Group and the Company or any events likely to give rise to a litigation which might materially or adversely affect the financial position and business operations of the Group and of the Company.

Claims by Sukitronics Sdn. Bhd. against First Kuwaiti and Contracting W.L.L.

Sukitronics Sdn. Bhd. ("SSB"), a subsidiary has claimed loss and damage of approximately USD1,184,000 or RM3,706,000 against First Kuwaiti Trading and Contracting W.L.L. ("FKTC") for the breach of the contract while FKTC has counter claimed SSB for an amount of USD8,626,000 or approximately RM26,999,000. The Arbitration was relating to the appointment of SSB by FKTC to construct, complete, test, commission and maintain the building, mechanical and electrical works relating to the construction of US New Consulate Compound in Surabaya, Indonesia.

The Continued Arbitration Hearing was held on 22nd till 25th April 2013, 1st till 2nd August 2013, 18th till 22nd November 2013, 20th till 23rd January 2014, 19th till 23rd May 2014, 8th August 2014, 12th till 14th November 2014 and 30th till 31st March 2015. The Arbitrator had further fixed the Arbitration for Continued Hearing on 20th May 2015.

40. Comparative Information

The financial statements of the previous financial year which are presented for comparative purposes were examined and reported on by another firm of auditors.

41. Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions or expansion plans of the Group. The Group may adjust the capital structure by issuing new shares, returning capital to shareholders or adjusting dividend payment policies.

42. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 28 April 2015.

Industronics Berhad
(Incorporated in Malaysia)

SUPPLEMENTARY INFORMATION ON THE DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the accumulated losses of the Group and of the Company as at 31 December 2014 into realised and unrealised profits/(losses) is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

| | Group | | Company | |
|--|---------------------|--------------------|---------------------|--------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Accumulated losses of the Group and Company | | | | |
| - Realised | (46,842,023) | (13,398,317) | (27,325,825) | (6,066,675) |
| - Unrealised | (31,113) | (771,397) | (98,194) | 48,913 |
| Less: Consolidation adjustments | 31,975,691 | 10,118,292 | - | - |
| Accumulated losses as per financial statements | <u>(14,897,445)</u> | <u>(4,051,422)</u> | <u>(27,424,019)</u> | <u>(6,017,762)</u> |

The disclosure of realised and unrealised profit or losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia Securities Berhad and should not be applied for any other purposes.