FRONTKEN

FRONTKEN CORPORATION BERHAD
(651020-T)

ANNUAL REPORT
2014

TOTAL INTEGRATED
ENGINEERING SOLUTIONS

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

NG WAI PIN
Chairman / Managing Director

DR TAY KIANG MENG
Executive Director / Chief Scientist

DATO' HAJI JOHAR BIN MURAT @ MURAD
Independent Non-Executive Director

AARON SIM KWEE LEIN
Senior Independent Non-Executive Director

DR JORG HELMUT HOHNLOSER
Non-Independent Non-Executive Director

TIMO FABIAN SEEBERGER
Alternate to Dr Jorg Helmut Hohnloser

AUDIT COMMITTEE

Dato' Haji Johar Bin Murat @ Murad *(Chairman)*

Aaron Sim Kwee Lein

Dr Jorg Helmut Hohnloser

NOMINATION COMMITTEE

Dato' Haji Johar Bin Murat @ Murad *(Chairman)*

Aaron Sim Kwee Lein

Dr Jorg Helmut Hohnloser

REMUNERATION COMMITTEE

Ng Wai Pin *(Chairman)*

Dato' Haji Johar Bin Murat @ Murad

Aaron Sim Kwee Lein

COMPANY SECRETARIES

Mah Li Chen (MAICSA 7022751)

Wong Wei Fong (MAICSA 7006751)

REGISTERED OFFICE

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Megan Avenue II
Jalan Yap Kwan Seng
50450 Kuala Lumpur

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46350 Petaling Jaya, Selangor

Tel : (03) 7968 3312
Fax : (03) 7968 3316
Email : erichee@frontken.com
Website : www.frontken.com

INVESTOR RELATIONS

Eric Hee

Tel : (03) 7968 3312
Fax : (03) 7968 3316
Email : erichee@frontken.com

SHARE REGISTRAR

Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur

Tel : (03) 2264 3883
Fax : (03) 2282 1886

AUDITORS

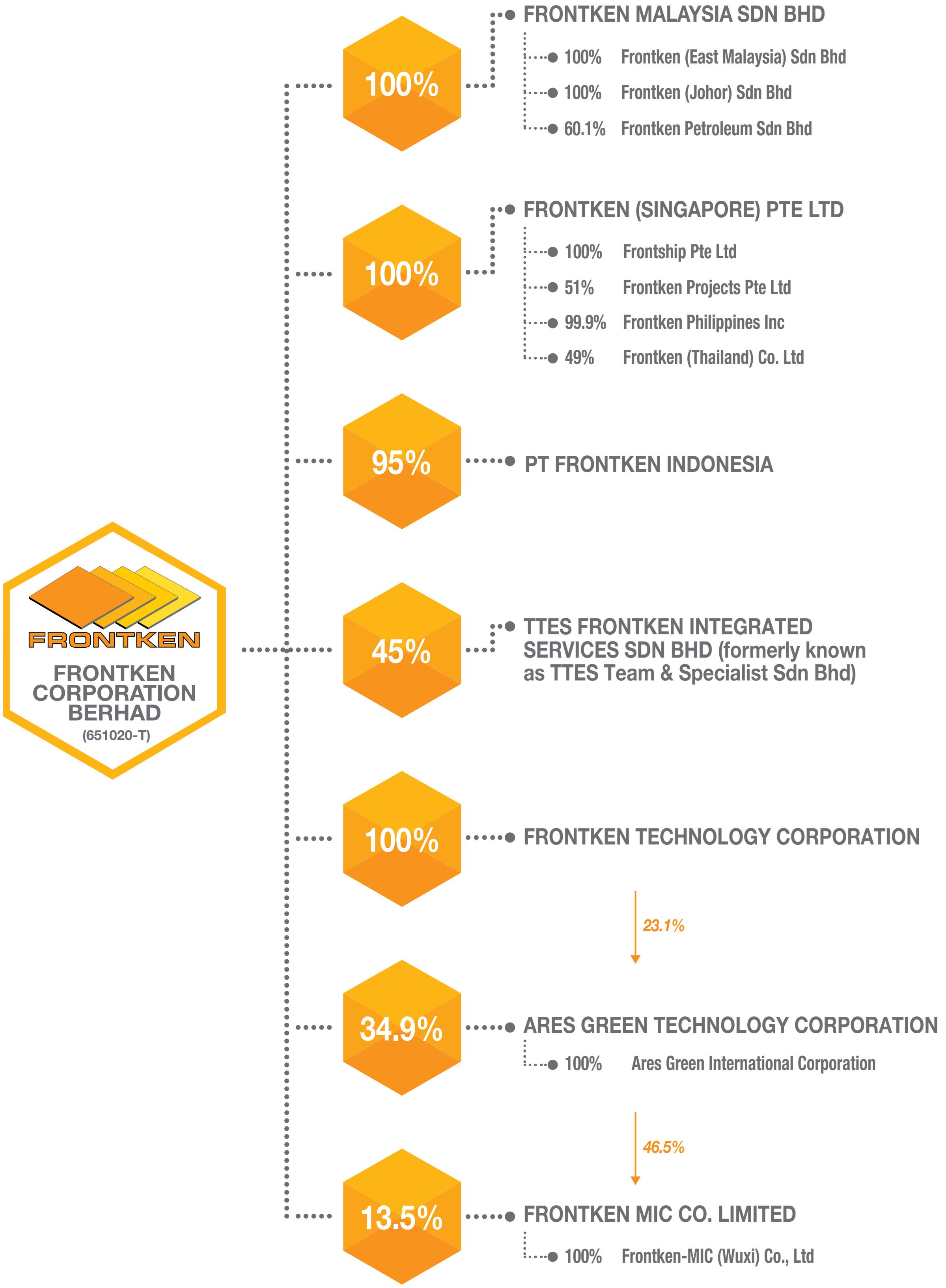
Crowe Horwath (AF 1018)
Chartered Accountants
Level 16 Tower C
Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur

Tel : (03) 2788 9999
Fax : (03) 2788 9998

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad
Stock Name : FRONTKN
Stock Code : 0128
Reuters Code : 0128.KL
Bloomberg Code : FRCB MK

GROUP CORPORATE STRUCTURE
AS AT 23 APRIL 2015



OUR VISION, MISSION & PROFILE

OUR VISION

To be a continuing improving leader in performance excellence in advanced surface coating engineering and technology.

OUR MISSION

To serve our customers with complete satisfaction which includes not only the most competitive price and fastest delivery time but also the highest technical performance and reliability for all our services and products.

OUR PROFILE

Frontken Corporation Berhad, listed on the Main Market of Bursa Malaysia Securities Berhad, has since its inception in 1996, established itself as a leading service provider of surface engineering in the Asia Pacific region. The Group's comprehensive range of services increases the efficiency and extends the lifespan of machinery and equipment, therefore improving the customer's operating and maintenance cost.

The Group utilises numerous spray coating methods and mechanical repair and services know-how to improve the operational efficiency of various industries, including the oil and gas, petrochemical, power generation, semiconductor and electronics manufacturing sectors. The Group also undertakes research and development in advanced materials and surface engineering technology to produce new and improved coatings for use in the protection against material degradation and to improve the productivity of industrial processes.

To date, the Group's customer portfolio comprises key players in the oil and gas, power generation, petrochemical and semiconductor industries in mainly Singapore, Malaysia and other countries such as the Philippines, Indonesia, China, Thailand, Myanmar, Vietnam, Taiwan and Japan.

The Group, together with its associates, has established a significant presence in the region. Furthermore, over the years, the Group has established an international network of representatives – spanning from Brunei and Myanmar to Nigeria and Pakistan – to market the Group's specialised services worldwide.

OUR SERVICES

Mechanical Restoration & Overhaul

Assessment, assembly, balancing, recovery and upgrading works on industrial rotating/non-rotating equipment such as pumps, valves, turbines and compressors, diesel engines and generators, motors and more.

Coating, Hardfacing & Plating

Protection, lifetime extension, performance and efficiency improvements via advanced surface engineering technologies such as thermal spray coating, PTA overlay, electroless plating and dry-film lubrication.

Precision Manufacturing

Quality fabrication and mass-production via aerospace standard manufacturing facility. Complementary activities include re-engineering, prototyping, assembly and integration.

Machining & Grinding

Comprehensive range of large capacity machining lathes for turning, boring and grinding of huge cylindrical components such as crankshafts and piston rods.

Plant Engineering & Construction

Structural, mechanical and piping, electrical, instrumentation and control, equipment maintenance and overhaul, testing and commissioning for process and chemical facilities.

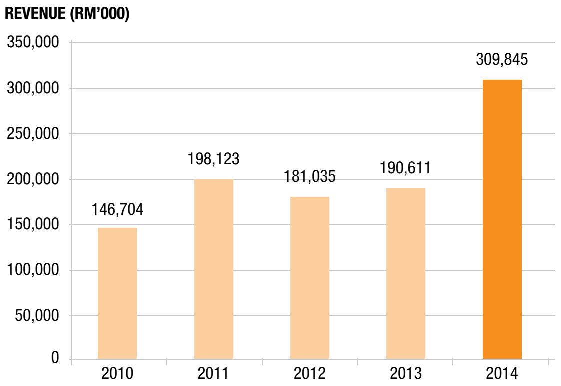
Precision cleaning

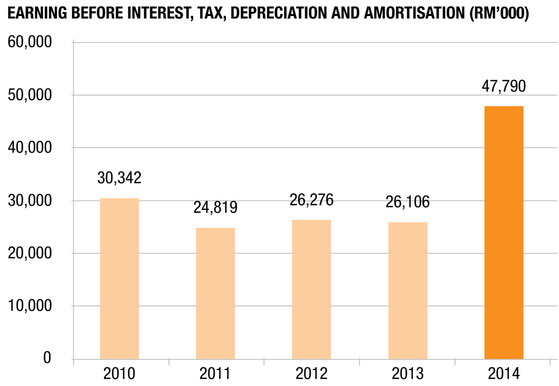
Decontamination of newly manufactured parts and routine recycling. Kit management of semiconductor manufacturing components.

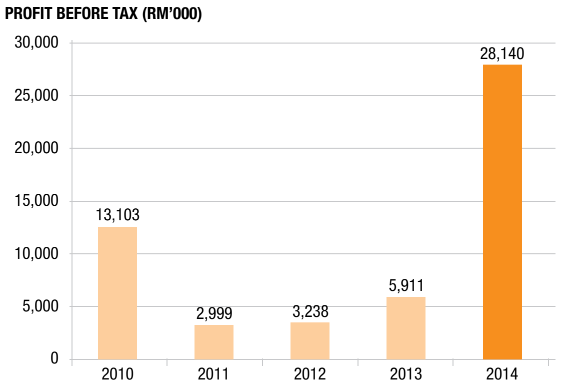
Green Technology & Outdoor Media

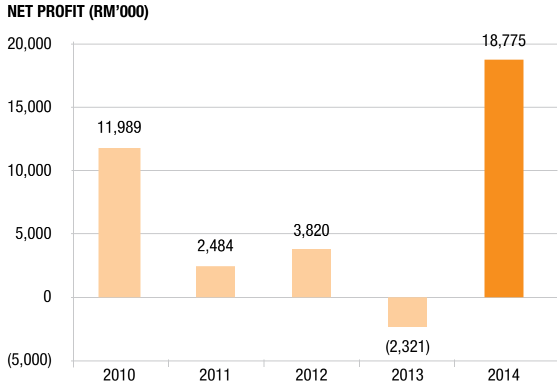
Energy sustenance and conservation technologies such as LED lightings, displays panels, solar panels and outdoor media.

FINANCIAL HIGHLIGHTS









SEGMENTAL REVENUE – BY CUSTOMER LOCATION (RM'000)

	2010	2011	2012	2013	2014
Singapore	66,501	66,295	64,053	59,481	42,740
Malaysia	68,966	61,447	45,835	43,600	157,893
Taiwan	-	51,430	49,689	63,992	90,405
Others	11,237	18,951	21,458	23,538	18,807
	146,704	**198,123**	**181,035**	**190,611**	**309,845**

SEGMENTAL REVENUE – BY INDUSTRY (RM'000)

	2010	2011	2012	2013	2014
Oil & Gas	39,336	26,965	21,963	18,153	131,062
Power Generation	33,528	22,810	22,174	17,365	12,416
Semiconductor	41,177	99,853	90,636	107,344	139,600
General *	32,663	48,495	46,262	47,749	26,767
	146,704	**198,123**	**181,035**	**190,611**	**309,845**

* *Comprises aerospace, marine, steel, cement, wood processing, pulp & paper, printing, agriculture, industrial manufacturing, food, construction and other sectors*

FINANCIAL HIGHLIGHTS (cont'd)

SUMMARISED GROUP BALANCE SHEETS

AS AT 31 DEC (RM'000)	2010	2011	2012	2013	2014
Non-Current Assets	211,563	214,177	183,606	171,779	173,019
Current Assets	121,628	119,411	131,016	130,379	183,363
Total Assets	**333,191**	**333,588**	**314,622**	**302,158**	**356,382**
Share Capital	101,141	101,141	101,141	101,141	101,141
Reserves	75,102	78,131	83,752	85,162	105,663
Shareholders' Equity	**176,243**	**179,272**	**184,893**	**186,303**	**206,804**
Non-Controlling Interests	25,902	27,890	28,116	27,924	32,913
Total Equity	**202,145**	**207,162**	**213,009**	**214,227**	**239,717**
Non-Current Liabilities	62,572	55,614	32,095	29,484	27,958
Current Liabilities	68,474	70,812	69,518	58,447	88,707
Total Liabilities	**131,046**	**126,426**	**101,613**	**87,931**	**116,665**
Total Equity and Liabilities	**333,191**	**333,588**	**314,622**	**302,158**	**356,382**

SUMMARISED GROUP CASH FLOWS

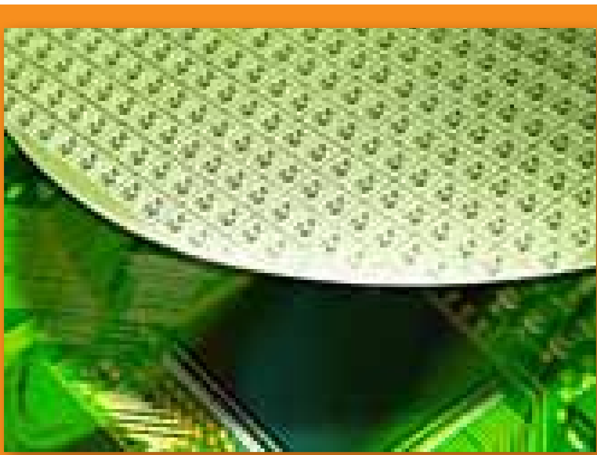
YEAR ENDED 31 DEC (RM'000)	2010	2011	2012	2013	2014
Net Cash Flows From Operating Activities	20,919	24,587	16,043	36,681	40,672
Net Cash Flows (For)/From Investing Activities	(35,390)	(6,403)	17,527	(8,010)	(21,164)
Net Cash Flows From/(For) Financing Activities	25,217	(14,771)	(16,946)	(34,105)	(4,426)
Net Increase/(Decrease) in Cash and Cash Equivalents	10,746	(3,413)	16,624	(5,434)	15,082
Effect of exchange differences	134	257	208	1,061	1,079
Cash and Cash Equivalents at Beginning of Year	9,405	20,285	23,955	40,787	36,414
Cash and Cash Equivalents at End of Year	20,285	23,955	40,787	36,414	52,575

FINANCIAL ANALYSIS

(RM'000)	2010	2011	2012	2013	2014
Turnover growth	6.8%	35.0%	-8.6%	5.3%	62.6%
Profit Before Tax Growth	61.7%	-77.1%	8.0%	82.5%	376.1%
Net Profit Growth	42.6%	-79.3%	53.8%	-160.8%	909.0%
Pre-tax Profit Margin	8.9%	1.5%	1.8%	3.1%	9.1%
Net Profit Margin	8.2%	1.3%	2.1%	-1.2%	6.1%
Gearing Ratio (Net of cash) (times)	0.3	0.3	0.1	0.0	0.0
Return on Average Shareholders' Equity	7.7%	1.4%	2.1%	-1.3%	9.6%
Return on Average Total Assets	4.2%	0.7%	1.2%	-0.8%	5.7%
Loss/Earnings Per Share (Sen)					
- Basic	^1.3	0.3	0.4	-0.2	1.9
- Diluted	1.0	n/a	n/a	n/a	n/a

^ *Computed based on weighted average number of shares which had been adjusted to incorporate the effect of the rights issue implemented in 2010*

CHAIRMAN'S STATEMENT



On behalf of the Board of Directors of Frontken Corporation Berhad, I present to you the Annual Report and the Audited Financial Statements for the financial year ended 31 December 2014.

YEAR 2014 IN PERSPECTIVE

In my last statement, I stated that our Group would remain cautious on the economic outlook for year 2014 as the domestic and overseas markets continue to be challenging but encouraging. With each passing quarters, I am pleased to report that through perseverance and hard work, year 2014 has seen a significant improvement of our performance as compared to year 2013.

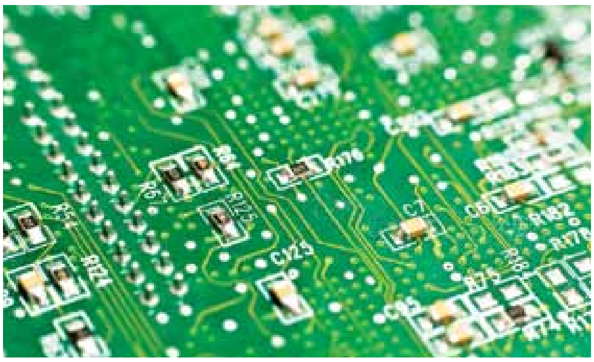
Generally, year 2014 was a good year for us. In it, there were mixed performances for our Group's businesses with some businesses soaring while others were slightly down. We will continue with our strategy to build a stable platform. We have responded to the lessons we learned from the market when our customers rescaled their businesses and are now in a better position in aligning our businesses in the respective markets.

Our revenue improved significantly to RM309.8 million (2013: RM190.6 million) which was largely contributed by the improved business performance of our Group's subsidiaries in Taiwan and Malaysia. The semi-conductor business in Taiwan was robust and we were fortunate to be able to capitalise on the same. For Malaysia, the ATB Project in Tanjung Bin and contributions from the oil and gas and semi-conductor divisions assisted in the better performance as well. Consequently, our Profit Before Tax also improved to RM28.1 million (2013 : RM5.9 million) as a result of the higher revenue and good control of operating costs. The profit from the sale of a loss making associate company also contributed to the better bottom line.

The Malaysian market improved to RM147.9 million (2013 : RM33.7 million). The operating Malaysian entities are Frontken Malaysia Sdn Bhd, Frontken (Johor) Sdn Bhd, Frontken (East Malaysia) Sdn Bhd and TTES Frontken Integrated Services Sdn Bhd (formerly known as TTES Team & Specialist Sdn Bhd) ("TTES").

The shareholders' funds increased by RM20.5 million from RM186.3 million in year 2013 to RM206.8 million in year 2014 mainly due to the improvement in the reserves. The Group's net asset per share increased from 21 sen (2013) to 24 sen (2014).

On the regional front, Taiwan continued to improve its revenue from RM65.7 million (2013) to RM92.3 million (2014), an improvement of 40% mainly due to the positive growth of the semi-conductor business. However, we encountered a continued drop in business in our operations in Singapore. The revenue from Singapore reduced to RM67.0 million from RM79.7 million partly due to lesser orders received from customers who have either delayed in the outages of their plants or reduced their maintenance activities. Our Philippines' operations also saw a dip in its revenue from RM13.9 million to RM11.5 million due to stiff competition in the maintenance contracts but its bottom line was better than that achieved in 2013 due to continual prudent cost management. It was comforting to note that Indonesia's performance has continued to improve to RM2.1 million (2013 : RM1.7 million).The Indonesian company has obtained the necessary licence from SKK Migas, Indonesia which will enable it to participate in repair and services works for the oil and gas industry.



CHAIRMAN'S STATEMENT (cont'd)

During the year, our Group generated RM40.7 million cash flows from our operations and out of which we utilised RM8.5 million to acquire property, plant and equipment and RM7.4 million for investment in a subsidiary. The cash and cash equivalent amassed for the year was RM52.6 million.

Our Group's revenue for the 12 months ended 31 December 2014 increased by approximately RM119.2 million (62.6%) mainly due to the improved contribution from our operations in Malaysia and Taiwan.

ANALYSING OUR BUSINESS

The significant improvement in our revenues from our operations in Malaysia and Taiwan had on an overall basis elevated our total revenue to increase about 62.6% as compared with year 2013. The semi-conductor market in Taiwan has been edging upwards from quarter to quarter and this has led to the increase in the demand of our services. On the home front, the growth was attributed to the progressive revenue from the project in Tanjung Bin as well as the higher revenue from both our oil and gas and semi-conductor division.

The markets in Singapore and Philippines continued to challenge us. We will continue to focus our strengths to overcome the challenges by enhancing our services, increasing our efficiencies and reducing costs. Just like the previous years, our business had been affected by the slowdown and deferment of projects by our customers due to scale back of new or proposed expansion. We will consolidate our business and prioritise our efforts to focus on revenue and bottom-line.

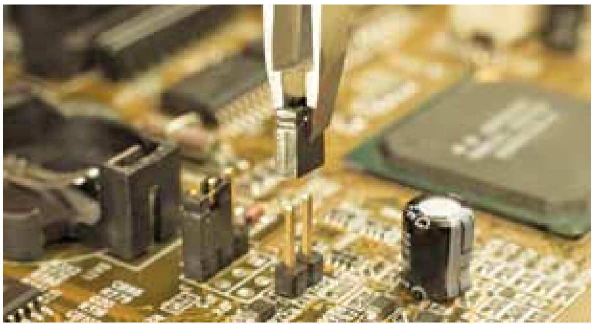
We entered year 2015 with the same priority to continue to focus our attention on the quality of our services and efficiencies so as to maintain our competitiveness. As always, we strive to deliver long-term value to our stakeholders. Over the years, we had taken serious steps to continue to look for business opportunities that bode well and synergise with our current activities.

Our acquisition of TTES has enabled us to tap onto our presence and infrastructure in the region with the view of growing its existing business. This synergistic relationship is expected to contribute positively to our earnings. TTES has a license with Petronas for it to supply and provide services to Petronas. It is principally engaged in the business of turbo machinery technical engineering services and rotating equipment engineering, maintenance and technical support services for various types of industrial gas turbines and the driven equipment such as general maintenance on gas turbines, pumps, compressors, high speed industrial gearboxes and turbo generators, field performance analysis of gas turbines and compressors, vibration diagnostics/analysis, surveillance, system integration and installation and gas compressor overhauls.

KEEPING COST LOW AND GETTING LIQUIDITY FLOWING

Our past practices of keeping cost low will continue to be our main priority as we maintain our practice to keep tabs on our financials by conserving our resources and focusing on growth in the challenging business environment. Our management team possesses great professionalism and commitment to achieving this goal. With each passing year, we will innovate and fine tune our business strategies and model so that we may remain competitive.

We will abide by our strategy of operational efficiencies, organic growth and incremental in customers base to expand our business and keep the liquidity in.



OUTLOOK FOR 2015

Let me now share with you the outlook for 2015. Our Group's improved performance of the domestic and regional markets is anticipated to spill over from year 2014 to year 2015. The improvement in business and operating performance augur well with us and this represents an encouraging sign that our Group is on the right track of recovery from the slowdown and deferment of projects by our customers back in year 2013.

CHAIRMAN'S STATEMENT
(cont'd)

In 2014, our efforts in focusing on the quality of our services and efficiencies so as to maintain our competitiveness for enhancing business performance has been rewarding and this was reflected in the significant improvement in our profits as compared to year 2013.

The domestic market is expected to grow at a better pace as management continues to introduce new initiatives. With the completion of our Group's acquisition of 45% stake in TTES, it has also started to show the desired synergised effects to our Group and contributed positively to our Group's result since its acquisition. Our Group is confident that TTES will continue to improve its overall performance in 2015. I would like to also mention that the partnership has yielded positive outcome to our performance and would continue to reinforce our resources to this partnership. Our overall focus continues to remain in our core activities to ensure sustainable growth.

The regional markets are expected to grow with the encouraging outlook in Taiwan's semi-conductor sector, our Group is also confident that our Taiwan subsidiary will continue to deliver positive result to our Group. Taiwan continues to be our prime engine of growth for the region. We will also continue to strategise and strengthen our presence in Singapore, Philippines and Indonesia by improving efficiency in all areas of operations.

Our Group envisages that the overall business conditions in year 2015 will still be challenging amidst global uncertain economic conditions and slower growth in the regional economies. Our Group's ATB project in Tanjung Bin is expected to be completed and delivered to our customer this year. Nevertheless, our Group believes that with the right marketing approach, our Group's business prospect in year 2015 remains positive and encouraging barring unforeseen circumstances. With the strong support of our Board and management, coupled with the right approaches, I believed our business prospect will remain positive and encouraging. Our Group takes cognisance that to remain competitive, we will continue with our series of improvement measures by improving our cost base, enhanced our cross selling for greater operational synergies and implementing best practice margin management and sourcing strategy to deliver better value propositions to our customers. We will continue to adopt these measures in 2015.

Our key priorities for the year 2014 will continue to be adopted for the growth of our business in 2015. Likewise, we will continue with our costing management to protect our earnings, exercise prudence in liquidity management, disciplined execution of strategy whilst continuing to focus on the fundamentals of our Group's business.

We will seek to maximise our profitability, to manage our revenue and costs with good care.

According to published reports, this year will be a challenging year for the Malaysian economy. The economy growth is projected to be moderate which is dependent on the magnitude of fluctuations in crude oil prices and also movements of the Ringgit exchange rate against currencies of our major trading partners. Other factors will be the shocks from the commodity terms of trade, Ringgit depreciation and anticipated higher interest rates environment which are expected to affect Malaysia's domestic macroeconomic fundamentals in the short term. It is hoped that these are merely short term and shall dissipate in the medium and long-term as part of the economic cycle.

Based on the uncertain challenges faced by our Group in year 2015, your Board would not be recommending any final dividend for the year ended 2014 as we still need to conserve our cash for future expansion and investing activities.

APPRECIATION

As always, I would like to thank all my colleagues for their tremendous hard work which has been the driving force behind our better performance despite the challenging business environment.

I also wish to thank our shareholders for their continued patience, trust and loyalty. In addition, our thanks to our valued customers, bankers, suppliers and business associates for their continuing support and confidence.

Lastly, my heartfelt thanks go to my fellow Board members for their commitment and guidance to me and the Group.

Sincerely

NG WAI PIN
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Our Group is the industry leader in surface treatment solutions and possesses unique combination of surface and mechanical engineering capabilities for servicing and machining mission critical equipment and its components.

We have our presence today in Malaysia, Singapore, Thailand, Philippines, Taiwan, China, Myanmar and Indonesia; with a combined workforce of 958 employees, 17 service facilities in 7 countries and are certified with, amongst others, ISO 9001:2008, ISO 14001:2004, OHSAS 18001:2007 and BS OHSAS 18001:2007.

We are backed by solid infrastructures, capabilities, technologies and know-how having served a very wide spectrum of industries ranging from oil and gas, refineries, marine and offshore, power generation to semiconductors/hard-disk manufacturing support services, renewable energy and many more.

Our core expertise is in the application of specialised surface engineering solutions and improvements of coatings quality for specific industrial applications through materials research and modification of micro structural surface properties. Thermal spray coating technologies - the flagship technology of Frontken's surface engineering capabilities, enable deposition of virtually any material onto surfaces for increased performance, protection, lifetime extension and other highly specialised functions.

Our Group has an established reputation and foundation for quality, prompt delivery and reliable service in this industry and also has proven track records in providing mission critical surface engineering projects that are rapidly architected, engineered and delivered with speed and reliability, as well as demonstrated engineering capabilities, financial resources and human capital in completing projects of any size given by the customers.

Looking at year 2014, the performance of our businesses had been significantly better in certain countries while some had decreased. We continue to address the challenges facing each business in each country. We are constatntly assessing our business models and will improve or innovate the way we conduct our business in the world today. Our growth strategy remained the same i.e. to continue to enhance our service level, to create opportunities for growth, increase efficiencies with the view to keeping cost low and to focus on increasing our customers' base by adding value to the works we performed.

Our business in Malaysia for year 2014 saw a significant increase in our revenue due to our project in Tanjung Bin. This is a good sign that the business is picking up momentum and will bode well for us into year 2015. Our investment in TTES has also benefited our books. We will continue to maximise on our strengths in our business with faster delivery of services and focusing on the key areas for our projects that will grow our business. We will also build our business in the focused areas and enhance our services to achieve customers' satisfaction. We will diligently review our cost management and proactively make the necessary adjustments to match demand.

We are pleased with the performance in Taiwan. The business has been increasing gradually in line with the robust semi-conductor market. We remain optimistic of the semiconductor industry which will continue be a growth area in year 2015. We are aware that the competition is stiff and the market may make an adverse turn which may impact our business.

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

For year 2014, we saw a further decline in our Singapore engineering business where the revenue from this region reduced to RM67 million from RM80 million mainly due to the deferment of outages by our power generation customers. Our business is greatly dependent on our customers securing their orders. In year 2014, there have been recurring smaller jobs to ease the business but with the absence of more significant orders our revenue was adversely affected. We continue to strategise on other revenue earning activities while waiting for the turnaround of our customers.

As stated in my report last year, the year 2014 will likely look the same as year 2013 for our business in Singapore. We remained optimistic that once the economy picks up again these customers would be expanding and this will augur well for us. We will fill up the financial gaps with smaller and additional maintenance works to keep us going in year 2015.

In the Philippines, due to the stiff competition that saw a decline in our service to the power generation industry, the revenue from the Philippines' business decreased from RM13.9 million to RM11.5 million, a 17% decrease.

Our Indonesia business unit has obtained the necessary license from SKK Migas to enable us to be involved in repair and service works for the Indonesia oil and gas industry which saw an increase in our revenue from RM1.7 million (2013) to RM2.1 million (2014).

OPERATIONAL CAPABILITIES

We pride ourselves for being the industry leader in surface metamorphosis solutions and that has been our pillar of strength to continue to keep pace with the industry requirements. Our strength also lies in our continuous and conscious needs to maintain a high level of service. We continue to strategise and plan by working with our customers for the preparation of any major shutdown works. We believe that these efforts will translate to a reasonable increase in our turnover.

Our key industrial products are gas turbine overhauls, turbo machinery repairs, oil field equipment coatings and components manufacturing in the refineries and petro chemical complexes. By concentrating our strengths in capabilities and capacities, we can drive ourselves through higher end thermal spray processes, regional presence and support.

We have the capabilities rooted in our resources and together with our skilled operators, we maintain our operational wellbeing by providing the best to our customers while also keeping our standards at work to deliver by keeping wastages at bay. We will continue to consciously maintain our costs low with each delivery to drive profits up. We will continue to strengthen our relationship with our customers to understand their needs with our sales engineers meeting our customers regularly.

KEY RISKS

Our business operates in a competitive and challenging environment where the economy cycle would affect our financial performance. Our customers impact the way we do our business. In instances when our customers merge with another customers, the risk of reduction or termination of business will be apparent as with all mergers and acquisitions, the acquirer-dominant effects would flow down to the supplier of services – us. If we are on the acquirer's side, we would anticipate the increase of our business opportunities in view of the growth in the size of our customers. However, if we are on the side of the target company, this could set our business back as in all mergers and acquisitions, through time, there would be standardisation of operations with the acquirer having the upper hand to choose its own suppliers. The need to increase our business to reach a wider customers base regionally may lessen these effects.

In certain area of our business, we are also highly dependent on our single customer. This presents us with great risk because the customer could go under, change their pricing structure or find another partner to do business with, leaving us on the losing end. Most customers keep to their policy of having comparatives quotes which would affect our pricing in securing jobs. The need to diversify would be the key agenda in our yearly plan in addition to continue to upgrade our services to differentiate ourselves.

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

The rising costs undermine our bottom line unless the same is matched by higher margin jobs. The cost of manpower, fluctuation of currency exchange and material, all equipment and machinery repair and maintenance cost, transport and travel cost in combination would impact the way we do our business. Risks associated with rising labour costs are valid to a certain extent. In our Company, keeping costs low remain our primary objective. The staff retention and hiring of foreign labour continue to plague our industry as the demand for manpower is high and staff is enticed by the better remuneration packages and benefits offered by competitors or commercial companies while the government policy on foreign workers would impact our resources. This has increased labour cost significantly. Replacement and recruitment for expansion in growth areas are real challenges. The strategies to overcome these are to improve productivities and to relook at our service offerings. We may have to merge or remove areas where we are weak, have low margins and have low growth potential. These risks are further managed by getting the information at the soonest possible time from the end-user and paying particular attention to the scope of work provided by the customer prior to any mobilisation. The division ensures that the scopes of work are predetermined and approved by the clients, and if any deviations are identified at any point in the project, these are quoted separately to capture the additional costs and billed back to the clients. Investment in modern and efficient technology could ease the efficiency of our deliverables and reduce manpower.

PROSPECTS

Our Group anticipates that our business units involved in the oil and gas Industry will contribute a significant share to the Group revenue in year 2015, taking into consideration the positive contribution from the progressive revenue of USD34.5 million from our ATB project. The investment in TTES allows us to reap the benefit of the new partnership which will enable us to tap further into the existing client base of TTES in the oil and gas industry as it has a license with Petronas for it to supply and provide services to Petronas.

The prospects for year 2015 will see the revenue stream from the oil and gas industry, power generation sector and the manpower provision of certified technicians to areas around South East Asia for other projects where support will be provided by the various business units under our Group. We continue to seek new opportunities with potential appointment and expanding our work relationship with established customers. We are also working on long term service agreements with our customers that are manufacturers of oil field equipment. We are prepared for the anticipated major plants shutdown of our existing clients which will see some revenue flowing from that area.

Nevertheless, we are still cautious of year 2015 as the uncertainties of the domestic and overseas markets could continue to run through the rest of the year. We remain positive of our business and would continue to look for opportunities to grow.

FINANCIAL REVIEW

RESULTS OF OPERATIONS

in RM'000

REVENUE				EBITDA			
2013	190,611	↑	63%	2013	26,106	↑	83%
2014	309,845			2014	47,790		

NET PROFIT				EBITDA MARGIN as a % of revenue			
2013	(2,321)	↑	909%	2013	13.7	↑	12%
2014	18,775			2014	15.4		

REVENUE

Reported revenue for the Group for the financial year ended 31 December 2014 amounted to RM309.8 million, as against RM190.6 million in the previous year. The Group revenue for 2014 of RM309.8 million increased in comparison with the previous year.

REVENUE (by customer location)	2014 RM'000	%	2013 RM'000	%	% change in revenue
Taiwan	90,405	29	63,992	34	41
Singapore	42,740	14	59,481	31	-28
Malaysia	157,893	51	43,600	23	262
Philippines	10,276	3	13,601	7	-24
Others	8,531	3	9,937	5	-14
Total	309,845	100	190,611	100	63

An analysis of revenue by customer location shows growth in Malaysia and Taiwan while the growth in Singapore, Philippines and others had declined by 28%, 24% and 14% respectively. The revenue in Singapore decreased from RM59.5 million to RM42.7 million. However, in Malaysia, the revenue increased by RM43.6 million to RM157.9 million. On an overall basis, the Group experienced a growth in revenue rate of 63% or an increase of RM119.2 million for year 2014.

The growth in Taiwan was due to the positive growth of the semi-conductor business while Philippines experienced stiff competition in its services. The drop in Singapore was due to the deferment of outages by its power generation customers. The increase in the activities in Malaysia was due to the progressive revenue from the project in Tanjung Bin. Malaysia is our leading country in terms of revenue.

EARNINGS

Earnings before interest, tax, depreciation and amortization ("EBITDA") of the Group for 2014 increased to RM47.8 million from RM26.1 million the year before. As a percentage of revenue, EBIDTA increased by 83% and was due to higher revenue which increased by RM119.2 million or 63% compared to the year before.

The lower finance costs, lesser depreciation of property, plant and equipment, the net realized gain on foreign exchange and sale of an associate company had a positive impact on net profit for 2014. The depreciation and amortization of RM18.4 million in 2014 was lower than last year of RM18.7 million. Profit after tax increased from RM0.5 million to RM23.2 million resulting from factors discussed above and provision of deferred taxation in last year.

As a result of the factors discussed above, the consolidated net profit attributable to shareholders of the Company for the financial year ended 31 December 2014 was RM18.8 million, while last year was a consolidated net loss of RM2.3 million. This translated to basic earnings per share in 2014 of 1.86 sen compared to basic loss per share of 0.23 sen in 2013.

FINANCIAL REVIEW (cont'd)

CASH FLOWS

in RM'000

NET DEBT				WORKING CAPITAL			
2013	(828)	↑	3,078%	2013	71,932	↑	32%
2014	(26,317)			2014	94,656		

FREE CASH FLOW				CAPITAL EXPENDITURE			
2013	31,455	↑	4%	2013	6,280	↑	45%
2014	32,742			2014	9,082		

The net profit has increased in year 2014 mainly due to the significant increase in the revenue. The net cash from operating activities was RM40.7 million and RM36.7 million in year 2014 and 2013 respectively. The higher amount of operating cash flow was mainly due to improvement in earnings.

Net cash used for investment activities in 2014 was RM21.2 million, compared to RM8.0 million in year 2013. The deterioration in cash flow for investment activities in year 2014 was due mainly to capital expenditure, investment in a subsidiary and placement of fixed deposits.

Our Group has cash and cash equivalent at the end of 2014 of RM52.6 million, compared to RM36.4 million at the end of 2013. Our Group will continue to exercise prudence in cash flow management while conserving the cash for future expansion and investing activities.

FINANCIAL POSITION

Our Group's shareholders' fund improved from RM186.3 million as at 31 December 2013 to RM206.8 million as at 31 December 2014 mainly from the increase in retained earnings.

Total assets of our Group increased from RM302.2 million as at 31 December 2013 to RM356.4 million as at 31 December 2014. Total group liabilities of RM116.7 million as at 31 December 2014 were higher by RM28.7 million or 32.7% than previous year mainly due to increase in trade and other payables. Group borrowings were increased from RM36.3 million in year 2013 to RM37.5 million in year 2014.

32% of the total Group borrowings at the end of 2014 is repayable within one year with the balance spread over 2 to 7 years. Singapore Dollar borrowings represented 43% of total borrowings whilst borrowings denominated in Taiwan Dollars and Ringgit Malaysia made up 21% and 36% of total borrowings respectively. Foreign currency borrowings were drawn to hedge against our Group's overseas investments and receivables which were denominated in foreign currencies.

BOARD OF DIRECTORS' PROFILE

NG WAI PIN

Chairman / Managing Director

- Aged 49, Malaysian
- Appointed to the Board on 10 April 2006
- Chairman of Remuneration Committee

Ng Wai Pin, formerly a Senior Independent Non-Executive Director of Frontken Corporation Berhad ("FCB"), was re-designated as the Chairman / Managing Director of the Company on 19 January 2012. He holds a Bachelor of Laws degree from the University of Auckland and was practising as a barrister and solicitor in a leading legal firm in New Zealand for a number of years before returning to Malaysia where he joined Shook Lin & Bok, a legal firm in Kuala Lumpur. He was admitted as an Advocate and Solicitor of the High Court of Malaya in 1993. He later became a Director and Chief Executive Officer of a company listed on Bursa Malaysia Securities Berhad with regional operations, before returning to private practice in law. From September 2005 to February 2009, he was the Chief Operating Officer of a company listed on the Singapore Exchange Limited and was seconded as the Chief Executive Officer of a company listed on the Australian Stock Exchange. He is also the Deputy Chairman of Ares Green Technology Corporation, a subsidiary of FCB, listed on the Gre Tai Securities Market in Taiwan. He also sits on the board of BSL Corporation Berhad.

He has no family relationship with any other Directors or major shareholders of the Company. He has not been convicted of any offences within the past ten years. He has no conflict of interest with the Company.

DR TAY KIANG MENG

Executive Director / Chief Scientist

- Aged 50, Singaporean
- Appointed to the Board on 10 April 2006

Dr Tay Kiang Meng holds a Bachelor of Engineering (First Class Honours) in Manufacturing Systems Engineering from University of Portsmouth, and a Master of Science in Advanced Manufacturing Systems and a PhD in Engineering from Brunel University, United Kingdom.

He is responsible for research and development leading the Group's technology roadmap, spearheading research and development ("R&D") activities, formalising the Group's quality systems, developing critical manufacturing technologies for FCB's semiconductor technology and advanced materials engineering, and exploring new technology opportunities for the Group. He has more than 20 years of professional experiences in technology development, R&D, and has led some of the most significant technology innovations in semiconductor-related manufacturing technology and advanced materials engineering.

An engineer and scientist by training, Dr Tay began his professional R&D experience with research think tank, Gintic Institute of Manufacturing Technology, Singapore. Dr Tay has received honours and awards in many of his academic, research and technology development work.

Dr Tay also sits on the board of the FCB's subsidiary, Ares Green Technology Corporation, as its Chairman. He has no family relationship with any other Directors or major shareholders of the Company. He has not been convicted of any offences within the past ten years. He has no conflict of interest with the Company.

BOARD OF DIRECTORS' PROFILE (cont'd)

DATO' HAJI JOHAR BIN MURAT @ MURAD

Independent Non-Executive Director

- Aged 68, Malaysian
- Appointed to the Board on 10 April 2006
- Chairman of Audit Committee and Nomination Committee, Member of Remuneration Committee

Dato' Haji Johar Bin Murat @ Murad graduated with a Bachelor degree in Malay Studies from Universiti Malaya in 1971. He has worked in various government agencies, such as the Ministry of Science, Technology & Environment, the Ministry of Finance, the Ministry of Public Enterprises (now known as Ministry of Entrepreneur and Co-operative Development) and Economic Planning Unit of Prime Minister's Department. During his tenure of service in the Ministry of Finance (1996 – 2000), he was a director of the following organisations:

- Yayasan Tun Razak (Tun Razak foundation)
- Perbadanan Kemajuan Negeri Selangor (Selangor State Economic Development Corporation)
- Majlis Sukan Negara Malaysia (National Sports Council)
- Lembaga Pembangunan Labuan (Labuan Development Authority)
- Syarikat MKIC Malaysia (Malaysia Equity Investment of Malaysia)
- Jawatankuasa Pengurusan Hutan Serantau (Regional Forestry Management Committee)
- Majlis Penyelidikan dan Kemajuan Sains Negara (National Council of Science and Research Development)

When he was the Deputy Secretary General (Operations) of the Ministry of Science, Technology & Environment from 2000 to 2003, Dato' Haji Johar was also an Alternate Director of Lembaga Pengarah Technology Park Malaysia, MIMOS Berhad, SIRIM Berhad, Malaysian Agriculture Research and Development Institute, Malaysia Technology Development Corporation, Composite Technology Research Malaysia Sdn Bhd, Malaysia Design Council and National Science Centre. He was also the Chairman of Audit Committee of MIMOS Berhad and a member of the Board of Tender for MIMOS Berhad and SIRIM Berhad. Currently, he sits on the board of several other private companies.

He has no family relationship with any other Directors or major shareholders of the Company. He has not been convicted of any offences within the past ten years. He has no conflict of interest with the Company.

AARON SIM KWEE LEIN

Senior Independent Non-Executive Director

- Aged 49, Malaysian
- Appointed to the Board on 27 August 2009
- Member of Audit Committee, Nomination Committee and Remuneration Committee

Aaron Sim Kwee Lein was identified as the Senior Independent Non-Executive Director of FCB on 20 February 2012. He is a Fellow member of the Chartered Association of Certified Accountants (UK), a Chartered Accountant of the Malaysian Institute of Accountant, a member of CPA Australia and a Chartered Member of the Institute of Internal Auditors Malaysia. He commenced his career with an international accounting firm and gained professional exposure in stock-broking, trading, manufacturing and construction concerns. Thereafter, he joined a listed company on the Main Board of Bursa Malaysia Securities Berhad as an Internal Auditor where he was engaged in audit work of stock-broking, manufacturing, retail and distribution concerns. In addition, he was also involved in due diligence, operational rationalisation and strategic planning work of corporate acquisitions. Subsequently, he joined a food retail franchise chain company as the Finance & Administrative Manager before becoming the Deputy General Manager of Corporate Strategies and Affairs of a glove manufacturing company. Thereafter, he has been involved in providing business and financial advisory services. Mr Sim also sits on the board of Freight Management Holdings Bhd and Excel Force MSC Berhad.

He has no family relationship with any other Directors or major shareholders of the Company. He has not been convicted of any offences within the past ten years. He has no conflict of interest with the Company.

BOARD OF DIRECTORS' PROFILE
(cont'd)

DR JORG HELMUT HOHNLOSER

Non-Independent Non-Executive Director

- Aged 57, German
- Appointed to the Board on 20 February 2012
- Member of Audit Committee and Nomination Committee

Dr Jorg Helmut Hohnloser received his M.D. from the University of Ulm, Germany and PhD (Medical Informatics) from the University of Munich, Germany. He has 25 years of working experience in the medical field, including research and teaching, and was involved in the development of medical IT systems. In 2000, he took over the management of Cleanpart GmbH and built the company from a single-location operation in Germany to a group with 12 locations in Germany, France and USA. Cleanpart GmbH was founded in 1998 and is principally involved in the cleaning and refurbishment of recyclable components from production systems in the semiconductor and related industries. Dr Jorg Helmut Hohnloser also sits on the board of the FCB's subsidiary, Ares Green Technology Corporation.

He has no family relationship with any other Directors or major shareholders of the Company. He has not been convicted of any offences within the past ten years. He has no conflict of interest with the Company.

TIMO FABIAN SEEBERGER

Alternate to Dr Jorg Helmut Hohnloser

- Aged 37, German
- Appointed to the Board on 20 February 2012

Timo Fabian Seeberger holds a Master of Technical Business Administration (Dipl. Kfm. Techn.) from the University of Stuttgart, Germany. He joined a privately-owned international group of companies, which render services for high-tech industries, as a Controller in 2005. He assumed his current position as the Chief Financial Officer of the group and the group's largest subsidiary, Cleanpart GmbH, in 2009. He has extensive experience in financial planning, management and reporting, financial modelling and information technology system.

He has no family relationship with any other Directors or major shareholders of the Company. He has not been convicted of any offences within the past ten years. He has no conflict of interest with the Company.

CORPORATE SUSTAINABILITY STATEMENT

Frontken Corporation Berhad is committed to conduct its business with ethics and integrity. Our employees are our assets and they are aware of our expectations. We take positive steps in cultivating sustainability as part of our work culture.

HEALTH AND SAFETY

We have 958 employees in 6 countries covering Malaysia, Singapore, Philippines, China, Indonesia and Taiwan. We have a prominent role to play to ensure health and safety of our employees. We communicate with our employees the importance of health and safety through continuous education and awareness programme. The health and safety aspects also extend to our customers and subcontractors to ensure an accident and injury free working environment.

WORKPLACE

In our Group, we have a diverse employee population in terms of age, gender, race and religion. We have policies and processes in place to cultivate respect for each other and to work in harmony. We believe that a successful company is driven by the acceptance of the diversity and tolerance of the policies and processes which would contribute to our sustainability.

We also believe in attracting and retaining talents in our company. With that, our focus would be on building a workforce of diverse background, creating a harmonious workplace, building partnerships with the communities' projects and creating value for our products in the market place through our brand and services.

ETHICAL CONDUCT AND LEGAL COMPLIANCE

We place importance of ethical conduct and legal compliance in our work culture. Since we are operating in different countries, our top management has an oversight role of reviewing the operation and compliances matters. We encourage our employees to share their expectations and recommendations of appropriate practices in the respective places of operations in creating better rapport and making new leaders.

ENVIRONMENT

Our continued success depends on our effort in sustaining our environment. We continue to listen and play our part in sustaining a healthy environment. We try to reduce our usage of energy, fuel, water and materials to maintain our minimal impact on the environment. We continue to explore ways to have energy savings lights and machines as well as minimizing the water usage while maintaining a high level of sanitation. We would reduce fuel usage and emissions through proper training and optimization of deliveries.

Having fulfilling customer's demand, we have always work closely with customers to develop functional solutions that will create awareness of addressing green issues with prolonging the life-span of their parts by improving processes through recycling and refurbishing. It has always been our practice to ensure all our operating units complying strictly with environmental legislations and to assert strict control thus minimizing the impact on the environment.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by the Companies Act, 1965 to prepare financial statements which give a true and fair view of the state of affairs of the Group and of the Company as at the end of each financial year and of the results and cash flows of the Group and of the Company for the financial year then ended. The directors ensure that suitable accounting policies have been used and applied consistently, and that reasonable and prudent judgments and estimates have been made, in the preparation of the financial statements. The directors also ensure that applicable approved accounting standards have been followed. The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy the financial position of the Group and of the Company and to enable them to ensure that the financial statements comply with the Companies Act, 1965.

CORPORATE GOVERNANCE STATEMENT

The Board of Frontken Corporation Berhad (the "Company") recognises the importance of adopting high standards of corporate governance in the Company in order to safeguard stakeholders' interests as well as enhancing shareholders' value. The Directors consider corporate governance to be synonymous with four key concepts, namely transparency, accountability, integrity as well as corporate performance.

This corporate governance statement (the "Statement") sets out how the Company has applied the 8 Principles of the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") and observed the 26 Recommendations supporting the Principles during the financial year. Where a specific Recommendation of the MCCG 2012 has not been observed during the financial year under review, the non-observation, including the reasons thereof and, where appropriate, the alternative practice, if any, is mentioned in the Statement.

PRINCIPLE 1 – ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

1.1 The Board should establish clear functions reserved for the Board and those delegated to Management

To enhance accountability, the Board has established clear functions reserved for it and those delegated to Management. There is a formal schedule of matters reserved to the Board for its deliberation and decision to ensure the direction and control of the Group's operations are in its hands. Key matters reserved for the Board include, inter-alia, the approval of annual budgets, quarterly and annual financial statements for announcement, investment and divestiture, as well as monitoring of the Group's financial and operating performance. Such delineation of roles is clearly set out in the Board Charter (the "Charter"), which serves as a reference point for Board activities.

To assist the Board in fulfilling its duties and responsibilities, the Board has established the Audit Committee, Nomination Committee and Remuneration Committee. Each Committee is tasked with specific functions to operate within its terms of reference, which are included in the Charter. The ultimate responsibility for decision making, however, lies with the Board.

1.2 Board should establish clear roles and responsibilities in discharging its fiduciary and leadership functions

Reviewing and adopting a strategic plan for the Company

The strategic initiatives of the Board are deliberated at its scheduled meetings where the goals of the Group are also discussed and formalised, culminating in the development of a comprehensive Group budget for the Board's approval. Resources are identified and allocated accordingly towards meeting such goals and objectives. In addition, for any new business ventures, a proper and well researched meeting paper is required for tabling at the Board meeting so that the matter can be deliberated and decided without delay.

Overseeing the conduct of the Company's business

The Executive Chairman, who is also the Managing Director of the Company, leads the Board and is also involved in the Company's day-to-day management. He is supported by an Executive Director and a management team in managing the Group's business. The Board's role is to oversee the performance of Management to determine whether the business is properly managed. The Board gets updates from Management at the quarterly Board meetings when reviewing the unaudited quarterly results and annual audited financial statements. During such meetings, the Board participates actively in the discussion of the performance of the Company.

Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures

The Company engaged an external service provider to assist the Board in establishing an Enterprise Risk Management framework for the Group, formalizing, amongst others, the processes to identify, evaluate, control, report and monitor significant business risks faced by the Group. The Board has approved the Enterprise Risk Management Framework for adoption across the Group. The Board, via its Audit Committee, reviews the outcome of risk assessment, including the implementation of appropriate internal controls and mitigation measures to address the risks identified.

Further details of the Enterprise Risk Management Framework are set out in the Internal Control Statement in this Annual Report.

CORPORATE GOVERNANCE STATEMENT
(cont'd)

PRINCIPLE 1 – ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

1.2 Board should establish clear roles and responsibilities in discharging its fiduciary and leadership functions (cont'd)

Succession planning

The Board views succession planning as important for business continuity. Key positions which are vacated due to retirement and/or resignation are filled quickly to avoid business interruption. The issue of succession planning is deliberated at Board meetings such that pertinent actions are taken to provide for the orderly succession of senior management.

Overseeing the development and implementation of a shareholder communications policy for the Company

The Company has, on its interactive website, a dedicated Investor Relations section where shareholders can communicate with the Board through the designated Investor Relations officer. The Board has also identified a Senior Independent Director, namely Mr. Aaron Sim Kwee Lein to whom the concerns of stakeholders and shareholders pertaining to the Company may be conveyed.

Reviewing the adequacy and integrity of the management information and internal controls system of the Company

The Board acknowledges the importance of the adequacy and integrity of the information and internal controls system of the Company. Details of the Group's internal control system, including how the Board reviews its adequacy and operating effectiveness, are set out in the Internal Control Statement in this Annual Report.

1.3 The Board should formalise ethical standards through a code of conduct and ensure its compliance

The Company has in place a Code of Conduct for its Directors and employees and it is available on the Company's website.

The Board also has in place Whistle Blowing Policies and Procedures for employees to raise genuine concerns, without fear of reprisal, about possible improprieties on matters pertaining to financial reporting, compliance, malpractices and unethical business conduct within the Group.

1.4 The Board should ensure that the company's strategies promote sustainability

The Board considers sustainability in its business operations. As such, it recognises the need for the Company to address sustainability in its business strategy, taking into consideration the governance, social and environmental aspects. The Corporate Sustainability Statement in this Annual Report provides further details on how efforts on sustainability are taken by the Board and Management.

1.5 The Board should have procedures to allow its members access to information and advice

The Board Charter provides a procedure for Directors to access information and independent advice in the discharge of their stewardship role, for example Directors may seek independent legal, financial or other advice as they consider necessary at the expense of the Company as a full Board or in their individual capacity, in the furtherance of their duties. Management is required to supply the Board and Committees with information in a form, timeframe and quality that enables the Directors to effectively discharge their duties. The Directors are provided with Board papers prior to each meeting to evaluate the proposals and, if necessary, to request for additional information.

1.6 The Board should ensure it is supported by a suitably qualified and competent company secretary

The Company Secretaries of the Company are suitably qualified and competent to support the Board. The Board is regularly updated by the Company Secretaries on the latest regulatory updates. During the financial year, the Board was briefed by the Company Secretaries on the amendments to the Listing Requirements in respect of the shortening of the time frame for the periodic reporting to Bursa Securities. The Directors were briefed on the public consultation paper on the various changes to the Listing Requirements.

The Board has access to the advice and services of the Company Secretaries who are responsible for ensuring that the established procedures and relevant statutes and regulations are complied with.

CORPORATE GOVERNANCE STATEMENT (cont'd)

PRINCIPLE 1 – ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

1.7 The Board should formalise, periodically review and make public its board charter

The Board Charter, which has been uploaded on the Company's website at www.frontken.com, sets out the composition of the Board, duties and responsibilities on matters relating to strategy and planning, human resource, remuneration, capital management and financial reporting, performance monitoring, risk management, audit and compliance and board processes and policies, Board Committees, Chairman of the Board, independence of Directors, access to information and independent advice, dealings in securities, orientation and continuing education and Board assessment. The Board reviews the Board Charter on an annual basis to be consistent with the relevant regulatory requirements.

PRINCIPLE 2 – STRENGTHEN COMPOSITION

2.1 The Board should establish a Nominating Committee which should comprise exclusively non-executive directors, a majority of whom must be independent

The Nomination Committee comprises exclusively Non-Executive Directors with a majority of Independent Directors. The Nomination Committee met twice during the financial year under review to deliberate matters within its terms of reference.

The terms of reference of the Nomination Committee provide that the Nomination Committee shall be appointed by the Board and shall consist of not less than two (2) members, comprising exclusively non-executive Directors, the majority of whom shall be independent Directors. The terms of reference of the Nomination Committee also outline the responsibilities and duties in relation to the selection and assessment of new and existing directors.

2.2 The Nominating Committee should develop, maintain and review the criteria to be used in the recruitment process and annual assessment of Directors

The Nomination Committee is responsible for assessing proposed candidates based on selection criteria expected of a Director and makes recommendation to the Board if the proposed candidates are found to be suitable. The decision on new appointment of Directors rests with the Board after considering the recommendation of the Nomination Committee.

The Nomination Committee is also responsible for carrying out an assessment of Board's effectiveness in terms of its composition, roles and responsibilities, and whether the Board Committees discharge their functions and duties in accordance with the terms of reference entrusted by the Board. The assessment of the Board takes into account the character, competence, experience, integrity and time availability of each Director as well as their ability to provide pertinent input at meetings and demonstrate high level of professionalism in decision making process. The Nomination Committee annually reviews the composition of the Board to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies for effective functioning and informed decision-making.

Insofar as Board diversity is concerned, the Board does not intend to set out any specific policy on targets for gender, age or ethnicity of Directors. The Board believes that the on-boarding process of Directors should not be based on any gender, age or ethnicity discrimination. As such, the evaluation of suitable candidates is solely based on the candidates' competency, character, time availability, integrity and experience in meeting the needs of the Company, including, where appropriate, the ability of the candidates to act as Independent Non-Executive Directors, as the case may be.

During the financial year under review, the Nomination Committee assessed the effectiveness of the Board, as a whole, Board Committees and contribution of each individual Director, including those Directors who are subject to retirement at the forthcoming Annual General Meeting in accordance with the Articles of Association of the Company.

CORPORATE GOVERNANCE STATEMENT
(cont'd)

PRINCIPLE 2 – STRENGTHEN COMPOSITION (CONT'D)

2.2 The Nominating Committee should develop, maintain and review the criteria to be used in the recruitment process and annual assessment of Directors (cont'd)

Details of attendance of the Board Committee members for the financial year ended 31 December 2014 are as follows:

Directors	Audit Committee	Nomination Committee	Remuneration Committee
Ng Wai Pin	N/A	N/A	1/1
Dato' Haji Johar Bin Murat @ Murad	5/5	2/2	1/1
Aaron Sim Kwee Lein	5/5	2/2	1/1
Dr Jorg Helmut Hohnloser	3/5	1/2	N/A

2.3 The Board should establish formal and transparent remuneration policies and procedures to attract and retain directors

The Remuneration Committee, which comprises three (3) Directors, a majority of whom are Independent Directors, met once during the financial year under review to deliberate matters within its terms of reference. Its key function is to ensure that the Company is able to attract and retain Directors of the calibre and quality required to manage the business of the Group.

As such, the Remuneration Committee is tasked to review the remuneration of Directors and Senior Management to ensure that they are remunerated at competitive levels in relation to the achievement of goals and the performance of the Group. The remuneration packages of the Executive Directors and Senior Management are then recommended to the Board for approval.

The Board recommends the fees payable to Directors on a yearly basis to the shareholders for approval at the Annual General Meeting in line with the provision of the Company's Articles of Association.

The aggregate remuneration of the Directors of the Company from the Group for the financial year ended 31 December 2014 is as follows:

	Executive Directors RM'000	Non-Executive Directors RM'000
Salaries	2,488	–
Fees	31	130
Bonuses	478	–
Other emoluments	72	–
	3,069	130

The number of Directors whose remuneration falls within the respective bands is as follows:

	Executive Directors	Non-Executive Directors
Below RM50,000	–	2
RM50,001 to RM100,000	–	1
RM1,050,001 to RM1,100,000	1	–
RM2,000,001 to RM2,050,000	1	–
	2	3

CORPORATE GOVERNANCE STATEMENT
(cont'd)

PRINCIPLE 3 – REINFORCE INDEPENDENCE

3.1 The Board should undertake an assessment of its Independent Directors annually

On an annual basis, the Board through the Nomination Committee assesses the Independent Directors, adopting the criteria as set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and reports to the Board the outcome of its findings.

3.2 & 3.3 Tenure of Independent Non-Executive Director exceeding cumulative term of 9 years and seek shareholders' approval in retaining such Independent Non-Executive Director

At the date of this Statement, the Board has a Director, namely Dato' Haji Johar Bin Murat @ Murad, who has served for more than 9 years as an Independent Non-Executive Director.

The Board has assessed, via the Nomination Committee, his independence and, accordingly, recommended him for shareholders' approval to continue to serve as an Independent Non-Executive Director of the Company for the ensuing year based on the following justifications:

a. He fulfils the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and, thus, he is able to provide a check and balance by bringing an element of objectivity and independent judgment to the Board's deliberation;
b. He brings with him vast experience and expertise to complement the competencies of the other Directors to enhance boardroom discussions and decision;
c. He has been with the Company for more than 9 years since 2006 and, accordingly, is familiar with the nuances and understanding of the Group's business operations; and
d. He has exercised due care and diligence during his tenure as an Independent Non-Executive Director of the Company and carried out his duties professionally and objectively in the interest of the Company and shareholders.

3.4 The positions of Chairman and Chief Executive Officer should be held by different individuals and the Chairman must be a non-executive member of the Board

The Board is mindful of the dual role held by Mr. Ng Wai Pin as the Chairman and Managing Director which deviates from the Recommendation of the MCCG 2012. The Board is of the view that there is no concentration of power and authority, and that no one individual has unfettered powers for decision making. Furthermore, there are sufficient Independent Non-Executive Directors on the Board who are individuals of calibre, credibility and are free from any business or other relationship which could materially interfere with the exercise of their independent judgment. These Independent Non-Executive Directors are capable of exercising independent judgment to ensure fair and objective deliberations at Board meetings.

3.5 Board must comprise a majority of Independent Non-Executive Directors if Chairman is not an Independent Non-Executive Director

As the size of the Board is small, the Board is of the view that the composition of the Board meets with the minimum requirements of the Main Market Listing Requirements. Moreover, the Non-Executive Directors, which consist of the majority of Board members, provide a check in the balance of power vested in the Chairman.

CORPORATE GOVERNANCE STATEMENT
(cont'd)

PRINCIPLE 4 – FOSTER COMMITMENT

4.1 The Board should set expectations on time commitment for its members and protocols for accepting new directorships

The Board, on an annual basis, sets out the meeting dates for the whole financial year so that each member of the Board is able to plan his schedule accordingly. This helps to ensure that the Board is committed to meet when the time arises.

The Board has also established a guideline on the acceptance of new directorship by Board members. Any Director intending to take on new directorship is required to notify the Board Chairman before accepting the new directorship and also to confirm his commitment that the new directorship will not impair his time commitment to the Company.

Details of the Directors' attendance at Board meetings for the financial year ended 31 December 2014 are set out below:

Directors	Designations	Attendance	%
Ng Wai Pin	Executive Chairman and Managing Director	5/5	100
Dr Tay Kiang Meng	Executive Director / Chief Scientist	5/5	100
Dato' Haji Johar Bin Murat @ Murad	Independent Non-Executive Director	5/5	100
Aaron Sim Kwee Lein	Independent Non-Executive Director	5/5	100
Dr Jorg Helmut Hohnloser	Non-Independent Non-Executive Director	3/5	60

Mr Timo Fabian Seeberger, the Alternate Director to Dr Jorg Helmut Hohnloser, attended all the five (5) Board meetings by invitation.

4.2 The Board should ensure members have access to appropriate continuing education programme

The Board encourages its members to enrol in appropriate continuing education programme to equip them to serve the interests of the Company.

The Directors were updated on an ongoing basis by way of circulars on matters relating to changes to the Listing Requirements. For the financial year under review and up to the date of this Statement, the training courses, forums and briefings attended by the Directors are as follows:-

Ng Wai Pin	• GST Insight • Briefing on the amendments to the Listing Requirements in respect of the shortening of the time frame for the periodic reporting to Bursa Securities and the public consultation paper on the various changes to the Listing Requirements • Malaysian GST Mechanism and Treatment v2
Dr Tay Kiang Meng	• Latest Developments for Contamination Control • Big Data and Manufacturing • Briefing on the amendments to the Listing Requirements in respect of the shortening of the time frame for the periodic reporting to Bursa Securities and the public consultation paper on the various changes to the Listing Requirements

CORPORATE GOVERNANCE STATEMENT (cont'd)

PRINCIPLE 4 – FOSTER COMMITMENT (CONT'D)

4.2 The Board should ensure members have access to appropriate continuing education programme (cont'd)

The Directors were updated on an ongoing basis by way of circulars on matters relating to changes to the Listing Requirements. For the financial year under review and up to the date of this Statement, the training courses, forums and briefings attended by the Directors are as follows:- (cont'd)

Dato' Haji Johar Bin Murat @ Murad	• Briefing on the amendments to the Listing Requirements in respect of the shortening of the time frame for the periodic reporting to Bursa Securities and the public consultation paper on the various changes to the Listing Requirements • Briefing by the External Auditors on changes to the Malaysian Financial Reporting Standards • Effective Board Evaluations Workshop
Aaron Sim Kwee Lein	• Strategic Cost Reduction and Operations Streamline • Shares with No Par Value, Share Buybacks and Redeemable Preference Share – Proposed Companies Bill 2013 • Briefing on the amendments to the Listing Requirements in respect of the shortening of the time frame for the periodic reporting to Bursa Securities and the public consultation paper on the various changes to the Listing Requirements • Briefing by the External Auditors on changes to the Malaysian Financial Reporting Standards
Dr Jorg Helmut Hohnloser	• Briefing on the amendments to the Listing Requirements in respect of the shortening of the time frame for the periodic reporting to Bursa Securities and the public consultation paper on the various changes to the Listing Requirements
Timo Fabien Seeberger	• Briefing on the amendments to the Listing Requirements in respect of the shortening of the time frame for the periodic reporting to Bursa Securities and the public consultation paper on the various changes to the Listing Requirements • Briefing by the External Auditors on changes to the Malaysian Financial Reporting Standards

PRINCIPLE 5 – UPHOLD INTEGRITY IN FINANCIAL REPORTING

5.1 The Audit Committee should ensure financial statements comply with applicable financial reporting standards

The Board, through the Audit Committee, endeavours to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects to shareholders, primarily through the Annual Reports and quarterly announcements of the Group's results to the regulators. The Board is assisted by the Audit Committee in overseeing the Group's financial reporting process and the accuracy, consistency and appropriateness of the use and application of accounting policies and standards.

On a yearly basis, the Audit Committee meets with the External Auditors to go through the Audit Planning Memorandum prior to commencement of the audit. In addition, the Audit Committee also meets with the External Auditors to discuss their report to the Audit Committee following completion of their audit. The External Auditors share with the Audit Committee any significant issues on the financial statements and regulatory updates. The Audit Committee obtains assurance from the External Auditors on the Company's compliance with the applicable financial reporting standards.

CORPORATE GOVERNANCE STATEMENT
(cont'd)

PRINCIPLE 5 – UPHOLD INTEGRITY IN FINANCIAL REPORTING (CONT'D)

5.2 The Audit Committee should have policies and procedures to assess the suitability and independence of external auditors

The Audit Committee assesses the performance of the External Auditors on an annual basis and reports to the Board its recommendation for the reappointment of the External Auditors at the Annual General Meeting.

In addition, the Audit Committee has in place a policy on the provision of non-audit services by the External Auditors. During the financial year ended 31 December 2014, the fees for non-audit services rendered by the External Auditors to the Group amounted to approximately RM5,000.

The External Auditors had provided a written assurance to the Audit Committee that they were independent throughout the conduct of the audit engagement based on the independence criteria of relevant professional and regulatory requirements.

PRINCIPLE 6 – RECOGNISE AND MANAGE RISKS

6.1 The Board should establish a sound framework to manage risks

The Board had established an Enterprise Risk Management framework to identify, evaluate, control, report and monitor significant risks faced by the Group. Such a framework also includes pertinent risk management policies and guidelines to provide structured guidance to personnel across the Group in addressing risk management. The risk appetite of the Group is articulated via the use of risk parameters in the framework, covering financial and non-financial metrics, to assess the likelihood of risks occurring and the impact thereof should the risks crystallise. Internal controls deployed by Management are linked to, and mitigate, the business risks identified.

The Audit Committee works with the Internal Auditors to ensure that the Internal Audit Annual Plan encompasses the audit of areas with higher vulnerability. The Internal Auditors are also required to perform periodic testing of the internal control system to ensure that the system is robust, including follow-up on the status of Management's implementation of action plans to address issues raised by the Internal Auditors.

Further details of the Enterprise Risk Management framework and the system of internal control of the Group are set out in the Internal Control Statement in this Annual Report.

6.2 The Board should establish an internal audit function which reports directly to Audit Committee

The Group outsources its internal audit function to an independent professional firm, with the objective of conducting systematic testing and assessment of the Group's internal control system based on an internal audit plan approved by the Audit Committee. Its responsibilities include providing independent and objective reports on the state of internal control of the significant operating units in the Group to the Audit Committee, with recommendations for improvement to the control procedures, so that remedial actions can be taken in relation to weaknesses noted in the system. In carrying out its work, the internal audit function deployed standards promulgated by the International Professional Practices Framework of the Institute of Internal Auditors, a global professional body for internal auditors.

CORPORATE GOVERNANCE STATEMENT (cont'd)

PRINCIPLE 7 – ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

7.1 The Board should ensure the Company has appropriate disclosure policies and procedures

The Board has established an internal Corporate Disclosure Policy in compliance with the disclosure requirements as set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Board delegated the authority to the Chairman of the Company to ensure that the Corporate Disclosure Policy is adhered to by Senior Management and the Company Secretaries with respect to disclosure obligations.

7.2 The Board should encourage the Company to leverage on information technology for effective dissemination of information

The Company's website has a section dedicated to shareholders under Investor Relations where shareholders can check on the latest announcements of the Company, press release, media news, share and warrant prices and also to contact the designated person on investor relations matters. The shareholders are also encouraged to subscribe for any news alert of the Company.

PRINCIPLE 8 – STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

8.1 The Board should take reasonable steps to encourage shareholder participation at general meetings

The Board encourages the attendance of shareholders at the Company's Annual General Meeting. The notice period of the Annual General Meeting is given to the shareholders slightly longer than the minimum of 21 clear days. With a slightly longer time, the shareholders are provided with ample time to review the annual report, to appoint proxies and to collate questions to be asked at the Annual General Meeting.

General meetings remain the principal forum for dialogue between the Company and its shareholders. The Company holds its general meetings at the Company's premises which is easily accessible by the shareholders and at a time convenient to the shareholders to encourage them to attend and participate in the meetings either in person, by corporate representative, by proxy or by attorney. The shareholders are encouraged and given sufficient opportunity to enquire about the Group's activities and prospects as well as to communicate their expectations and concerns to the Board at these meetings.

The Company held its Tenth Annual General Meeting ("Tenth AGM") on 26 June 2014. The Notice of AGM, Annual Report and the related statement were sent to the shareholders in accordance with the regulatory and statutory provisions. The Notice of the Tenth AGM was also advertised in a national English newspaper within the prescribed deadline.

During the AGM, the Chairman and Managing Director took on questions and provided the relevant information on the performance for the financial year 2013. The Chairman, when presenting the agenda items for voting, also gave a brief description of the items to be voted and shareholders were invited to ask questions before voting commenced.

The shareholders approved all the resolutions put forth at the Tenth AGM and the results of the Tenth AGM were announced to the shareholders via the Bursa Link at the conclusion of the AGM.

Minutes were kept to record the proceedings of the Tenth AGM and shareholders may inspect the minutes in accordance with the provisions of the Companies Act, 1965.

CORPORATE GOVERNANCE STATEMENT
(cont'd)

PRINCIPLE 8 – STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS (CONT'D)

8.2 Board should encourage poll voting

At the commencement of the Annual General Meeting after the calling of meeting to order, the Chairman reminds the shareholders, proxies and corporate representatives on their rights to demand for a poll in accordance with the provisions of the Articles of Association of the Company for any resolutions. The Chairman is also aware that he could demand for a poll for substantive resolution to be tabled at the shareholders' meetings.

The Company's share registrar is well equipped to facilitate the conduct of a poll should the need arise.

There were no substantive resolutions put forth at the Tenth AGM of the Company, which was held on 26 June 2014. Hence, all resolutions were voted on a show of hands.

8.3 Board should promote effective communication and proactive engagements with shareholders

Shareholders' meetings are important events for the Board to meet the shareholders. The Chairman allots sufficient time to encourage the shareholders, proxies and the corporate representatives to ask questions pertaining to the matters tabled at the general meetings. The Senior Management and External Auditors are present at the shareholders' meetings to answer any query that the shareholders, proxies and corporate representatives may ask.

The Board has set up the corporate website at www.frontken.com to encourage shareholders and investors to pose questions and queries to the Company. These questions and queries will be attended to by the Company's senior management. In addition, the Board also encourages shareholders, stakeholders and other investors to communicate with the Company through other channels, via post at Suite 301, Block F, Pusat Dagangan Phileo Damansara 1, No. 9, Jalan 16/11, Off Jalan Damansara, 46350 Petaling Jaya, Selangor, Malaysia, fax at (03) 7968 3316 or e-mail at erichee@frontken.com.

This statement is made in accordance with the resolution of the Board dated 23 April 2015.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Paragraph 15.26 (b) of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa") stipulates that a listed issuer must ensure that its board of directors makes a statement ("Internal Control Statement" or "Statement") about the state of internal control of the listed issuer as a group. Accordingly, the Board of Directors ("Board") is pleased to provide the Internal Control Statement, which outlines the nature and scope of the risk management and internal control system in the Group (comprising the Company and its subsidiaries) for the financial year ended 31 December 2014 and up to the date of approval of this Statement for inclusion in the Annual Report of the Company. For the purpose of disclosure, this Statement takes into consideration the "Statement on Risk Management and Internal Controls - Guidelines for Directors of Listed Issuers", a publication of Bursa which provides guidance to boards on the issuance of the Internal Control Statement.

BOARD RESPONSIBILITY

The Board acknowledges its overall responsibility for the Group's system of risk management and internal control to safeguard shareholders' investment and the Group's assets as well as reviewing its adequacy and integrity. The Board is mindful of the need to establish clear roles and responsibilities in discharging its fiduciary and leadership functions in line with Recommendation 1.2 of the Malaysian Code on Corporate Governance 2012 ("MCCG 2012"). Accordingly, the Board is aware that its principal responsibilities, as outlined in the Commentaries of the same Recommendation of the MCCG 2012, include, inter-alia, the following:

- identifying principal risks and ensuring the implementation of appropriate controls and mitigation measures; and

- reviewing the adequacy and integrity of the management information and internal controls system of the Company.

The Group's risk management and internal control system addresses strategic, operational, financial and compliance risks as well as the associated internal controls deployed by Management to mitigate the risks. In view of the limitations inherent in any system of risk management and internal control, the system is designed to manage, rather than to eliminate, the risk of failure to achieve the Group's business and corporate objectives. The system can therefore only provide reasonable, but not absolute assurance, against any material misstatement, financial loss or fraudulent practice.

In line with Recommendation 6.1 of the MCCG 2012, the Board has formalized an Enterprise Risk Management ("ERM") framework that provides policies and procedures to address risk management activities of the Group in a structured manner to safeguard shareholders' investment and the Group's assets. Based on this framework, the Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Group. The Board, through its Audit Committee, reviews the results of this process, including mitigating measures taken by Management to address areas of key risks as identified. This process has been in place for the financial year under review and up to the date of approval of this Statement for inclusion in the Annual Report of the Company.

RISK MANAGEMENT FRAMEWORK

Risk management is firmly embedded in the Group's key business processes through its ERM framework. To streamline the risk management processes and activities, the Board has also formalized in writing pertinent risk management policies and guidelines for adoption by business units across the Group. The ERM framework embodies a risk management process which results in the compilation of specific risk profiles of key business units and companies in the Group by Risk Management Units (RMUs"). The individual risks in the profile are scored for their likelihood of occurrence and the impact thereof based on risk parameters established for each key business unit or company in the Group. The risk parameters take into consideration financial and non-financial metrics in measuring risks in terms of likelihood of risk occurrence and the impact thereof – this essentially articulates the Board's risk appetite, i.e. the extent of risk the Group is prepared to take or seek in achieving its corporate objectives. The risk responses and internal controls that Management has taken and/or is taking are reported by the RMUs to the Audit Committee and the outcome is documented in the minutes of the Audit Committee meetings. For each of the risks identified, a risk owner is entrusted to ensure appropriate actions are taken to mitigate the risk.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

INTERNAL CONTROL SYSTEM

The key features of the Group's internal control system are as follows:

- the Group has established an organization structure with clearly defined lines of responsibilities and appropriate levels of delegation and authority, including financial limits of authority. The organization structure sets out clear reporting lines and segregation of duties for major operational functions like operations, sales and collections, procurement and payment, human resource, capital expenditure, research and development, financial reporting, corporate affairs, and investments;
- a process of hierarchical reporting is established which provides a documented and auditable trail of accountability;
- annual budgetary exercise is carried out, requiring all business units and companies in the Group to prepare financial budgets which are then consolidated into a Group budget, presented to the Board for comments and approval. Quarterly review of the Group's performance against budget is carried out at Board meetings where explanations on significant variances are furnished by Management. Management meetings at operational level are conducted to review financial performance against business plans and monitor the respective business unit's performance against budget;
- significant changes in business development are reported to the Board at scheduled meetings. This oversight review enables the Board to evaluate and monitor the Group's business performance to enable the Group to achieve its corporate objectives;
- internal policies and procedures pertaining to business processes have been formalized for application across the Group. These policies and procedures serve as a guide to ensure compliance with internal controls and applicable laws and regulations; and
- where issues arise that affect the reliability and integrity of financial information of any business unit, special audits are commissioned to assist the Board in fulfilling its oversight responsibilities.

INTERNAL AUDIT FUNCTION

The internal audit function is outsourced to an independent professional firm, which adopts the International Professional Practices Framework ("IPPF") in carrying out internal audit of the Group. The IPPF encapsulates, amongst others, the attribute and performance standards for internal auditing promulgated by the Institute of Internal Auditors, a global professional body for internal auditors. The Audit Committee reviews the work of the internal audit function, its observations and recommendations to ensure that it obtains the necessary level of assurance with respect to the adequacy and effectiveness of risk management and internal control systems. The internal audit function reviews the Group's system of internal controls and reports its observations, including Management's response and action plans thereof, directly to the Audit Committee. The internal audit function also follows up and reports to the Audit Committee the status of implementation by Management on the recommendations highlighted in its internal audit reports. The internal audit plan is developed based on the risk priority of the geographical segments of the Group. Business units in Malaysia and Singapore were selected for internal audit during the year, with the Audit Committee's concurrence, whilst a follow-up internal audit was conducted for business units that were previously audited, including the business unit located in the Philippines. Further details of the internal audit activities are provided in the Audit Committee Report.

The Group's external auditors, in the course of their statutory audit, carry out a review of the Company's system of internal controls to the extent of their planned reliance as laid out in their audit plan. Any significant weaknesses identified during the reviews together with the improvement measures to strengthen the internal controls are reported to the Audit Committee. The Audit Committee reviews the observations raised by the internal and external auditors, as well as actions taken by Management to address the areas of concern, and evaluates the adequacy and effectiveness of the Group's risk management and internal control system. The Audit Committee reports to the Board the outcome of its engagement with the internal and external auditors concerning the adequacy and operating effectiveness of the Group's system of risk management and internal control, including actions taken or are being taken by Management to remedy any significant weaknesses noted.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

BOARD'S COMMENTS ON THE ADEQUACY AND EFFECTIVENESS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board, through its Audit Committee, has reviewed the adequacy and effectiveness of the risk management and internal control system, and that relevant actions have been or were being taken, as the case may be, to remedy the internal control weaknesses identified from the review.

The Board is of the view that the system of risk management and internal control in place for the financial year under review and up to the date of approval of this Statement for inclusion in the Annual Report of the Company is sound and sufficient to safeguard shareholders' investment and the Group's assets. Whilst the Board is of the view that there were no material losses incurred during the financial year as a result of weaknesses in the risk management and internal control system, the Board believes that this system must continuously evolve to meet the changing and challenging business environment the Group operates in. Therefore, the Board will put in place action plans, as deemed appropriate, to strengthen the system of risk management and internal control from time to time.

ASSURANCE BY THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER ON THE ADEQUACY AND OPERATING EFFECTIVENESS OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board has received assurance in writing from the Chief Executive Officer and Chief Financial Officer stating that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, for the financial year under review and up to the date of this Statement.

Pursuant to Paragraph 15.23 of the Listing Requirements, the external auditors have reviewed this Statement for inclusion in the Annual Report for the year ended 31 December 2014 and reported to the Board that nothing has come to their attention that causes them to believe that the Internal Control Statement intended to be included in the Annual Report is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issues to be set out, nor is factually inaccurate.

This Statement is made in accordance with the resolution of the Board of Directors dated 23 April 2015.

AUDIT COMMITTEE REPORT

A. COMPOSITION AND ATTENDANCE

The members of the Audit Committee (the "Committee") are as follows:

Chairman of Committee

Dato' Haji Johar Bin Murat @ Murad
Independent Non-Executive Director

Members of Committee

Aaron Sim Kwee Lein
Senior Independent Non-Executive Director
Dr Jorg Helmut Hohnloser
Non-Independent Non-Executive Director

The Board must appoint the members of the Committee from amongst its Directors which fulfils the following requirements:-

(a) the Committee must be composed of not fewer than three (3) members;
(b) all the Committee members must be non-executive directors, with a majority of them being independent directors; and
(c) at least one (1) member of the audit committee:-
  (i) must be a member of the Malaysian Institute of Accountants;
  (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and :-
    (aa) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
    (bb) he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
  (iii) fulfils such other requirements as prescribed or approved by Bursa Securities.

The Board, through the Nomination Committee, assesses the performance of the Committee on an annual basis and once in every three (3) years assesses the effectiveness of the Committee and each its members to determine whether the Committee and members have carried out their duties in accordance with their terms of reference.

The meeting attendance of the Committee members is provided in the Corporate Governance Statement in this Annual Report.

B. MEETINGS

There were five (5) meetings held during the financial year under review. During those meetings, the Committee held two (2) private sessions with the External Auditors without the presence of the Executive Directors and Management. During the private sessions, the Committee enquired into the co-operation extended by Management in the course of the audit, including the supply of information to facilitate the conduct of the external audit and whether the External Auditors encountered any difficulty in obtaining such cooperation and information for the purpose of the External Audit.

The meetings of the Committee are planned ahead so that the members can make the necessary arrangement to attend the meetings. The notice for the meetings is served at least one week before each meeting and the meeting papers are sent to each member to provide them time to read, including an opportunity for the members to inquire into the agenda items as well as to seek more information before the meeting.

At each Board meeting, the Committee Chairman briefs the Board pertaining to matters discussed at the Committee meeting held earlier. A copy of the minutes of the Committee meeting is circulated to the Board for notation.

AUDIT COMMITTEE REPORT
(cont'd)

C. FUNCTIONS AND DUTIES

The functions and duties of the Committee are as follows:

1. To review the following and report the same to the Board:
   (a) The nomination of external auditors;
   (b) The adequacy of existing external auditors' audit arrangements, with particular emphasis on the scope, quality and independence of the audit and the external auditors, as the case may be;
   (c) The effectiveness and adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
   (d) The internal audit programme, results of the internal audit and that appropriate actions are taken on the recommendations of the internal auditors;
   (e) Any appraisal or assessment of the performance of members of the internal audit function and approve any appointment of termination of internal auditors;
   (f) The effectiveness of the internal control and management information systems;
   (g) The financial statements of the Company with both the external auditors and Management;
   (h) The external auditors' audit report;
   (i) Any management letter sent by the external auditors to the Company and Management's response to such letter;
   (j) Any letter of resignation from the Company's external auditors;
   (k) The quarterly and year-end financial statements of the Group;
   (l) The assistance given by employees of the Company to the external auditors;
   (m) To discuss problems and reservations arising from the interim and final audits, and any matter the external auditors may wish to discuss (in the absence of Management, where necessary);
   (n) All areas of significant financial risk and arrangements in place to contain those risks to acceptable levels; and
   (o) All related party transactions and potential conflict of interest situations that may arise within the Company or Group.

2. To consider the appointment of the external auditors, the audit fee and any questions of resignation or dismissal and whether there is a reason (supported by grounds) to believe that the Company's external auditors are not suitable for re-appointment, including adherence to the Company's policy on the provision of non-audit services by the external auditors;

3. To carry out any other function that may be mutually agreed upon by the Committee and the Board, which is beneficial to the Company, and ensure the effective discharge of the Committee's duties and responsibilities;

4. The Committee's actions shall be reported to the Board with such recommendations as the Committee deems appropriate; and

5. To report to Bursa Malaysia Securities Berhad on any matter reported by it to the Board of the Company which has not been satisfactorily resolved resulting in a breach of the Listing Requirements.

D. AUTHORITY

The Committee shall have the authority to:

1. Investigate any matter within its terms of reference;
2. Have the resources which are required to perform its duties;
3. Have full and unrestricted access to an information which it requires in the course of performing its duties;
4. Have direct communication channels with the internal and external auditors;
5. Obtain independent/external professional or other advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary; and
6. Convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

AUDIT COMMITTEE REPORT
(cont'd)

E. SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

The principal activities undertaken by the Committee during the financial year are summarised as follows:

1. Reviewed the unaudited quarterly and year-end financial statements prior to recommending the same for the Board's approval, focusing particularly on significant and unusual events and compliance with accounting standards and other legal requirements;
2. Reviewed the appointment of the external and internal auditors, their independence and effectiveness, and their fees;
3. Reviewed the external auditors' audit planning memorandum, comprising their scope of audit, key audit areas, audit approach and timetable;
4. Met with the external auditors twice during the year without the presence of the Executive Directors and Management to review the audit report and discuss relevant issues and obtain feedback;
5. Reviewed the external auditors' management letter and recommendations regarding opportunities for improvement to internal controls based on observations made in the course of the audit;
6. Reviewed the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
7. Reviewed the scope and results of the internal audit procedures as well as Management's response to recommendations for improvement, and evaluation of adequacy of the internal control system based on the reports from the internal auditors;
8. Reviewed the related party transactions within the Group;
9. Reviewed the Group's financial and accounting policies and practices; and
10. Evaluated the performance of the external auditors' function based on timeliness, competency, adequacy of resources to achieve the agreed scope of audit, and assistance given by the employees of the Group to the external auditors before recommending the re-appointment of external auditors to the Board.

F. INTERNAL AUDIT FUNCTION

The Group outsourced its internal audit function to an independent internal audit service provider, namely Messrs KPMG Management & Risk Consulting Sdn Bhd. The principal function of internal audit is to undertake systematic reviews of the governance, risk and internal control systems within the Group in accordance with an internal audit plan, so as to provide assurance that such systems are adequate and functioning as intended. Its responsibilities are to provide independent and objective reports on the state of internal controls of the various operating units within the Group to the Audit Committee and provide recommendations for the improvement of the control procedures, so that remedial actions are taken to mitigate weaknesses noted in the system and controls of the respective operating units.

During the financial year under review, the internal audit function carried out review of selected key processes of the Company and certain subsidiaries, covering the control environment, financial management, risk management, procurement and inventory management. The internal audit was based on the scope of work which was approved by the Audit Committee. During the financial year, the internal audit also included a follow-up on the status of Management's action plans deployed to address weaknesses that were highlighted in preceding cycles of internal audit. In conducting its work, the internal audit function deployed a methodology which is in line with professional standards of the Institute of Internal Auditors, Inc.

The total costs incurred for the internal audit function of the Group for the financial year under review amounted to approximately RM94,000.

ADDITIONAL DISCLOSURE

1. SHARE BUY-BACK

At the Tenth Annual General Meeting held on 26 June 2014, the shareholders of the Company granted authority to the Company to purchase its own shares provided that the aggregate number of shares purchased shall not exceed 10% of the total issued and paid-up share capital of the Company at the time of purchase.

The monthly breakdown of the shares purchased by the Company and retained as treasury shares during the financial year are set about below:

Month	No. of Shares	Nominal Value Per Share (RM)	Total Consideration (RM)	Purchase Price Per Share (RM)		
				Highest	Lowest	Average
March 2014	10,000	0.10	1,041	0.100	0.100	0.100
August 2014	10,000	0.10	1,692	0.165	0.165	0.165
October 2014	3,000,000	0.10	366,535	0.130	0.118	0.122

As at 31 December 2014, the Company held 4,866,600 repurchased or treasury shares out of its total issued and paid-up share capital of 1,011,408,160 ordinary shares of RM 0.10 each. Such treasury shares were held at a carrying amount of RM564,995. There was no resale or cancellation of treasury shares during the financial year.

2. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

For the financial year ended 31 December 2014, there was no exercise of warrants. The Company has not issued any options or convertible securities during the financial year.

3. DEPOSITORY RECEIPT

During the financial year, the Company did not sponsor any Depository Receipt.

4. SANCTION AND/OR PENALTIES

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

5. NON-AUDIT FEES

During the financial year, the non-audit fees paid by the Company to our external auditors, or a firm or company affiliated to the external auditors for the financial year ended 31 December 2014 amounted to RM5,000.

6. VARIATION IN RESULTS

There was no material variation between the interim financial reports previously announced on the 4th Quarter results and the audited financial results for the financial year ended 31 December 2014.

7. PROFIT GUARANTEE

During the financial year, there was no profit guarantee issued or received by the Company.

ADDITIONAL DISCLOSURE
(cont'd)

8. MATERIAL CONTRACT

There was no material contracts entered into by the Company and its subsidiaries involving the interest of the Directors and/or major shareholders of the Company, either still subsisting at the end of the financial year, or which were entered into since the end of the previous financial year.

9. CORPORATE SOCIAL RESPONSIBILITY

Our Group acknowledged the importance of Corporate Social Responsibility ("CSR") in our business practices. Our CSR platform touches upon responsible business practices, environmental stewardship and education stewardship.

We run our operations in line with our values, applicable laws and regulations and with integrity. We believe in empowering people close to the actions to take ownership and responsibility, and instill a culture that values honesty, integrity and transparency alongside innovation and continuous improvement. To that end, we launched our whistle-blowing policy in 2011 to strengthen our corporate governance practices and provide employees with accessible avenue to report in good faith suspected fraud, corruption, dishonest practices or other similar matters.

As well as meeting our customers' needs, our business activities are directed towards addressing environmental aspiration. We work alongside our customers to develop effective solutions that will help them address green issues by reducing the life-cycle impact of their equipment and improving processes through recycling, reusing, repairing, refurbishing and re-manufacturing their equipment.

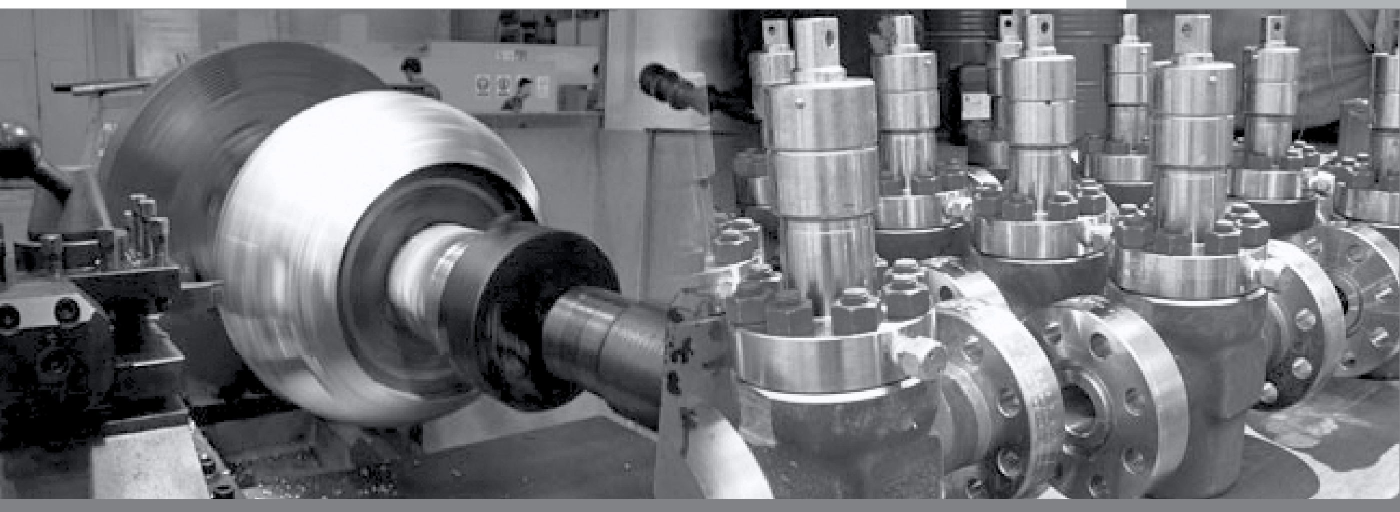
We integrate health, safety and environment (HSE) considerations into all aspects of our business operations and processes as afar as practicable and provide constant training and monitoring to ensure the safety and overall well-being of our people. We implement and progressively certify the plants' Occupational Safety and Health Management System in accordance with OHSAS 18001:2007 with the aim of preventing accidents, injuries, occupational illness and pollution, and conserving natural resources.

In line with the increasing global awareness for environmental protection, we require all our business to operate in an environmentally responsible manner. Our approach is to ensure strict adherence to environmental legislation governing treatment of plant effluents and waste water, and maintain strict control to minimize the adverse impact on the environment. Our facilities are accorded ISO 14001:2004 certification and we encourage all our operating subsidiaries to adopt an environmental management system to manage their environmental performance.

Delivering outstanding performance requires exceptional people. At Frontken, we aim to create a culture of lifelong learning, driven by a training and development programme to support continual self-improvement and help our people achieve their potential. We sponsor students to compete in events to create a culture where students not only emulate leaders in science, technology and engineering, but also realize the potential within them to someday be one of those pioneers.

From a community prospective, we continue to support and promote education and training in the regions where we operate, seeking to improve the future prospects of both future leaders of the world and our workforce, we extended support to Singapore's Institute of Technical Education by providing its students with skills and knowledge, as well as exposure in global business trends and developments and different work practices cultural environments at our service plants in Singapore, Malaysia and China. We also encourage employees' involvement in efforts to help local communities.

FINANCIAL STATEMENTS



DIRECTORS' REPORT

The directors of FRONTKEN CORPORATION BERHAD have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activities of the Company are that of investment holding and provision of management services to its subsidiaries.

The principal activities of the subsidiaries are disclosed in Note 12 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	The Group RM	The Company RM
Profit after taxation for the financial year	23,188,120	1,609,481
Attributable to:		
Owners of the Company	18,775,293	1,609,481
Non-controlling interests	4,412,827	–
	23,188,120	1,609,481

DIVIDEND

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors do not recommend the payment of any dividends in respect of the current financial year.

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are disclosed in the financial statements.

ISSUES OF SHARES AND DEBENTURES

During the financial year,

(a) there were no changes in the authorised and issued and paid-up share capital of the Company; and

(b) there were no issues of debentures by the Company.

TREASURY SHARES

During the financial year, the Company repurchased 3,020,000 of its issued ordinary shares from the open market at an average price of RM0.122 per share. The total consideration paid for the repurchase including transaction costs amounted to RM369,268. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act 1965 and are presented as a deduction from total equity.

As at 31 December 2014, the Company held 4,866,600 treasury shares at a carrying amount of RM564,995. Relevant details on the treasury shares are disclosed in Note 22 to the financial statements.

DIRECTORS' REPORT
(cont'd)

OPTIONS GRANTED OVER UNISSUED SHARES

Warrants

The Company had issued 288,973,760 Warrants which were listed on Bursa Malaysia Securities Berhad on 16 March 2010 pursuant to the rights issue on the basis of two Warrants for every two Rights Shares subscribed.

The Warrants are constituted by a Deed Poll dated 22 January 2010 executed by the Company. Each Warrant entitles the registered holder during the exercise period to subscribe for one new ordinary share at the exercise price of RM0.18 per Warrant, subject to adjustment in accordance with the provisions of the Deed Poll. The Warrants not exercised at the date of maturity will thereafter lapse and cease to be valid for any purpose.

The summary of the movements of Warrants is as follows:

		Number of Warrants			
Issue date	**Expiry date**	**Balance as of 1.1.2014**	**Granted**	**Exercised**	**Balance as of 31.12.2014**
11.3.2010	10.3.2015	288,973,760	–	–	288,973,760

The ordinary shares to be issued upon the exercise of Warrants shall rank pari passu in all respects with the existing issued ordinary shares of the Company except that they shall not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment of the new shares arising from the exercise of Warrants.

OTHER FINANCIAL INFORMATION

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment losses on receivables; and

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

At the date of this report, the directors are not aware of any circumstances:

(a) which would cause the amount written off for bad debts or the amount of allowance for impairment losses on receivables in the financial statements of the Group and of the Company to be inadequate to any substantial extent; or

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

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

(d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

DIRECTORS' REPORT
(cont'd)

OTHER FINANCIAL INFORMATION (CONT'D)

Other than the contingent liabilities as disclosed in Note 28 to the financial statements, at the date of this report, there does not exist:-

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

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, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the directors, 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 and of the Company for the succeeding financial year other than those mentioned in Note 31 to the financial statements.

DIRECTORS

The following directors served on the Board of the Company since the date of the last report:

Ng Wai Pin
Dr. Tay Kiang Meng
Dato' Haji Johar Bin Murat @ Murad
Aaron Sim Kwee Lein
Jorg Helmut Hohnloser
Timo Fabian Seeberger (Alternate to Jorg Helmut Hohnloser)

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares in the Company and its related corporations during the financial year are as follows:

	Number of ordinary shares of RM0.10 each			
	Balance as of 1.1.2014	**Bought**	**Sold**	**Balance as of 31.12.2014**
Shares in the Company				
Direct Interests				
Ng Wai Pin	–	2,000,000	–	2,000,000
Dr. Tay Kiang Meng	9,404,808	–	–	9,404,808
Jorg Helmut Hohnloser	290,991,473	–	–	290,991,473

	Number of warrants 2010/2015			
	Balance as of 1.1.2014	**Bought**	**Sold**	**Balance as of 31.12.2014**
Warrants in the Company				
Direct Interest				
Dr. Tay Kiang Meng	1,187,088	–	–	1,187,088

DIRECTORS' REPORT
(cont'd)

DIRECTORS' INTERESTS (CONT'D)

By virtue of the above directors' interests in the shares of the Company, they are deemed to have interests in the shares of the subsidiaries to the extent the directors have their interests.

The other directors holding office at the end of the financial year had no interests in the shares of the Company or of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements, or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 19 to the financial statements.

Neither during nor at the end of the financial year was the Group or the Company a party to any arrangements whose object is to enable the certain directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 30 to the financial statements.

SUBSEQUENT EVENT AFTER THE FINANCIAL YEAR

The subsequent event after the financial year is disclosed in Note 31 to the financial statements.

AUDITORS

The auditors, Messrs. Crowe Horwath, have expressed their willingness to continue in office.

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

NG WAI PIN

DR. TAY KIANG MENG

23 April 2015

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF FRONTKEN CORPORATION BERHAD

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Frontken Corporation Berhad, which comprise the statements of financial position as at 31 December 2014 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 46 to 122.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2014 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

INDEPENDENT AUDITORS' REPORT
(cont'd)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

(a) In our opinion, the accounting and other records and the registers required by the 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 12 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

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

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 34 on page 123 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

Crowe Horwath
Firm No : AF 1018
Chartered Accountants

Cheong Tze Yuan
Approval No : 3034/04/16 (J)
Chartered Accountant

23 April 2015

Kuala Lumpur

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	The Group 2014 RM	The Group 2013 RM	The Company 2014 RM	The Company 2013 RM
Revenue	5	309,845,116	190,611,437	3,726,760	1,627,847
Cost of sales		(240,875,084)	(141,848,035)	–	–
Gross profit		68,970,032	48,763,402	3,726,760	1,627,847
Other income		7,471,374	2,474,785	719,568	633,779
Administrative expenses		(37,116,307)	(31,477,737)	(2,578,858)	(1,979,384)
Other expenses		(9,983,895)	(11,095,569)	(66,569)	(50,385)
Finance costs	6	(1,226,693)	(1,451,334)	(191,420)	(77,823)
Share of results in associates, net of tax		25,331	(1,302,740)	–	–
Profit before tax	7	28,139,842	5,910,807	1,609,481	154,034
Income tax expense	8	(4,951,722)	(5,446,128)	–	–
Profit after tax		23,188,120	464,679	1,609,481	154,034
Other comprehensive (expenses)/income, net of tax					
Items that will not be reclassified subsequently to profit or loss					
Actuarial (losses)/gains		(464,396)	86,928	–	–
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation		2,624,044	4,990,561	–	–
Total comprehensive income		25,347,768	5,542,168	1,609,481	154,034
Profit/(Loss) after tax attributable to:					
Owners of the Company		18,775,293	(2,320,798)	1,609,481	154,034
Non-controlling interests		4,412,827	2,785,477	–	–
		23,188,120	464,679	1,609,481	154,034
Total comprehensive income attributable to:					
Owners of the Company		20,869,842	1,326,945	1,609,481	154,034
Non-controlling interests		4,477,926	4,215,223	–	–
		25,347,768	5,542,168	1,609,481	154,034
Earnings/(Loss) per ordinary share attributable to owners of the Company					
Basic (sen)	9	1.86	(0.23)		
Diluted (sen)	9	N/A	N/A		

The accompanying Notes form an integral part of these Financial Statements.

STATEMENTS OF FINANCIAL POSITION
AS OF 31 DECEMBER 2014

		The Group		The Company	
	Note	2014 RM	2013 RM	2014 RM	2013 RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	10	135,551,006	144,054,490	95,946	97,863
Investments in subsidiaries	12	–	–	83,423,063	72,600,628
Investments in associates	13	1,732,711	1,665,319	–	–
Goodwill on consolidation	14	33,760,856	25,394,265	–	–
Deferred tax assets	15	1,062,816	665,109	–	–
Fixed deposits with licensed banks	16	911,587	–	–	–
Total Non-Current Assets		173,018,976	171,779,183	83,519,009	72,698,491
Current Assets					
Inventories	17	10,272,374	13,657,557	–	–
Amount owing by a contract customer	18	1,837,000	–	–	–
Trade receivables	19	101,841,731	71,276,490	–	–
Other receivables, deposits and prepaid expenses	19	5,284,164	5,270,088	64,296	23,571
Amount owing by subsidiaries	20	–	–	44,137,370	44,959,267
Amount owing by associates	13	1,183,762	1,346,669	–	–
Tax recoverable		–	345,229	–	–
Fixed deposits with licensed banks	16	11,368,846	1,647,742	8,008,049	950,000
Cash and bank balances		51,575,148	35,463,816	3,394,285	267,937
		183,363,025	129,007,591	55,604,000	46,200,775
Asset held for sale	11	–	1,371,418	–	–
Total Current Assets		183,363,025	130,379,009	55,604,000	46,200,775
Total Assets		356,382,001	302,158,192	139,123,009	118,899,266

The accompanying Notes form an integral part of these Financial Statements.

STATEMENTS OF FINANCIAL POSITION
(cont'd)

	Note	The Group 2014 RM	The Group 2013 RM	The Company 2014 RM	The Company 2013 RM
EQUITY AND LIABILITIES					
Equity					
Share capital	21	101,140,816	101,140,816	101,140,816	101,140,816
Reserves	22	105,663,068	85,162,494	13,135,640	11,895,427
Equity attributable to owners of the company		206,803,884	186,303,310	114,276,456	113,036,243
Non-controlling interests		32,913,068	27,923,736	–	–
Total Equity		239,716,952	214,227,046	114,276,456	113,036,243
Non-Current Liabilities					
Term loans	23	24,346,498	24,129,289	6,065,730	–
Hire purchase payables	24	1,039,299	1,701,141	–	–
Deferred tax liabilities	15	2,571,891	3,653,351	–	–
Total Non-Current Liabilities		27,957,688	29,483,781	6,065,730	–
Current Liabilities					
Trade payables	25	36,836,178	21,370,123	–	–
Other payables and accrued expenses	25	35,975,693	25,074,408	1,832,062	168,411
Amount owing to subsidiaries	20	–	–	15,138,313	5,694,612
Bank borrowings	26	10,775,062	8,321,860	1,810,448	–
Hire purchase payables	24	1,377,295	2,131,297	–	–
Tax liabilities		3,743,133	1,549,677	–	–
Total Current Liabilities		88,707,361	58,447,365	18,780,823	5,863,023
Total Liabilities		116,665,049	87,931,146	24,846,553	5,863,023
Total Equity and Liabilities		356,382,001	302,158,192	139,123,009	118,899,266

The accompanying Notes form an integral part of these Financial Statements.

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

The Group	Share capital RM	Share premium RM	Treasury shares RM	Foreign currency translation reserve RM	Warrant reserve RM	Statutory reserve RM	Retained earnings RM	Attributable to owners of the Company RM	Non-controlling interests RM	Total RM
	Non-distributable						Distributable			
Balance as of 1 January 2013	101,140,816	9,336,705	(194,860)	6,073,760	882,976	370,502	67,282,552	184,892,451	28,116,325	213,008,776
Other comprehensive income recognised for the financial year:										
- defined benefit plan actuarial gains	–	–	–	–	–	–	50,349	50,349	36,579	86,928
- foreign currency translation differences	–	–	–	3,597,394	–	–	–	3,597,394	1,393,167	4,990,561
Profit after tax for the financial year	–	–	–	–	–	–	(2,320,798)	(2,320,798)	2,785,477	464,679
Total comprehensive income for the financial year	–	–	–	3,597,394	–	–	(2,270,449)	1,326,945	4,215,223	5,542,168
Contributions by and distributions to owners of the Company:										
- Dividends:										
- by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	(409,315)	(409,315)
- Transfer to statutory reserve	–	–	–	–	–	310,202	(310,202)	–	–	–
- Purchase of treasury shares	–	–	(867)	–	–	–	–	(867)	–	(867)
- Loss on winding up of a subsidiary	–	–	–	–	–	–	(85,658)	(85,658)	(85,777)	(171,435)
- Changes in ownership interests in a subsidiary	–	–	–	–	–	–	170,439	170,439	(3,912,720)	(3,742,281)
Balance as of 31 December 2013	101,140,816	9,336,705	(195,727)	9,671,154	882,976	680,704	64,786,682	186,303,310	27,923,736	214,227,046

The accompanying Notes form an integral part of these Financial Statements.

STATEMENTS OF CHANGES IN EQUITY
(cont'd)

The Group	Non-distributable						Distributable			
	Share capital RM	Share premium RM	Treasury shares RM	Foreign currency translation reserve RM	Warrant reserve RM	Statutory reserve RM	Retained earnings RM	Attributable to owners of the Company RM	Non-controlling interests RM	Total RM
Balance as of 1 January 2014	101,140,816	9,336,705	(195,727)	9,671,154	882,976	680,704	64,786,682	186,303,310	27,923,736	214,227,046
Other comprehensive income recognised for the financial year:										
- defined benefit plan actuarial loss	–	–	–	–	–	–	(268,978)	(268,978)	(195,418)	(464,396)
- foreign currency translation differences	–	–	–	2,363,527	–	–	–	2,363,527	260,517	2,624,044
Profit after tax for the financial year	–	–	–	–	–	–	18,775,293	18,775,293	4,412,827	23,188,120
Total comprehensive income for the financial year	–	–	–	2,363,527	–	–	18,506,315	20,869,842	4,477,926	25,347,768
Contributions by and distributions to owners of the Company:										
- Dividends:										
- by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	(3,212,123)	(3,212,123)
- Acquisition of a subsidiary	–	–	–	–	–	–	–	–	3,258,949	3,258,949
- Issue of shares by a subsidiary	–	–	–	–	–	–	–	–	464,580	464,580
- Transfer to statutory reserve	–	–	–	–	–	609,952	(609,952)	–	–	–
- Purchase of treasury shares	–	–	(369,268)	–	–	–	–	(369,268)	–	(369,268)
Balance as of 31 December 2014	101,140,816	9,336,705	(564,995)	12,034,681	882,976	1,290,656	82,683,045	206,803,884	32,913,068	239,716,952

The accompanying Notes form an integral part of these Financial Statements.

STATEMENTS OF CHANGES IN EQUITY (cont'd)

The Company	Non-distributable Share capital RM	Share premium RM	Treasury shares RM	Warrant reserve RM	Distributable Retained earnings RM	Total RM
Balance as of 1 January 2013	101,140,816	9,336,705	(194,860)	882,976	1,717,439	112,883,076
Profit after taxation/ Total comprehensive income for the financial year	–	–	–	–	154,034	154,034
Contribution by and distributions to owners of the Company:						
- Purchase of treasury shares	–	–	(867)	–	–	(867)
Balance as of 31 December 2013	101,140,816	9,336,705	(195,727)	882,976	1,871,473	113,036,243
Balance as of 1 January 2014	101,140,816	9,336,705	(195,727)	882,976	1,871,473	113,036,243
Profit after taxation/Total comprehensive income for the financial year	–	–	–	–	1,609,481	1,609,481
Contribution by and distributions to owners of the Company:						
- Purchase of treasury shares	–	–	(369,268)	–	–	(369,268)
Balance as of 31 December 2014	101,140,816	9,336,705	(564,995)	882,976	3,480,954	114,276,456

The accompanying Notes form an integral part of these Financial Statements.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES				
Profit before tax	28,139,842	5,910,807	1,609,481	154,034
Adjustments for:				
Depreciation of property, plant and equipment	18,423,125	18,744,297	19,697	20,270
Interest expense	1,226,693	1,451,334	191,420	77,823
Allowance for impairment loss on plant and equipment	963,857	–	–	–
Unrealised (gain)/loss on foreign exchange	(1,215,953)	389,365	699,660	598,744
Allowance for impairment losses on receivables	823,534	1,199,949	–	–
Impairment loss on investment in subsidiaries	–	–	215,187	–
Allowance for impairment loss on inventories	937,972	–	–	–
Bad debts written off	427,195	1,421,170	–	–
Property, plant and equipment written off	325,553	149,714	–	–
Share of results in associates	(25,331)	1,302,740	–	–
Loss on disposal of asset held for sale	–	134,425	–	–
Interest income	(321,630)	(170,055)	(679,770)	(631,910)
Loss/(Gain) on disposal of property, plant and equipment	756,827	(55,727)	(1,200)	–
Reversal of allowance for impairment loss on amount owing by subsidiaries	–	–	(14,623)	–
Writeback of allowance for impairment losses on trade receivables	(148,158)	(361,136)	–	–
Gain on disposal of investment in associates	(2,945,303)	–	–	–
Gain on dilution on investment in subsidiaries	(65,203)	–	–	–
Dividend income from subsidiaries	–	–	(3,694,760)	(1,613,447)
Operating Profit/(Loss) Before Working Capital Changes	47,303,020	30,116,883	(1,654,908)	(1,394,486)

The accompanying Notes form an integral part of these Financial Statements.

STATEMENTS OF CASH FLOWS
(cont'd)

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Decrease/(Increase) in:				
Inventories	2,576,453	(2,221,540)	–	–
Amount owing by a contract customer	(1,837,000)	500,736	–	–
Trade receivables	(28,237,306)	(4,495,067)	–	–
Other receivables and prepaid expenses	(225,112)	201,814	(40,725)	2,246
Amount owing by associates	189,173	848,209	–	–
Increase/(Decrease) in:				
Trade payables	14,960,491	6,232,154	–	–
Other payables and accrued expenses	10,508,360	7,091,215	1,663,651	(39,026)
Amount owing to a director	–	(3,286)	–	–
Cash Generated From/(For) Operations	45,238,079	38,271,118	(31,982)	(1,431,266)
Taxes paid	(4,566,029)	(1,590,281)	–	–
Net Cash From/(For) Operating Activities	40,672,050	36,680,837	(31,982)	(1,431,266)
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES				
Repayment from subsidiaries	–	–	836,520	1,086,089
Purchase of property, plant and equipment	(8,470,048)	(5,336,539)	(17,780)	(5,000)
Dividend received from subsidiaries	–	–	3,694,760	1,613,447
Acquisition of subsidiaries	–	(3,742,281)	(11,037,622)	(3,742,281)
Net cash outflow on acquisition of a subsidiary (Note 12)	(7,397,296)	–	–	–
Loss on winding up of a subsidiary	-	(171,435)	–	–
Proceeds from disposal of property, plant and equipment	539,776	110,927	1,200	–
Proceeds from disposal of asset held for sale	–	985,834	–	–
Proceeds from disposal of associates	4,414,900	–	–	–
Net (placement)/withdrawal of fixed deposits with licensed banks	(10,573,305)	(26,750)	(8,008,049)	–
Interest received	321,630	170,055	679,770	631,910
Net Cash For Investing Activities	(21,164,343)	(8,010,189)	(13,851,201)	(415,835)

The accompanying Notes form an integral part of these Financial Statements.

STATEMENTS OF CASH FLOWS
(cont'd)

		The Group		The Company	
		2014 RM	2013 RM	2014 RM	2013 RM
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES					
Decrease in amount owing to subsidiaries		–	–	8,677,189	(279,556)
Treasury shares acquired		(369,268)	(867)	(369,268)	(867)
Issue of shares by a subsidiary to non-controlling interests		529,783	–	–	–
Repayment of term loans		(9,233,494)	(28,780,397)	(123,822)	–
Interest paid		(1,226,693)	(1,451,334)	(191,420)	(77,823)
Dividend paid by a subsidiary to non-controlling interests		(3,212,123)	(409,315)	–	–
Drawdown of term loans		11,570,615	–	8,000,000	–
Payment of hire purchase payables		(2,484,662)	(3,463,099)	–-	–
Net Cash (For)/From Financing Activities		(4,425,842)	(34,105,012)	15,992,679	(358,246)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		15,081,865	(5,434,364)	2,109,496	(2,205,347)
Effect of exchange rate changes		1,079,467	1,061,641	66,852	(639)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		36,413,816	40,786,539	1,217,937	3,423,923
CASH AND CASH EQUIVALENTS AT END OF YEAR	*	52,575,148	36,413,816	3,394,285	1,217,937

Note : During the financial year, the Group and the Company acquired property, plant and equipment at an aggregate cost of RM9,081,615 and RM17,780 (2013 : RM6,279,920 and RM5,000), respectively, of which RM611,567 and NIL (2013 : RM943,381 and NIL), respectively, was acquired under hire-purchase arrangements.

*

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
CASH AND CASH EQUIVALENTS				
Cash and bank balances	51,575,148	35,463,816	3,394,285	267,937
Fixed deposits with licensed banks	12,280,433	1,647,742	8,008,049	950,000
	63,855,581	37,111,558	11,402,334	1,217,937
Less: Fixed deposits pledged with banks	(4,240,380)	(482,406)	(1,008,049)	–
Less: Fixed deposits with maturity period more than 3 months	(7,040,053)	(215,336)	(7,000,000)	–
Cash and cash equivalents	52,575,148	36,413,816	3,394,285	1,217,937

The accompanying Notes form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

The principal activity of the Company is that of investment holding and provision of management services to its subsidiaries.

The principal activities of the subsidiaries are disclosed in Note 12 to the financial statements.

There have been no significant changes in the nature of the activities of the Company and of its subsidiaries during the financial year.

The registered office of the Company is located at B-11-10, Level 11, Megan Avenue II, Jalan Yap Kwan Seng, 50450 Kuala Lumpur, Malaysia.

The principal place of business of the Company is located at Suite 301, Block F, Pusat Dagangan Phileo Damansara 1, No. 9, Jalan 16/11, Off Jalan Damansara, 46350 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

The financial statements of the Group and of the Company have been authorised by the Board of Directors for issuance on 23 April 2015.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

2.1 During the current financial year, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments, if any):-

MFRSs and IC Interpretations (Including The Consequential Amendments)

Amendments to MFRS 10, MFRS 12 and MFRS 127 (2011): Investment Entities
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136: Recoverable Amount Disclosures for Non-financial Assets
Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21 Levies

The adoption of the above accounting standards and interpretations (including the consequential amendments) did not have any material impact on the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.2 The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2017
Amendments to MFRS 10 and MFRS 128 (2011): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 (2011): Investment Entities – Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 101: Presentation of Financial Statements – Disclosure Initiative	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture – Bearer Plants	1 January 2016
Amendments to MFRS 119: Defined Benefit Plans – Employee Contributions	1 July 2014
Amendments to MFRS 127 (2011): Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements to MFRSs 2010 – 2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011 – 2013 Cycle	1 July 2014
Annual Improvements to MFRSs 2012 – 2014 Cycle	1 January 2016

The above accounting standards and interpretations (including the consequential amendments) are not relevant to the Group's operations except as follows:-

(i) MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces the existing guidance in MFRS 139 and introduces a revised guidance on the classification and measurement of financial instruments, including a single forward-looking 'expected loss' impairment model for calculating impairment on financial assets, and a new approach to hedge accounting. Under this MFRS 9, the classification of financial assets is driven by cash flow characteristics and the business model in which a financial asset is held.

(ii) MFRS 15 establishes a single comprehensive model for revenue recognition and will supersede the current revenue recognition guidance and other related interpretations when it becomes effective. Under MFRS 15, an entity shall recognise 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 customers. In addition, extensive disclosures are required by MFRS 15. The Group anticipates that the application of MFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the financial statements. However, it is not practicable to provide a reasonable estimate of the financial impacts of MFRS 15 until the Group performs a detailed review.

(iii) The amendments to MFRS 119 simplify the accounting treatment of contributions from employees and third parties to defined benefit plans. Contributions that are independent of the number of years of service shall be recognised as a reduction in the service cost in the period in which the related service is rendered. For contributions that are dependent on the number of years of service, the Group is required to attribute those contributions to periods of service using either based on the plan's contribution formula or on a straight-line basis, as appropriate. However, it is not practicable to provide a reasonable estimate of the financial impacts of MFRS 119 until the Group performs a detailed review.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES

Critical Accounting Estimates And Judgements

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:

(i) Impairment of Goodwill

Goodwill is tested for impairment annually and at other times when such indicators exists. This requires management to estimate the expected future cash flows of the cash-generating unit to which goodwill is allocated and to apply a suitable discount rate in order to determine the present value of those cash flows. The future cash flows are most sensitive to budgeted gross margins, growth rates estimated and discount rate used. If the expectation is different from the estimation, such difference will impact the carrying value of goodwill.

(ii) Contract Customers

The Group recognises contract customers in the profit or loss by using the stage of percentage-of-completion method, which is the standard for similar industries.

The stage of completion is determined by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Estimated losses are recognised in full when determined. Contract costs estimates are reviewed and revised periodically as work progresses and as variation orders are approved.

Significant judgement is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue and costs as well as the recoverability of the project undertaken. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists. If the Group is unable to make reasonably dependable estimates, the Group would not recognise any profit before a contract is completed, but would recognise a loss as soon as the loss becomes evident.

Adjustments based on the percentage-of-completion method are reflected in contract revenue in the reporting period. To the extent that these adjustments result in a reduction or elimination of previously reported amount due from contract customers and contract revenue and costs, the Group recognises a charge or credit against current earnings and amounts in prior periods, if any, are not restated.

(iii) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Critical Accounting Estimates And Judgements (Cont'd)

(iv) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

(v) Impairment of Non-Financial Assets

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(vi) Impairment of Trade and Other Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

(vii) Classification of Leasehold Land

The classification of leasehold land as a finance lease or an operating lease requires the use of judgement in determining the extent to which risks and rewards incidental to its ownership lie. Despite the fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated to the fair value of the land at the inception of the lease. Accordingly, management judged that the Group has acquired substantially all the risks and rewards incidental to the ownership of the land through a finance lease.

(viii) Fair Value Estimates for Certain Financial Assets and Liabilities

The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

(ix) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Assets Held For Sale

Assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Upon classification as held for sale, assets or components of a disposal group are not depreciated and are measured at the lower of their carrying amount and fair value less cost to sell. Any differences are recognised in profit or loss.

Operating Segments

Operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Revenue Recognition

(i) Services

Revenue is recognised upon the rendering of services and when the outcome of the transaction can be estimated reliably. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

(ii) Sale of goods

Revenue is recognised upon delivery of goods and customers' acceptance and where applicable, net of returns and trade discounts.

(iii) Contracts

Revenue relating to contracts are accounted for under the percentage-of- completion method.

(iv) Management fee

Management fee is recognised on an accrual basis.

(v) Interest income

Interest income is recognised on an accrual basis using the effect interest method.

(vi) Dividend income

Dividend income from investment is recognised when the right to receive dividend payment is established.

Income Taxes

Income tax for the year comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the reporting period and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Income Taxes (Cont'd)

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

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

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

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 transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

Government Grants

Grants from the government are recognised initially as deferred income at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Grants that compensate the Group for expenses incurred are recognised in profit or loss over the periods necessary to match the grants with the related costs which they are intended to compensate on a systematic basis.

Grants that compensate the Group for the cost of an asset are recognised in profit or loss over the expected useful life of the relevant asset on a systematic basis.

Borrowing Costs

Borrowing costs, directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

All other borrowing costs are recognised in profit or loss as expenses in the period in which they incurred.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Contract Customers

When the outcome of a contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will 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.

Employee Benefits

(i) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

(ii) Defined contribution plans

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

(iii) Defined benefit plans

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary using the projected unit credit with service increment method. When the calculation results in a benefit to the Group, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group of it is realisable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to the past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

The Group recognises all actuarial gains and losses arising from defined benefit plans in other comprehensive income and all expenses related to defined benefit plans in personnel expenses in profit or loss.

The Group recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, change in the present value of defined benefit obligation and any related actuarial gains and losses and past service cost that had not previously been recognised.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities (including structured entities) controlled by the Group. 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.

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

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

(a) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

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

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

(b) Non-Controlling Interests

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

At the end of each reporting period, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

(c) Changes In Ownership Interests In Subsidiaries Without Change of Control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Consolidation (Cont'd)

(d) Loss of Control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and

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

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

Intangible Assets

Intangible assets, other than goodwill, that are acquired by the Group, which have finite useful lives, are measured at cost less any accumulated amortisation and any impairment losses.

Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

Goodwill

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised as a gain in profit or loss.

Functional and Foreign Currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Functional and Foreign Currencies (Cont'd)

(ii) Transactions and balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

(iii) Foreign operations

Assets and liabilities of foreign operations are translated to RM at the rates of exchange ruling at the end of the reporting period. Revenues and expenses of foreign operations are translated at exchange rates ruling at the dates of the transactions. All exchange differences arising on translation are taken directly to other comprehensive income and accumulated in equity under translation reserve. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is reclassified from equity to profit or loss.

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 end of the reporting period.

Financial Instruments

Financial instruments are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(i) Financial assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

- **Financial assets at fair value through profit or loss**

  As at the end of the reporting period, there were no financial assets classified under this category.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Instruments (Cont'd)

(i) Financial assets (Cont'd)

- **Held-to-maturity investments**

  As at the end of the reporting period, there were no financial assets classified under this category.

- **Loans and receivables financial assets**

  Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

  Loans and receivables financial assets are classified as current assets, except for those having settlement dates later than 12 months after the reporting date which are classified as non-current assets.

- **Available-for-sale financial assets**

  As at the end of the reporting period, there were no financial assets classified under this category.

(ii) Financial liabilities

All financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(iii) Equity instruments

Instruments classified as equity are measured at cost and are not remeasured subsequently.

- **Ordinary shares**

  Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from proceeds.

  Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

- **Treasury Shares**

  When the Company's own shares recognised as equity are bought back, the amount of the consideration paid, including all costs directly attributable, are recognised as a deduction from equity. Own shares purchased that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity. Where such shares are subsequently sold or reissued, any consideration received, net of any direct costs, is included in equity.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Instruments (Cont'd)

(iv) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Property, Plant and Equipment

Property, plant and equipment other than freehold land are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Freehold land is stated at cost less impairment losses, if any and is not depreciated.

Depreciation is charged to profit or loss (unless it is included in the carrying amount of another asset) on the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Freehold buildings	50 years
Long leasehold buildings	50 years
Leasehold land	47 - 60 years
Factory and office renovation	10%
Plant and machinery	10% - 20%
Workshop tools	20%
Office equipment	33.3% - 80%
Furniture and fittings	20% - 33.3%
Motor vehicles	14%
Computers	33% - 85.7%

Capital work-in-progress is stated at cost. Cost comprises the direct expenditure incurred on the construction and commissioning of the capital asset. Capital work-in-progress is not depreciated until its completion and availability for commercial use.

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property, Plant and Equipment (Cont'd)

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

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

Investments in Subsidiaries

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

Investments in Associates

An associate is an entity in which the Group has a long-term equity interest and where it exercises significant influence over the financial and operating policies.

The investment in an associate is accounted for in the consolidated statement of financial position using the equity method, based on the financial statements of the associate made up to 31 December 2014. The Group's share of the post-acquisition profits and other comprehensive income of the associate is included in the consolidated statement of comprehensive income after adjustment if any, to align the accounting policies with those of the Group, from the date that significant influence commences up to the effective date on which significant influence ceases or when the investment is classified as held for sale. The Group's interest in the associate is carried in the consolidated statement of financial position at cost plus the Group's share of the post-acquisition retained profits and reserves. The cost of investment includes transaction costs.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation.

Unrealised gains on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are eliminated unless cost cannot be recovered.

When the Group ceases to have significant influence over an associate and the retained interest in the former associate is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as the initial carrying amount of the financial asset in accordance with MFRS 139. Furthermore, the Group also reclassifies its share of the gain or loss previously recognised in other comprehensive income of that associate to profit or loss when the equity method is discontinued. However, the Group will continue to use the equity method if the dilution does not result in a loss of significant influence or when an investment in a joint venture becomes an investment in an associate. Under such changes in ownership interest, the retained investment is not remeasured to fair value but a proportionate share of the amounts previously recognised in other comprehensive income of the associate will be reclassified to profit or loss where appropriate. All dilution gains or losses arising in investments in associates are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment

(i) Impairment of Financial Assets

All financial assets (other than those categorised at fair value through profit or loss) are assessed at the end of each reporting period 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. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

An impairment loss in respect of available-for-sale financial assets 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 in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity to profit or loss.

With the exception of available-for-sale equity instruments, 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 through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

(ii) Impairment of Non-Financial Assets

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value in use, which is measured by reference to discounted future cash flow.

An impairment loss is recognised in profit or loss immediately.

In respect of assets other than goodwill, when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Assets Under Finance Leases and Hire Purchase

Leases of plant and equipment where substantially all the benefits and risks of ownership are transferred to the Group are classified as finance leases. Plant and equipment acquired under finance lease and hire purchase are capitalised in the financial statements at the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease and hire purchase payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding outstanding obligations due under the finance lease and hire purchase after deducting finance charges are included as liabilities in the financial statements.

Finance charges are recognised in profit or loss over the period of the respective lease and hire purchase agreements.

Plant and equipment acquired under finance leases and hire purchase are depreciated over the useful lives of the assets. If there is no reasonable certainty that the ownership will be transferred to the Group, the assets are depreciated over the shorter of the lease terms and their useful lives.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in-first-out basis and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less the estimated costs necessary to make the sale.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturities period three months or less.

During the current financial year, the Group excluded deposits pledged to financial institutions from cash and cash equivalents for the purpose of the statements of cash flows. This change has been applied retrospectively with an adjustment made against the opening balance of the cash and cash equivalents as at 1 January 2013.

Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle that obligation, and when a reliable estimate of the amount can be made. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

At end of each reporting period, the provisions are reviewed by the directors and adjusted to reflect the current best estimate. The provisions are reversed if it is no longer probable that the Group and the Company will be required to settle the obligation. The unwinding of the discount is recognised as interest expense in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market's participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Related Parties

A party is related to an entity (referred to as the "reporting entity") if:-

(a) A person or a close member of that person's family is related to a reporting entity if that person:-

(i) has control or joint control over the reporting entity;
(ii) has significant influence over the reporting entity; or
(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Related Parties (Cont'd)

(b) An entity is related to a reporting entity if any of the following conditions applies:-

(i) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) both entities are joint ventures of the same third party.
(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
(vi) the entity is controlled or jointly controlled by a person identified in (a) above.
(vii) a person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

4. OPERATING SEGMENTS

The Group has one reportable segment as the Group is principally engaged in one business segment which is the provision of engineering services.

The Group Chief Executive Officer (the chief operating decision maker) review internal management report at least on a quarterly basis.

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

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

The Group is organised into the following geographical segments:
- Malaysia
- Singapore
- Philippines
- Taiwan
- China
- Indonesia

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

4. OPERATING SEGMENTS (CONT'D)

The Group 2014	Malaysia RM	Singapore RM	Philippines RM	Taiwan RM	China RM	Indonesia RM	Elimination RM	Reportable segment Total RM
	← Geographical segment					→		
Revenue								
External sales	147,124,091	58,627,594	10,289,216	91,621,197	214,246	1,968,772	–	309,845,116
Inter-segment sales	821,422	8,371,800	1,255,871	645,967	–	117,971	(11,213,031)	–
Total revenue	147,945,513	66,999,394	11,545,087	92,267,164	214,246	2,086,743	(11,213,031)	309,845,116
Results								
Segment results	16,378,607	1,222,285	1,617,650	15,091,782	(2,883,258)	(418,239)	(4,934,556)	26,074,271
Share of results in associates								25,331
Interest income								321,630
Gain on disposal of investment in associates								2,945,303
Finance costs								(1,226,693)
Profit before tax								28,139,842
Income tax expense								(4,951,722)
Profit after tax								23,188,120

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

4. OPERATING SEGMENTS (CONT'D)

The Group 2014	Malaysia RM	Singapore RM	Philippines RM	Taiwan RM	China RM	Indonesia RM	Elimination RM	Reportable segment Total RM
	Geographical segment							
Assets								
Non-current assets								
- Property, plant and equipment	33,277,936	43,177,243	3,917,065	51,703,705	–	3,475,057	–	135,551,006
- Investment in associates	–	1,732,711	–	–	–	–	–	1,732,711
	33,277,936	44,909,954	3,917,065	51,703,705	–	3,475,057	–	137,283,717
- Deferred tax assets	–	–	–	1,062,816	–	–	–	1,062,816
- Others	34,672,443	–	–	–	–	–	–	34,672,443
Current assets	90,760,581	80,448,412	8,912,829	54,229,563	1,060,555	921,101	(52,970,016)	183,363,025
Consolidated total assets								356,382,001
Liabilities								
Tax liabilities	1,045,910	2,727,992	163,235	2,377,887	–	–	–	6,315,024
Segment liabilities	91,270,779	32,636,762	3,088,015	63,164,763	49,495	7,475,746	(87,335,535)	110,350,025
Consolidated total liabilities								116,665,049
Other Information								
Capital expenditure	1,616,578	1,011,166	105,806	6,320,836	–	27,229	–	9,081,615
Depreciation	5,920,995	7,754,706	814,899	3,395,477	226,290	310,758	–	18,423,125
Other non-cash items								
- income	(139,242)	979,292	196,065	230,623	–	97,373	–	1,364,111
- expenses	1,573,558	955,979	–	469,347	1,236,054	–	–	4,234,938

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

4. OPERATING SEGMENTS (CONT'D)

The Group 2013	Geographical segment Malaysia RM	Singapore RM	Philippines RM	Taiwan RM	China RM	Indonesia RM	Elimination RM	Reportable segment Total RM
Revenue								
External sales	33,606,465	74,094,343	13,305,053	65,305,578	2,579,049	1,720,949	–	190,611,437
Inter-segment sales	99,037	5,653,555	636,649	424,239	–	18,733	(6,832,213)	–
Total revenue	33,705,502	79,747,898	13,941,702	65,729,817	2,579,049	1,739,682	(6,832,213)	190,611,437
Results								
Segment results	(665,499)	2,471,708	1,875,057	9,441,603	(1,175,610)	(1,617,939)	(1,834,494)	8,494,826
Share of results in associates								(1,302,740)
Interest income								170,055
Finance costs								(1,451,334)
Profit before tax								5,910,807
Income tax expense								(5,446,128)
Profit after tax								464,679

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

4. OPERATING SEGMENTS (CONT'D)

The Group 2013	Geographical segment Malaysia RM	Singapore RM	Philippines RM	Taiwan RM	China RM	Indonesia RM	Elimination RM	Reportable segment Total RM
Assets								
Non-current assets								
- Property, plant and equipment	36,602,307	49,360,231	4,428,801	48,843,482	1,240,433	3,579,236	–	144,054,490
- Investment in associates	–	1,665,319	–	–	–	–	–	1,665,319
	36,602,307	51,025,550	4,428,801	48,843,482	1,240,433	3,579,236	–	145,719,809
- Deferred tax assets	–	–	–	665,109	–	–	–	665,109
- Others	25,394,265	–	–	–	–	–	–	25,394,265
Current assets	47,833,198	67,163,673	9,130,810	48,726,035	2,354,629	897,577	(45,726,913)	130,379,009
Consolidated total assets								302,158,192
Liabilities								
Tax liabilities	207,000	3,166,120	189,447	1,640,461	–	–	–	5,203,028
Segment liabilities	47,444,662	30,917,616	5,685,282	62,443,088	1,047,195	6,954,765	(71,764,490)	82,728,118
Consolidated total liabilities								87,931,146
Other Information								
Capital expenditure	1,564,761	1,082,014	60,995	3,494,583	57,681	19,886	–	6,279,920
Depreciation	5,750,452	8,145,615	973,549	3,421,758	149,615	303,308	–	18,744,297
Other non-cash items								
- income	227,514	45,816	–	143,533	–	–	–	416,863
- expenses	2,989,409	147,130	116,262	(820,058)	–	861,880	–	3,294,623

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

4. OPERATING SEGMENTS (CONT'D)

Other significant non-cash expenses/(income) consists of the following:-

	The Group	
	2014 RM	2013 RM
Allowance for impairment losses on		
- Plant and equipment	963,857	–
- Receivables	823,534	1,199,949
- Inventories	937,972	–
Bad debts written off	427,195	1,421,170
Unrealised loss on foreign exchange - net	–	389,365
Property, plant and equipment written off	325,553	149,714
Loss on disposal of asset held for sale	–	134,425
Loss on disposal of property, plant and equipment	756,827	–
	4,234,938	3,294,623
Writeback of allowance for impairment losses on trade receivables	(148,158)	(361,136)
Unrealised gain on foreign exchange - net	(1,215,953)	–
Gain on disposal of property, plant and equipment	–	(55,727)
	(1,364,111)	(416,863)

Major customers

Revenue from one major customer, with revenue equal or more than 10% of the Group's revenue, amounted to RM87,127,641 (2013: NIL).

5. REVENUE

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Provision of services	123,253,851	151,565,176	–	–
Contract customers	93,886,515	25,201,256	–	–
Sale of goods	92,704,750	13,845,005	–	–
Dividend income from subsidiaries	–	–	3,694,760	1,613,447
Management fee from subsidiaries	–	–	32,000	14,400
	309,845,116	190,611,437	3,726,760	1,627,847

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

6. FINANCE COSTS

	The Group 2014 RM	The Group 2013 RM	The Company 2014 RM	The Company 2013 RM
Interest expense on:				
Term loans	839,515	975,215	112,390	–
Hire purchase	271,881	401,074	–	–
Money market loan	92,478	75,045	–	–
Bank overdrafts	22,819	–	–	–
	1,226,693	1,451,334	112,390	–
Amount owing to subsidiaries	–	–	79,030	77,823
	1,226,693	1,451,334	191,420	77,823

7. PROFIT BEFORE TAX

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

	The Group 2014 RM	The Group 2013 RM	The Company 2014 RM	The Company 2013 RM
Interest income from:				
Subsidiaries	–	–	480,371	499,983
Third parties	321,630	170,055	199,399	131,927
Dividend income from subsidiaries	–	–	3,694,760	1,613,447
Reversal of impairment loss on amount owing by subsidiaries	–	–	14,623	–
Writeback of allowance for impairment losses on trade receivables	148,158	361,136	–	–
Gain on disposal of investment in associates	2,945,303	–	–	–
Gain on dilution on investment in subsidiaries	65,203	–	–	–
Gain/(Loss) on foreign exchange - net:				
Unrealised	1,215,953	(389,365)	(699,660)	(598,744)
Realised	790,733	165,685	23,975	1,869
(Loss)/Gain on disposal of property, plant and equipment	(756,827)	55,727	1,200	–
Staff costs	(68,309,517)	(62,203,490)	(691,918)	(570,791)
Sub-contractor works	(89,630,245)	(20,637,799)	–	–
Depreciation of property, plant and equipment	(18,423,125)	(18,744,297)	(19,697)	(20,270)

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

7. PROFIT BEFORE TAX (CONT'D)

Profit before tax is arrived at after crediting/(charging) the following: (Cont'd)

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Directors' remuneration:				
Fees:				
Executive Directors	(30,930)	–	–	–
Non-executive Directors	(130,402)	(130,398)	(130,402)	(130,398)
Salaries and other emoluments:				
Executive Directors	(3,038,700)	(2,654,539)	(90,710)	(82,679)
Auditors' remuneration				
- current year	(569,168)	(602,187)	(77,000)	(74,000)
Property, plant and equipment written off	(325,553)	(149,714)	–	–
Loss on disposal of asset held for sale	–	(134,425)	–	–
Allowance for impairment loss on plant and equipment	(963,857)	–	–	–
Allowance for impairment losses on receivables	(823,534)	(1,199,949)	–	–
Impairment loss on investment in subsidiaries	–	–	(215,187)	–
Allowance for impairment loss on inventories	(937,972)	–	–	–
Bad debts written off	(427,195)	(1,421,170)	–	–

(a) Staff costs

Staff costs include salaries, bonuses, contributions to statutory defined contribution plans, defined benefits plan and all other staff related expenses. Contributions to statutory defined contribution plans and defined benefits plan, included in staff costs, made by the Group and by the Company during the financial year are as follows:

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Defined contribution plan	4,020,555	3,711,726	82,257	67,930
Defined benefits plan	361,884	101,416	–	–

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

7. PROFIT BEFORE TAX (CONT'D)

(b) Key management personnel compensation

The remuneration of the members of key management included in staff costs is as follows:

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Short-term employee benefits	7,327,250	6,047,754	395,744	346,648

(c) Directors' remuneration

Contributions to provident fund, included in directors' remuneration, made by the Group and Company during the current financial year amounted to RM43,350 (2013: RM150,757) and RM13,090 (2013: RM11,934) respectively.

The estimated monetary value of benefits-in-kind received and receivable by the directors otherwise than in cash from the Group amounted to NIL (2013: RM44,404).

8. INCOME TAX EXPENSE

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Estimated current tax payable:				
Malaysian:				
- Current year	2,835,454	281,000	–	–
- (Over)/Underprovision in prior years	(14,179)	46,028	–	–
	2,821,275	327,028	–	–
Foreign:				
- Current year	3,327,342	1,687,774	–	–
- Underprovision in prior years	256,484	455,904	–	–
	3,583,826	2,143,678	–	–
	6,405,101	2,470,706	–	–
Deferred tax (Note 15):				
- Current year	(852,440)	94,315	–	–
- (Over)/Underprovision in prior years	(600,939)	2,881,107	–	–
	(1,453,379)	2,975,422	–	–
	4,951,722	5,446,128	–	–

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

8. INCOME TAX EXPENSE (CONT'D)

A reconciliation of income tax expense at the applicable statutory income tax rate to income tax expense at the effective income tax rate is as follows:

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Profit before tax	28,139,842	5,910,807	1,609,481	154,034
Tax at the applicable tax rate of 25% (2013 : 25%)	7,034,961	1,477,702	402,370	38,509
Effect of different tax rates of other tax jurisdictions	(1,564,212)	(1,244,547)	–	–
Tax effects of:				
Non-deductible expenses	1,281,652	1,716,149	521,320	364,853
Income not subject to tax	(483,479)	(188,672)	(923,690)	(403,362)
Utilisation of deferred tax assets previously not recognised	(692,523)	(517,564)	–	–
Utilisation of unabsorbed reinvestment allowances	(806,000)	–	–	–
Tax incentives	(133,922)	(117,247)	–	–
Income tax exemption	(183,707)	(97,838)	–	–
Deferred tax assets not recognised during the year	863,919	709,928	–	–
Under/(Over)provision in prior years				
- Current tax	242,305	501,932	–	–
- Deferred tax	(600,939)	2,881,107	–	–
Effect of share of results in associates	(6,333)	325,178	–	–
Income tax expense	4,951,722	5,446,128	–	–

The statutory tax rate will be reduced to 24% from the current financial year's rate of 25%, effective year of assessment 2016.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing profit/(loss) for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

	The Group	
	2014	**2013**
Profit/(Loss) for the year attributable to owners of the Company (RM)	18,775,293	(2,320,798)
Number of shares in issue as of January 1	1,011,408,160	1,011,408,160
Effects of:		
Treasury shares acquired	(2,493,970)	(1,840,055)
Weighted average number of ordinary shares for basic earnings per share computation	1,008,914,190	1,009,568,105
Effects of dilution - warrants	–	–
Weighted average number of ordinary shares for diluted earnings per share computation	1,008,914,190	1,009,568,105
Basic earnings/(loss) per ordinary share attributable to equity holders of the Company (sen)	1.86	(0.23)

The diluted earnings per share at the end of the reporting period was not presented as the average market value of the ordinary shares of the Company is lower than the exercise price for the outstanding warrants and any exercise of warrants would be antidilutive.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

10. PROPERTY, PLANT AND EQUIPMENT

The Group	COST As at 1 January 2013 RM	Foreign currency translation differences RM	Reclassifications RM	Additions RM	Write-offs RM	Disposals RM	As at 31 December 2013 RM
Freehold land	16,566,714	610,965	–	–	–	–	17,177,679
Freehold buildings	36,567,680	1,600,771	111,743	490,130	–	–	38,770,324
Long leasehold land	3,664,274	–	711,823	–	–	–	4,376,097
Long leasehold buildings	34,496,136	1,039,613	636,136	–	–	–	36,171,885
Factory and office renovation	22,460,206	397,531	409,824	103,357	(98,000)	–	23,272,918
Plant and machinery	143,305,233	3,331,739	2,505,054	2,493,653	(932,789)	(181,225)	150,521,665
Workshop tools	2,448,106	3,776	–	63,335	(6,650)	–	2,508,567
Office equipment	11,473,027	383,635	–	221,203	(128,592)	(278,030)	11,671,243
Furniture and fittings	908,804	(3,139)	–	6,717	(906)	–	911,476
Motor vehicles	5,456,433	168,926	–	148,000	–	(294,367)	5,478,992
Computers	2,782,771	84,891	–	358,981	(70,914)	–	3,155,729
Capital work-in-progress	2,722,626	(292,638)	(4,374,580)	2,394,544	(25,872)	–	424,080
Total	282,852,010	7,326,070	–	6,279,920	(1,263,723)	(753,622)	294,440,655

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

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

The Group	COST							
	As at 1 January 2014 RM	Arising from acquisition of a subsidiary RM	Foreign currency translation differences RM	Reclassifications RM	Additions RM	Write-offs RM	Disposals RM	As at 31 December 2014 RM
Freehold land	17,177,679	–	75,697	–	–	–	–	17,253,376
Freehold buildings	38,770,324	–	201,557	99,614	310,574	(71,787)	–	39,310,282
Long leasehold land	4,376,097	297,217	31,754	–	–	–	–	4,705,068
Long leasehold buildings	36,171,885	–	604,549	–	–	–	–	36,776,434
Factory and office renovation	23,272,918	135,518	345,912	–	53,113	(70,500)	–	23,736,961
Plant and machinery	150,521,665	988,569	1,940,372	2,726,445	2,342,931	(3,866,733)	(1,967,630)	152,685,619
Workshop tools	2,508,567	–	2,317	–	80,281	(75,443)	–	2,515,722
Office equipment	11,671,243	297,905	189,552	–	351,108	(5,213,702)	(216,575)	7,079,531
Furniture and fittings	911,476	–	7,384	–	29,658	–	–	948,518
Motor vehicles	5,478,992	1,368,283	49,518	–	396,806	(249,943)	(390,131)	6,653,525
Computers	3,155,729	–	20,813	–	197,819	(3,050)	–	3,371,311
Capital work-in-progress	424,080	–	1,274	(2,826,059)	5,319,325	(11,302)	–	2,907,318
Total	294,440,655	3,087,492	3,470,699	–	9,081,615	(9,562,460)	(2,574,336)	297,943,665

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

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

	ACCUMULATED DEPRECIATION					
The Group	As at 1 January 2013 RM	Foreign currency translation differences RM	Charge for the year RM	Write-offs RM	Disposals RM	As at 31 December 2013 RM
Freehold land	–	–	–	–	–	–
Freehold buildings	11,224,483	530,303	953,721	–	–	12,708,507
Long leasehold land	359,402	–	61,966	–	–	421,368
Long leasehold buildings	7,499,510	281,512	1,228,070	–	–	9,009,092
Factory and office renovation	8,413,730	201,658	1,876,611	(13,067)	–	10,478,932
Plant and machinery	85,326,199	2,613,814	12,104,775	(896,697)	(154,894)	98,993,197
Workshop tools	1,601,962	2,777	313,379	(4,212)	–	1,913,906
Office equipment	7,656,343	289,725	1,593,954	(128,482)	(249,161)	9,162,379
Furniture and fittings	642,472	(1,374)	103,378	(906)	–	743,570
Motor vehicles	4,061,756	135,918	325,829	–	(294,367)	4,229,136
Computers	2,531,770	82,339	182,614	(70,645)	–	2,726,078
Capital work-in-progress	–	–	–	–	–	–
Total	129,317,627	4,136,672	18,744,297	(1,114,009)	(698,422)	150,386,165

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

The Group	ACCUMULATED DEPRECIATION As at 1 January 2014 RM	Arising from acquisition of a subsidiary RM	Foreign currency translation differences RM	Charge for the year RM	Write-offs RM	Disposals RM	As at 31 December 2014 RM	IMPAIRMENT LOSS As at 31 December 2014 RM	NET BOOK VALUE As at 31 December 2014 RM	As at 31 December 2013 RM
Freehold land	–	–	–	–	–	–	–	–	17,253,376	17,177,679
Freehold buildings	12,708,507	–	93,474	1,059,486	(12,256)	–	13,849,211	–	25,461,071	26,061,817
Long leasehold land	421,368	27,930	–	65,656	–	–	514,954	–	4,190,114	3,954,729
Long leasehold buildings	9,009,092	–	190,833	1,252,455	–	–	10,452,380	–	26,324,054	27,162,793
Factory and office renovation	10,478,932	2,661	178,097	1,808,023	(705)	–	12,467,008	–	11,269,953	12,793,986
Plant and machinery	98,993,197	329,693	1,409,801	11,576,175	(3,689,872)	(719,693)	107,899,301	963,857	43,822,461	51,528,468
Workshop tools	1,913,906	–	2,172	274,991	(69,649)	–	2,121,420	–	394,302	594,661
Office equipment	9,162,379	127,170	181,476	1,531,850	(5,211,432)	(216,575)	5,574,868	–	1,504,663	2,508,864
Furniture and fittings	743,570	–	6,694	82,696	–	–	832,960	–	115,558	167,906
Motor vehicles	4,229,136	521,267	43,797	425,791	(249,943)	(341,465)	4,628,583	–	2,024,942	1,249,856
Computers	2,726,078	–	19,087	346,002	(3,050)	–	3,088,117	–	283,194	429,651
Capital work-in-progress	–	–	–	–	–	–	–	–	2,907,318	424,080
Total	150,386,165	1,008,721	2,125,431	18,423,125	(9,236,907)	(1,277,733)	161,428,802	963,857	135,551,006	144,054,490

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

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

	COST						
The Company	As at 1 January 2013 RM	Additions RM	Write-offs RM	As at 31 December 2013 RM	Additions RM	Disposal RM	As at 31 December 2014 RM
Office renovation	151,775	–	–	151,775	–	–	151,775
Office equipment	43,617	2,700	(250)	46,067	14,600	(24,000)	36,667
Furniture and fittings	71,638	2,300	(906)	73,032	–	–	73,032
Computers	52,515	–	–	52,515	3,180	–	55,695
Total	319,545	5,000	(1,156)	323,389	17,780	(24,000)	317,169

	ACCUMULATED DEPRECIATION							NET BOOK VALUE	
The Company	As at 1 January 2013 RM	Charge for the year RM	Write-offs RM	As at 31 December 2013 RM	Charge for the year RM	Disposal RM	As at 31 December 2014 RM	As at 31 December 2014 RM	As at 31 December 2013 RM
Office renovation	45,580	15,178	–	60,758	15,177	–	75,935	75,840	91,017
Office equipment	43,578	339	(250)	43,667	2,117	(24,000)	21,784	14,883	2,400
Furniture and fittings	68,026	1,466	(906)	68,586	1,696	–	70,282	2,750	4,446
Computers	49,228	3,287	–	52,515	707	–	53,222	2,473	–
Total	206,412	20,270	(1,156)	225,526	19,697	(24,000)	221,223	95,946	97,863

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

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

As of 31 December 2014, freehold land and buildings, long leasehold land and buildings and plant and machinery of the Group with a total net book value of RM69,163,072 (2013: RM70,570,104) have been charged as collateral to certain banks for term loans and bank borrowings granted to the Group as mentioned in Note 23 to the financial statements.

Included in property, plant and equipment of the Group are plant and equipment acquired under hire purchase arrangements with net book value totalling RM7,994,418 (2013: RM9,221,768).

11. ASSET HELD FOR SALE

On 8 November 2013, Frontken (Singapore) Pte Ltd, a wholly-owned subsidiary of the Company, entered into an agreement to dispose of 1,397,400 ordinary shares, representing its entire 20% equity interest in Chinyee Engineering & Machinery Pte. Ltd. to Mencast Holdings Ltd. for a cash consideration of SGD1.7 million. The disposal was completed in March 2014. Accordingly, the carrying value of the investment amounting to RM1,371,418 is classified as asset held for sale.

In the previous financial year, the assets held for sale was disposed of to a third party with a total consideration of RM985,834 resulting in a loss of RM134,425.

12. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2014 RM	2013 RM
Quoted shares outside Malaysia - at cost	32,175,037	32,175,037
Unquoted shares - at cost	52,445,878	41,408,256
	84,620,915	73,583,293
Impairment of investments in subsidiaries	(1,197,852)	(982,665)
	83,423,063	72,600,628
Market value of quoted shares	31,910,097	19,357,227
Unquoted shares - at cost:-		
At beginning of the year	41,408,256	41,408,256
Addition during the year	11,037,622	–
At end of the year	52,445,878	41,408,256
Impairment of investments in subsidiaries:-		
At beginning of the year	(982,665)	(982,665)
Addition during the year	(215,187)	–
At end of the year	(1,197,852)	(982,665)

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

12. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Effective Equity Interest 2014 %	Effective Equity Interest 2013 %	Principal Activities
Direct Subsidiaries				
Frontken (Singapore) Pte. Ltd. [1]	Singapore	100	100	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.
Frontken Technology Corporation [1]	Taiwan	100	100	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.
PT Frontken Indonesia [1]	Indonesia	95	95	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.
Frontken MIC Co. Limited ("FMIC") [1,3]	Hong Kong	40.43	41.61	Investment holding and provision of management services.
Frontken Malaysia Sdn. Bhd. [2]	Malaysia	100	100	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.
TTES Frontken Integrated Services Sdn. Bhd. (formerly known as TTES Team & Specialist Sdn. Bhd.) [2,3]	Malaysia	45	–	Engaged in the business of turbo machinery technical engineering services.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

12. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of Subsidiaries	Country of Incorporation	Effective Equity Interest 2014 %	2013 %	Principal Activities
Indirect Subsidiaries				
Frontken Philippines Inc [1]	Philippines	99.99	99.99	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.
Frontken (East Malaysia) Sdn. Bhd. [2]	Malaysia	100	100	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.
Frontken (Johor) Sdn. Bhd. [2]	Malaysia	100	100	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes, including mechanical and chemical engineering services.
Frontken-MIC (Wuxi) Co. Ltd. [1]	China	40.43	41.61	Provision of cleaning of specialised equipment for semiconductor devices, integrated circuits and components, and research and development of semiconductor cleaning technology.
Frontken Petroleum Sdn. Bhd. [2]	Malaysia	60.07	60.07	Dormant.
Frontship Pte. Ltd. [1]	Singapore	100	100	Procurement of materials, equipment consumable parts and engineering services.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

12. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of Subsidiaries	Country of Incorporation	Effective Equity Interest 2014 %	2013 %	Principal Activities
Indirect Subsidiaries				
Ares Green Technology Corporation [1]	Taiwan	57.92	57.92	Provision of surface treatment and advanced precision cleaning for the TFT - LCD (Thin Film Transistor - Liquid Crystal display) and semi-conductor industries.
Ares Green International Corporation [1]	Samoa	57.92	57.92	Investment holding.
Frontken Projects Pte. Ltd.[1]	Singapore	51	51	General contractors and process and individual plant engineering services.

[1] The financial statements of the subsidiaries are audited by auditors other than the auditors of the Company.

[2] The financial statements of the subsidiaries are audited by Messrs. Crowe Horwath.

[3] FMIC and TTES are considered a subsidiary of the Group as the Group has control over the operating and management policies of these subsidiaries via the board of directors appointed by the Group.

The non-controlling interests at the end of the reporting period comprise the following:-

	The Group 2014 RM	2013 RM
Ares Green Technology Corporation	29,115,223	26,075,334
TTES Frontken Integrated Services Sdn. Bhd. (formerly known as TTES Team & Specialist Sdn. Bhd.)	3,278,556	–
Frontken Projects Pte. Ltd.	2,034,306	2,123,565
Other individually immaterial subsidiaries	(1,515,017)	(275,163)
	32,913,068	27,923,736

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

12. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The summarised financial information (before intra-group elimination) for each subsidiary that has non-controlling interests that are material to the Group is as follows:-

	Ares Green Technology Corporation 2014 RM	Ares Green Technology Corporation 2013 RM
At 31 December		
Non-current assets	56,341,125	52,270,713
Current assets	54,081,905	48,642,529
Non-current liabilities	(7,836,545)	(11,090,658)
Current liabilities	(32,996,213)	(27,456,192)
Net assets	69,590,272	62,366,392
Financial year ended 31 December		
Revenue	92,267,164	65,729,817
Profit for the financial year	11,677,553	6,520,459
Total comprehensive income	11,720,560	9,252,435
Total comprehensive income attributable to non-controlling interests	4,932,011	4,236,951
Dividends paid to non-controlling interests	(1,892,123)	(409,315)
Net cash from operating activities	13,317,114	18,819,565
Net cash for investing activities	(5,363,664)	(3,078,129)
Net cash for financing activities	(8,664,316)	(12,696,259)

	TTES Frontken Integrated Services Sdn. Bhd. (formerly known as TTES Team & Specialist Sdn. Bhd.) 2014 RM	2013 RM
At 31 December		
Non-current assets	2,854,375	–
Current assets	8,444,495	–
Non-current liabilities	(359,046)	–
Current liabilities	(4,978,812)	–
Net assets	5,961,012	–
Financial period from 1 June to 31 December		
Revenue	19,791,906	–
Profit for the financial year	2,435,650	–
Total comprehensive income	2,435,650	–

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

12. INVESTMENTS IN SUBSIDIARIES (CONT'D)

	TTES Frontken Integrated Services Sdn. Bhd. (formerly known as TTES Team & Specialist Sdn. Bhd.) 2014 RM	2013 RM
Total comprehensive income attributable to non-controlling interests	1,339,608	–
Dividends paid to non-controlling interests	(1,320,000)	–
Net cash from operating activities	209,311	–
Net cash for investing activities	(245,274)	–
Net cash for financing activities	(1,422,942)	–

	Frontken Projects Pte. Ltd. 2014 RM	2013 RM
At 31 December		
Non-current assets	363,954	521,097
Current assets	13,762,737	13,629,089
Non-current liabilities	(115,401)	(71,024)
Current liabilities	(9,859,645)	(9,745,355)
Net assets	4,151,645	4,333,807
Financial year ended 31 December		
Revenue	13,023,012	25,211,017
(Loss)/Profit for the financial year	(259,893)	1,755,614
Total comprehensive (expenses)/income	(182,161)	1,895,112
Total comprehensive (expenses)/income attributable to non-controlling interests	(89,259)	928,605
Net cash (for)/from operating activities	(993,054)	132,573
Net cash for investing activities	(6,604)	(220,475)
Net cash from/(for) financing activities	83,410	(254,740)

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

12. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(i) On 28 August 2014, Frontken MIC Co. Limited ("FMIC"), a subsidiary of the Company, increased its issued and paid-up capital from HKD14,990,812 to HKD18,173,025 by the allotment and issuance of 3,182,213 new ordinary shares of HKD1 each at par for cash.

Pursuant to the above allotment of 3,182,213 new ordinary shares, the Company's effective equity interest in FMIC, held directly and indirectly by the Company diluted from 41.61% to 40.43%.

(ii) On 30 April 2014, the Company entered into a Sale and Purchase Agreement to acquire 900,000 ordinary shares of RM1.00 each ("TTES Shares") representing 45% of the issued and paid-up share capital of TTES Frontken Integrated Services Sdn. Bhd. (formerly known as TTES Team & Specialist Sdn. Bhd.) ("TTES") for a total cash consideration of approximately RM11 million or approximately RM12.22 per TTES Share.

The details of the assets, liabilities and cash flows arising from the acquisition of TTES were as follows:

	The Group 2014 RM
Property, plant and equipment	2,078,771
Trade and other receivables	1,454,495
Cash and cash equivalents	3,635,707
Trade and other payables	(295,764)
Hire purchase payables	(410,581)
Tax liabilities	(537,267)
Fair value of net identifiable assets	5,925,361
Less : Non-controlling interests	(3,258,949)
Add: Goodwill on acquisition (Note 14)	8,366,591
Total cost of acquisition	11,033,003
Less: Cash and cash equivalents in subsidiary acquired	(3,635,707)
Net cash outflow on acquisition	7,397,296

The acquired subsidiary has contributed the following results to the Group:-

	2014 RM
Revenue	19,791,906
Profit after tax	2,435,650

If the acquisition had taken place at the beginning of the financial year, the Group's revenue and profit after tax would have been RM320,679,057 and RM25,188,173 respectively.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

12. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(iii) In August 2013, the Company acquired 18,000 ordinary shares of NT$10 each representing 0.05% of the issued and paid-up share capital of Ares Green Technology Corporation ("AGTC") for a total cash consideration of NT$217,110 (including incidental costs) (equivalent to RM23,509). In December 2013, the Company acquired a total of 2,109,000 ordinary shares of NT$10 each representing 6.38% of the issued and paid-up share capital of AGTC for a total cash consideration of NT$33,858,505 (including incidental costs) (equivalent to RM3,718,772), of which 2,031,000 shares representing 6.14% were acquired from Mr Jorg Helmut Hohnloser for a total cash consideration of NT$32,689,304 (including incidental costs). Mr Jorg Helmut Hohnloser is a director and shareholder of the Company and AGTC.

Following the acquisition, the Group's interest in AGTC increased from 51.49% to 57.92%. Further to that acquisition the Company's effective equity interest in Frontken MIC Co. Limited ("FMIC"), held directly by the Company and through AGTC, increased from 38.80% to 41.61%.

13. INVESTMENTS IN ASSOCIATES

	The Group	
	2014 RM	2013 RM
Unquoted shares - at cost	1,193,279	4,577,697
Share of post- acquisition results	365,641	(1,665,499)
Foreign currency translation differences	173,791	124,539
	1,732,711	3,036,737
Carrying value reclassified to asset held for sale (Note 11)	–	(1,371,418)
	1,732,711	1,665,319

The summarised financial information for associate that is material to the Group is as follows:-

	The Group	
	2014 RM	2013 RM
Current assets	1,374,866	1,151,935
Non-current assets	4,032,407	3,870,208
Current liabilities	(1,694,650)	(1,921,433)
Non-current liabilities	(372,617)	(16,820)
Net assets	3,340,006	3,083,890
Revenue	2,030,737	15,879,262
Profit/(Loss) for the year	51,696	(6,594,672)
Group's share of results for the year	25,331	(1,302,740)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

13. INVESTMENTS IN ASSOCIATES (CONT'D)

Details of the associates are as follows:

Name of Associates	Country of Incorporation	Effective Equity Interest 2014 %	2013 %	Principal Activities
Indirect Associates				
Frontken (Thailand) Co., Ltd.	Thailand	49	49	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.
Chinyee Engineering & Machinery Pte. Ltd.	Singapore	–	20	Provider of structural components, assemblies and kits to the aerospace and technology industries.

On 8 November 2013, Frontken (Singapore) Pte. Ltd., a wholly-owned subsidiary of the Company, entered in to an agreement to dispose of 1,397,400 ordinary shares, representing its entire 20% equity interest in Chinyee Engineering & Machinery Pte. Ltd. to Mencast Holdings Ltd for a total cash consideration of SGD1.7 million. The disposal was completed in March 2014. Accordingly, the carrying value of the investment amounting to RM1,371,418 is classified as asset held for sale (Note 11).

Amount owing by associates

	The Group 2014 RM	2013 RM
Amount owing by associates		
- Trade	827,467	997,738
- Non-trade	356,295	348,931
	1,183,762	1,346,669

The normal trade credit terms granted to associates range from 30 to 90 days (2013: 30 to 90 days).

The non-trade balance is unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash.

Transactions undertaken with associates during the financial year are as follows:

	The Group 2014 RM	2013 RM
Frontken (Thailand) Co., Ltd.		
Purchases	142,888	–
Chinyee Engineering & Machinery Pte. Ltd.		
Sales	–	731,280
Purchases	–	73,634

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

14. GOODWILL ON CONSOLIDATION

	The Group 2014 RM	2013 RM
At beginning of year	25,394,265	25,394,265
Arising from acquisition of a subsidiary (Note 12)	8,366,591	–
At end of year	33,760,856	25,394,265

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating unit ("CGU") that is expected to benefit from that business combination. The carrying amount of the goodwill had been allocated as follows:

	The Group 2014 RM	2013 RM
Frontken (East Malaysia) Sdn. Bhd.	805,812	805,812
Ares Green Technology Corporation	24,588,453	24,588,453
TTES Frontken Integrated Services Sdn. Bhd. (formerly known as TTES Team & Specialist Sdn. Bhd.)	8,366,591	–
	33,760,856	25,394,265

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the CGU is determined from value-in-use calculation. The key assumptions for the value-in-use calculation are those regarding the expected changes to pricing and direct costs, growth rates and discount rates during the period.

	2014 %	2013 %
Budgeted gross margin	26 to 37	26 to 37
Growth rates	0.0 to 5.0	0.0 to 5.0
Pre-tax discount rate	10.20	10.27

The calculation of value-in-use for CGU are most sensitive to the following assumptions:

(i) Budgeted gross margin — Management determines budgeted gross margin based on past performance and its expectations of market development.

(ii) Growth rates — The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. These calculations use pre-tax cash flow projections based on financial budgets approved by management and extrapolated cash flows for a three-year period based on growth rates consistent with the long-term average growth rate for the industry.

(iii) Discount rate — Management estimates discount rate using pre-tax rate that reflect current market assessments of the time value of money and the risk specific to the CGU. The rate used to discount the forecasted cash flows reflects specific risks and expected returns relating to the industry.

The management believes that no reasonable change in the above key assumptions would cause the carrying amount of the goodwill to exceed its recoverable amounts.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

15. DEFERRED TAX ASSETS/LIABILITIES

	The Group	
	2014 RM	2013 RM
Deferred tax assets		
At beginning of year	665,109	440,887
Transfer from profit or loss (Note 8)	289,118	215,160
Transfer to other comprehensive expenses	95,117	(17,809)
Foreign currency translation differences	13,472	26,871
At end of year	1,062,816	665,109
Deferred tax liabilities		
At beginning of year	3,653,351	363,290
Transfer (to)/from profit or loss (Note 8)	(1,164,261)	3,190,582
Arising from acquisition of a subsidiary	48,932	–
Foreign currency translation differences	33,869	99,479
At end of year	2,571,891	3,653,351

The net deferred tax liabilities and assets are in respect of the tax effects of the following:

	The Group Deferred Tax (Assets)/Liabilities	
	2014 RM	2013 RM
Temporary differences arising from property, plant and equipment	2,272,694	3,381,499
Others	(763,619)	(393,257)
	1,509,075	2,988,242

As mentioned in Note 3, the tax effects of deductible temporary differences, unused tax losses and unused tax credits which would give rise to deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. As of 31 December 2014, the estimated amount of net deferred tax assets, calculated at the current tax rate which has not been recognised in the financial statements of the Group due to uncertainty of its realisation, is as follows:

	The Group Deferred Tax (Assets)/Liabilities	
	2014 RM	2013 RM
Unutilised tax losses	3,545,134	2,512,124
Unabsorbed capital allowances	279,451	737,257
Temporary differences arising from property, plant and equipment	(353,527)	(905,000)
Unutilised reinvestment allowances	148,000	841,000
Others	(143,406)	28,000
	3,475,652	3,213,381

The unutilised tax losses and unabsorbed capital allowances are subject to the agreement of the tax authorities.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

16. FIXED DEPOSITS WITH LICENSED BANKS

Fixed deposits with licensed banks of the Group and of the Company earn effective interests ranging from 0.25% to 3.50% (2013: 0.25% to 3.10%) and 2.90% to 3.60% (2013: 2.87% to 2.93%) per annum. The fixed deposits of the Group and of the Company have average maturity periods ranging from 14 to 365 days (2013: 7 to 365 days) and 14 to 93 days (2013: 7 to 22 days).

The fixed deposits of the Group and of the Company amounting to RM4,240,380 (2013: RM482,406) and RM1,008,049 (2013: Nil) are pledged to licensed banks as security for banking facilities granted to the Group and the Company.

Pursuant to the Services Agreement ("SA") entered between TTES Frontken Integrated Services Sdn. Bhd. (formerly known as TTES Team & Specialist Sdn. Bhd.) ("TTES") and its customers, TTES is required to pledge the fixed deposits with licensed banks as security for the projects that are secured by TTES. Based on the SA, the projects will be completed by 2016. Hence, the fixed deposits are classified as non-current assets.

17. INVENTORIES

	The Group	
	2014 RM	2013 RM
At cost:		
Raw materials	4,001,682	5,596,649
Work-in-progress	6,125,305	2,596,323
Finished goods	145,387	5,464,585
	10,272,374	13,657,557
Recognised in profit or loss:		
Inventories recognised as cost of sales	10,851,404	7,707,691
Allowance for impairment loss in inventories	937,972	–

None of the inventories is carried at net realisable value.

18. AMOUNT OWING BY A CONTRACT CUSTOMER

	The Group	
	2014 RM	2013 RM
Contract costs incurred plus recognised profits	88,659,311	1,531,670
Less: Progress billings	(86,822,311)	(1,531,670)
	1,837,000	–
Presented as:		
Amount owing by a contract customer	1,837,000	–

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

19. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

Trade receivables of the Group comprise amounts outstanding for the provision of services and sale of goods. The credit periods granted to the customers range from 30 to 90 days (2013: 30 to 90 days).

	The Group 2014 RM	The Group 2013 RM
Trade receivables	104,497,984	73,271,056
Allowance for impairment losses	(2,656,253)	(1,994,566)
	101,841,731	71,276,490

Movement in allowance for impairment losses on trade receivables is as follows:

	The Group 2014 RM	The Group 2013 RM
At 1 January	1,994,566	1,623,936
Allowance for impairment losses	823,534	1,199,949
Write-back of allowance for impairment losses	(148,158)	(361,136)
Written off as bad debts	(23,713)	(481,649)
Exchange difference	10,024	13,466
	2,656,253	1,994,566

Included in trade receivables of the Group are the following amounts owing from the related parties:

	The Group 2014 RM	The Group 2013 RM
A & I Engine Rebuilders Sdn. Bhd.	20	200
AMT Engineering Sdn. Bhd.	–	13,791
Cleanpart Dresden GmbH & Co. Kg	20,087	–
	20,107	13,991

The said amount, which arose mainly from trade transactions, is unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

19. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES (CONT'D)

The related parties and their relationships with the Group are as follows:

Name of related parties	Relationship
A & I Engine Rebuilders Sdn. Bhd.	A company in which Sia Chiok Meng, a director of a subsidiary, is also a director and has a financial interest.
AMT Engineering Sdn. Bhd.	A company in which Sia Chiok Meng, a director of a subsidiary, is also a director and has a financial interest.
Tenaga-Tech (M) Sdn. Bhd.	A company in which Mohd Shukri Bin Hitam and Fauziah Binti Hamlawi, directors of a subsidiary, are also directors and have financial interest.
Cleanpart Dresden GmbH & Co. Kg	Jorg Helmut Hohnloser, a director and shareholder of the Company, is also a director and shareholder of Cleanpart Dresden GmbH & Co. Kg.
Frontken (Thailand) Co. Ltd.	An associated company.
Chinyee Engineering & Machinery Pte. Ltd.	An associated company.

Transactions undertaken with related parties during the financial year are as follows:

	The Group	
	2014 RM	2013 RM
A & I Engine Rebuilders Sdn. Bhd.		
Sales	3,190	1,735
AMT Engineering Sdn. Bhd.		
Sales	75,789	61,430
Purchases	22,447	1,830
Rental expense	144,000	144,000
Tenaga-Tech (M) Sdn. Bhd.		
Purchases	609,492	–
Rental expense	57,338	–
Cleanpart Dresden GmbH & Co. Kg		
Sales	110,795	–
Frontken (Thailand) Co., Ltd.		
Purchases	142,888	–
Chinyee Engineering & Machinery Pte. Ltd.		
Sales	–	731,280
Purchases	–	73,634

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

19. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES (CONT'D)

Other receivables, deposits and prepaid expenses consist of:

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Other receivables	3,350,833	3,802,610	38,602	2,353
Allowance for impairment losses	(1,006,445)	(1,006,445)	–	–
	2,344,388	2,796,165	38,602	2,353
Deposits	1,806,628	1,212,907	4,830	3,720
Prepayments	1,133,148	1,261,016	20,864	17,498
	5,284,164	5,270,088	64,296	23,571

Included in prepayments are employee benefits as detailed below:

	The Group	
	2014 RM	2013 RM
Fair value of plan assets	–	3,947,697
Present value of plan obligations	–	(3,381,916)
	–	565,781

The Group contributes to a defined benefit plan that provides retirement benefits for employees upon retirement based on the following:-

a) 2 months average salary for each year for the first 15 years of working; and

b) 1 month average salary for each year subsequent to 15 years of working.

A maximum entitlement for a retired employee is 45 months average salary. The average salary of a retired employee is calculated based on the average 6 months' salary prior to his retirement date.

Plan assets comprise:

	The Group	
	2014 RM	2013 RM
Cash at bank	792,434	902,444
Short-term investments	105,265	161,856
Debentures	485,482	369,899
Fixed income investments	618,115	714,928
Equity securities	2,040,455	1,767,384
Others	168,845	31,186
	4,210,596	3,947,697

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

19. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES (CONT'D)

The Group accrued employee benefits expenses based on the actuarial valuation performed by an independent actuary adopting the Projected Unit Credit With Service Increment method, with the following principal actuarial assumptions:

		The Group	
		2014	2013
i)	Mortality rate		
	- below 25	0.00029	0.00029
	- between age 25 to 30	0.00068	0.00068
	- between age 30 to 35	0.00090	0.00090
	- between age 35 to 40	0.00133	0.00133
	- between age 40 to 45	0.00197	0.00197
	- between age 45 to 50	0.00303	0.00303
	- between age 50 to 55	0.00448	0.00448
	- between age 55 to 60	0.00664	0.00664
	- between age 60 to 65	0.01026	0.01026
ii)	Retirement age	65	65
iii)	Disability rate (per annum)	10% of mortality rate	10% of mortality rate
iv)	Discount rate (per annum)	1.88%	2.00%
v)	Expected return on plan assets	2.00%	2.00%
vi)	Expected rate of salary increases (per annum)	3.00%	3.00%

Movement in the present value of defined benefit obligations:

	The Group	
	2014 RM	2013 RM
At 1 January	3,381,916	3,680,528
Current service costs and interest	1,324,775	179,979
Actuarial losses/(gain) in other comprehensive income	575,303	(137,369)
Defined plan payable	–	(496,363)
Exchange difference	67,099	155,141
At 31 December	5,349,093	3,381,916

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

19. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES (CONT'D)

Movement in the fair value of plan assets:

	The Group	
	2014 RM	2013 RM
At 1 January	3,947,697	4,079,822
Expected return on plan assets	78,811	78,563
Actuarial losses in other comprehensive income	15,790	(28,900)
Contribution paid into the plan	141,065	140,021
Defined plan payable	–	(496,363)
Exchange difference	27,233	174,554
At 31 December	4,210,596	3,947,697

Expenses recognised in profit or loss:

	The Group	
	2014 RM	2013 RM
Current service costs and interests	440,695	179,979
Expected return on plan assets	(78,811)	(78,563)
Net benefit expense	361,884	101,416

Actuarial gains and losses recognised directly in other comprehensive income:

	The Group	
	2014 RM	2013 RM
Actuarial (losses)/gain recognised during the year	(464,396)	86,928

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

20. AMOUNTS OWING BY/TO SUBSIDIARIES

	The Company 2014 RM	The Company 2013 RM
Amount owing by:-		
Advances	39,801,180	40,887,700
Non-trade balances	5,834,561	5,584,561
	45,635,741	46,472,261
Allowance for impairment losses	(1,498,371)	(1,512,994)
	44,137,370	44,959,267
Amount owing to:-		
Advances	2,715,810	2,663,854
Non-trade balances	12,422,503	3,030,758
	15,138,313	5,694,612
Allowance for impairment losses:-		
At beginning of the year	(1,512,994)	(1,512,994)
Reversal during the financial year	14,623	–
At end of the year	(1,498,371)	(1,512,994)

The amounts owing by/to the subsidiaries arose mainly from unsecured advances and payments made on behalf. The amount arising from unsecured advances bear interest at 3% (2013: 3%) per annum and is repayable on demand whilst the amount arising from payments made on behalf is interest-free.

21. SHARE CAPITAL

	The Company 2014 Number of shares	The Company 2013 Number of shares	The Company 2014 RM	The Company 2013 RM
Ordinary shares of RM0.10 each:				
Authorised				
At beginning/end of year	5,000,000,000	5,000,000,000	500,000,000	500,000,000
Issued and fully paid-up				
At beginning/end of year	1,011,408,160	1,011,408,160	101,140,816	101,140,816

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

22. RESERVES

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Non-distributable:				
Share premium	9,336,705	9,336,705	9,336,705	9,336,705
Treasury shares	(564,995)	(195,727)	(564,995)	(195,727)
Foreign currency translation reserve	12,034,681	9,671,154	–	–
Warrant reserve	882,976	882,976	882,976	882,976
Statutory reserve	1,290,656	680,704	–	–
Distributable:				
Retained earnings	82,683,045	64,786,682	3,480,954	1,871,473
	105,663,068	85,162,494	13,135,640	11,895,427

Share premium

The share premium is not distributable by way of dividends and may be utilised in the manner set out in Section 60(3) of the Companies Act 1965.

Treasury shares

During the financial year, the Company repurchased 3,020,000 of its issued ordinary shares from the open market at an average price of RM0.122 per share. The total consideration paid for the repurchase including transaction costs amounted to RM369,268. The total consideration paid for the repurchase was financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act 1965 and are presented as a deduction from total equity.

As at 31 December 2014, the Company held 4,866,600 treasury shares at a carrying amount of RM564,995.

As at 31 December 2014, the number of outstanding ordinary shares in issue after the set off of 4,866,600 treasury shares held by the Company is 1,006,541,560 ordinary shares of RM0.10 each.

Foreign currency translation reserve

Foreign currency translation differences arising from the translation of the financial statements of foreign subsidiaries are taken to the foreign currency translation reserve as described in the significant accounting policies.

Warrant reserve

The warrant reserve arose from 288,973,760 free new detachable warrants ("Warrants") which were listed on Bursa Malaysia Securities Berhad on 16 March 2010 pursuant to the rights issue.

Statutory reserve

The statutory reserve is maintained by the Group's subsidiary in Taiwan in accordance with the regulations in that country.

Retained earnings

Under the single tier tax system, tax on the Company's profits is the final tax and accordingly, any dividends to the shareholders are not subject to tax.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

23. TERM LOANS

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Principal outstanding	28,906,045	29,356,849	7,876,178	–
Less: Portion due within one year (Note 26)	(4,559,547)	(5,227,560)	(1,810,448)	–
Non-current portion	24,346,498	24,129,289	6,065,730	–

The non-current portion is repayable as follows:

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Later than one year but not later than five years	22,700,494	17,394,306	6,065,730	–
Later than five years	1,646,004	6,734,983	–	–
	24,346,498	24,129,289	6,065,730	–

As of 31 December 2014, the Company and the Group have the following term loan facility:

(a) During the year, one (2013: NIL) term loan facility totalling RM8,000,000 (2013: NIL) obtained by the Company which bear interest at 6.79% (2013: NIL) per annum and repayable in equal monthly instalments over 48 months (2013: NIL);

(b) One (2013: Two) term loan facility totalling RM4,909,627 (2013: RM6,190,240), obtained by a locally incorporated subsidiary, which bear interest at 5.89% (2013: 4.97%) per annum and are repayable in equal monthly instalments over 56 months (2013: 6 to 68 months). One of the term loan was fully repaid during the financial year;

(c) One (2013: Two) term loan facility totalling RM8,081,561 (2013: RM10,611,176), obtained by a subsidiary incorporated in Singapore, which bear interest rates ranging from 1.71% to 2.19% (2013: 1.71% to 2.18%) per annum and repayable in equal monthly instalments over 66 months (2013: 7 to 78 months). One of the term loan facility was fully repaid during the year;

(d) One (2013: One) term loan facility totalling RM290,939 (2013: RM596,689) obtained by another subsidiary incorporated in Singapore, bears interest of 3.75% (2013: 3.75%) per annum and is repayable in equal monthly instalments over 11 months (2013: 23 months); and

(e) One (2013: Two) term loan facilities totalling RM7,747,740 (2013: RM11,958,744), obtained by a subsidiary incorporated in Taiwan, which bear interest at rates ranging from 1.68% (2013: 1.68% to 1.82%) per annum and are repayable in 17 quarterly (2013: 3 to 17 quarterly) instalments. One of the term loan was fully repaid during the financial year.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

23. TERM LOANS (CONT'D)

The term loans and bank borrowings as mentioned in Note 26 are secured by:-

(a) legal charges over certain freehold land and buildings of the Group as disclosed in Note 10 to the financial statements;

(b) legal charges over the long leasehold land and buildings of the Group as disclosed in Note 10 to the financial statements;

(c) corporate guarantees of the Company; and

(d) fixed deposits as disclosed in Note 16 to the financial statements.

24. HIRE PURCHASE PAYABLES

	The Group	
	2014 RM	2013 RM
Total outstanding	2,611,819	4,169,004
Less: Interest-in-suspense	(195,225)	(336,566)
Present value of payments	2,416,594	3,832,438
Less: Amount due within 12 months (included under current liabilities)	(1,377,295)	(2,131,297)
Non-current portion	1,039,299	1,701,141

The non-current portion is payable as follows:

	The Group	
	2014 RM	2013 RM
Later than one year but not later than five years	969,832	1,701,141
After five years	69,467	–
	1,039,299	1,701,141

It is the Group's policy to acquire certain of its plant and equipment under hire purchase arrangements. The average term of the hire purchase is about 1 to 7 years (2013: 1 to 7 years). The interest rates implicit in the hire purchase obligations range from 1.51% to 7.42% (2013: 2.43% to 6.89%) per annum.

The Group's hire purchase payables are secured by the financial institutions' charge over the assets under hire purchase as disclosed in Note 10 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

25. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

Trade payables of the Group comprise amounts outstanding for trade purchases. The credit periods granted to the Group for trade purchases range from 30 to 90 days (2013: 30 to 90 days). Included in trade payables is RM59,363 (2013: Nil) owing to related parties.

Other payables and accrued expenses consist of:

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Other payables	18,097,713	14,479,306	1,527,580	23,580
Accrued expenses	17,877,980	10,595,102	304,482	144,831
	35,975,693	25,074,408	1,832,062	168,411

Included in accrued expenses are employee benefits as detailed below:

	The Group	
	2014 RM	2013 RM
Fair value of plan assets (Note 19)	(4,210,596)	–
Present value of plan obligations (Note 19)	5,349,093	–
Past service cost not yet recognised	(906,875)	–
	231,622	–

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

26. BANK BORROWINGS

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Short-term borrowings				
- Money market security	6,215,515	2,594,300	–	–
- Revolving credit	–	500,000	–	–
Term loans - current portion (Note 23)	4,559,547	5,227,560	1,810,448	–
	10,775,062	8,321,860	1,810,448	–

The short-term borrowings represent money market loan and revolving credit facilities obtained by two subsidiaries incorporated in Singapore and Malaysia which are rolled over every month and three months respectively. The revolving credit facilities were fully repaid during the financial year. The money market loan and revolving credit facilities bear effective interest rates ranging from 2.12% to 2.39% (2013: 2.07% to 2.15%) per annum and NIL (2013: 4.90%) per annum respectively.

The security for the bank borrowings are disclosed in Note 23 to the financial statements.

27. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Financial Risk Management Policies

The Group's policies in respect of the major areas of treasury activity are as follows:-

(i) Foreign currency risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in foreign currencies. The currencies giving rise to this risk are primarily United States Dollar and Singapore Dollar. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

27. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Foreign currency risk (Cont'd)

The Group's exposure to foreign currency is as follows:-

The Group 2014	Singapore Dollar RM	Ringgit Malaysia RM	United States Dollar RM	Philippine Peso RM	New Taiwan Dollar RM	Others* RM	Total RM
Financial assets							
Amount owing by a contract customer	–	–	1,837,000	–	–	–	1,837,000
Trade receivables	16,967,338	18,470,703	28,464,530	602,622	36,945,874	390,664	101,841,731
Other receivables and deposits	1,017,694	789,382	312,000	570,098	1,243,187	218,655	4,151,016
Amount owing by associates	1,166,892	–	16,870	–	–	–	1,183,762
Fixed deposits with licensed banks	442,380	11,838,053	–	–	–	–	12,280,433
Cash and bank balances	4,371,141	21,045,618	12,011,700	458,718	12,684,952	1,003,019	51,575,148
	23,965,445	52,143,756	42,642,100	1,631,438	50,874,013	1,612,338	172,869,090
Financial liabilities							
Trade payables	5,155,734	22,601,922	733,822	221,481	7,874,417	248,802	36,836,178
Other payables	5,591,902	6,625,810	1,522,476	425,881	21,721,239	88,385	35,975,693
Bank borrowings							
- Term loans	8,372,500	12,785,805	–	–	7,747,740	–	28,906,045
- Short term borrowings	6,215,515	–	–	–	–	–	6,215,515
Hire purchase payables	1,456,022	960,572	–	–	–	–	2,416,594
	26,791,673	42,974,109	2,256,298	647,362	37,343,396	337,187	110,350,025
Net financial (liabilities)/assets	(2,826,228)	9,169,647	40,385,802	984,076	13,530,617	1,275,151	62,519,065
Less: Net financial liabilities/(assets) denominated in the respective entities' functional currencies	2,395,755	(9,169,647)	(13,797)	(984,076)	(13,496,081)	(1,266,502)	(22,534,348)
Currency exposure	(430,473)	–	40,372,005	–	34,536	8,649	39,984,717

* Denominated in Euro, Great Britain Pound, Chinese Renminbi and Indonesian Rupiah.

27. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Foreign currency risk (Cont'd)

The Group 2013	Singapore Dollar RM	Ringgit Malaysia RM	United States Dollar RM	Philippine Peso RM	New Taiwan Dollar RM	Others* RM	Total RM
Financial assets							
Trade receivables	20,177,934	12,473,304	9,466,950	444,181	26,977,920	1,736,201	71,276,490
Other receivables and deposits	1,309,003	954,686	22,472	703,767	470,330	548,814	4,009,072
Amount owing by associates	1,323,666	–	23,003	–	–	–	1,346,669
Fixed deposits with licensed banks	432,838	1,038,757	–	–	176,147	–	1,647,742
Cash and bank balances	4,184,038	5,983,962	10,672,434	69,682	13,283,373	1,270,327	35,463,816
	27,427,479	20,450,709	20,184,859	1,217,630	40,907,770	3,555,342	113,743,789
Financial liabilities							
Trade payables	10,330,822	2,072,326	1,580,653	608,457	6,123,926	653,939	21,370,123
Other payables	3,925,260	1,905,191	42,921	250,451	18,358,605	591,980	25,074,408
Bank borrowings							
- Term loans	11,207,865	6,190,240	–	–	11,958,744	–	29,356,849
- Short term borrowings	2,594,300	500,000	–	–	–	–	3,094,300
Hire purchase payables	2,392,783	1,439,655	–	–	–	–	3,832,438
	30,451,030	12,107,412	1,623,574	858,908	36,441,275	1,245,919	82,728,118
Net financial (liabilities)/assets	(3,023,551)	8,343,297	18,561,285	358,722	4,466,495	2,309,423	31,015,671
Less: Net financial liabilities/(assets) denominated in the respective entities' functional currencies	4,865,818	(8,343,297)	5,140	(358,722)	(4,412,375)	(2,309,423)	(10,552,859)
Currency exposure	1,842,267	–	18,566,425	–	54,120	–	20,462,812

* Denominated in Chinese Renminbi and Indonesian Rupiah.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

27. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Foreign currency risk (Cont'd)

The Company 2014	Singapore Dollar RM	Ringgit Malaysia RM	United States Dollar RM	Indonesian Rupiah RM	New Taiwan Dollar RM	Total RM
Financial assets						
Amount owing by subsidiaries	–	41,735,171	–	2,402,199	–	44,137,370
Cash and bank balances	–	2,596,825	762,925	–	34,535	3,394,285
	–	44,331,996	762,925	2,402,199	34,535	47,531,655
Financial liabilities						
Amount owing to subsidiaries	5,868,409	7,256	9,262,648	–	–	15,138,313
Net financial (liabilities)/assets	(5,868,409)	44,324,740	(8,499,723)	2,402,199	34,535	32,393,342
Less: Net financial assets denominated in the entity's functional currency	–	(44,324,740)	–	–	–	(44,324,740)
Currency exposure	(5,868,409)	–	(8,499,723)	2,402,199	34,535	(11,931,398)

The Company 2013	Singapore Dollar RM	Ringgit Malaysia RM	Indonesian Rupiah RM	New Taiwan Dollar RM	Total RM
Financial assets					
Amount owing by subsidiaries	–	42,740,011	2,219,256	–	44,959,267
Cash and bank balances	–	213,817	–	54,120	267,937
	–	42,953,828	2,219,256	54,120	45,227,204
Financial liabilities					
Amount owing to subsidiaries	5,673,794	20,818	–	–	5,694,612
Net financial (liabilities)/assets	(5,673,794)	42,933,010	2,219,256	54,120	39,532,592
Less: Net financial assets denominated in the entity's functional currency	–	(42,933,010)	–	–	(42,933,010)
Currency exposure	(5,673,794)	–	2,219,256	54,120	(3,400,418)

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

27. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Foreign currency risk (Cont'd)

Foreign currency risk sensitivity analysis

The following table details the sensitivity analysis on profit after taxation/equity to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:-

	The Group		The Company	
	2014 Increase/ (Decrease) RM	2013 Increase/ (Decrease) RM	2014 Increase/ (Decrease) RM	2013 Increase/ (Decrease) RM
Effects on profit after taxation/equity				
Singapore Dollar:-				
- strengthened by 5%	(21,524)	92,113	(293,420)	(283,690)
- weakened by 5%	21,524	(92,113)	293,420	283,690
New Taiwan Dollar				
- strengthened by 5%	1,727	2,706	1,727	2,706
- weakened by 5%	(1,727)	(2,706)	(1,727)	(2,706)
United States Dollar				
- strengthened by 5%	2,018,600	928,321	(424,986)	–
- weakened by 5%	(2,018,600)	(928,321)	424,986	–
Others*				
- strengthened by 5%	432	–	120,110	110,963
- weakened by 5%	(432)	–	(120,110)	(110,963)

* Denominated in Euro, Great Britain Pound, Chinese Renminbi and Indonesian Rupiah.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities. The Group's policy is to obtain the most favourable interest rates available. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

Information relating to the Company's exposure to the interest rate risk of the financial liabilities is disclosed in Note 27(a)(v) to the financial statements.

Interest rate risk sensitivity analysis

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss, a 100 basis points strengthening in the interest rate as at the end of the reporting period would have decreased profit after taxation/equity by RM229,692 (2013 : RM219,440) and RM59,071 (2013 : NIL) respectively. A 100 basis points weakening would have had an equal but opposite effect on the profit after taxation/equity. This assumes that all other variables remain constant.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

27. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(iii) Equity price risk

The Group does not have any investment that is exposed to equity price risk.

(iv) Credit risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

Credit risk concentration profile

The Group's major concentration of credit risk relates to the amount owing by one (1) customer which constituted approximately 13% of its trade receivables as at the end of the reporting period.

Exposure to credit risk

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting period.

Ageing analysis

The ageing of the Group's trade receivables as at end of the reporting period was:-

The Group	Gross Amount RM	Individual Impairment RM	Collective Impairment RM	Carrying Value RM
2014				
Not past due	90,046,306	–	–	90,046,306
Past due:-				
- Less than 1 month	5,990,105	(163,605)	–	5,826,500
- 1 to 9 months	6,431,343	(253,767)	(418,373)	5,759,203
- Over 9 months	2,030,230	(1,778,082)	(42,426)	209,722
	104,497,984	(2,195,454)	(460,799)	101,841,731

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

27. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(iv) Credit risk (Cont'd)

Ageing analysis (Cont'd)

The Group 2013	Gross Amount RM	Individual Impairment RM	Collective Impairment RM	Carrying Value RM
Not past due	58,948,188	–	–	58,948,188
Past due:-				
- Less than 1 month	4,685,081	–	–	4,685,081
- 1 to 9 months	5,244,274	–	(197,927)	5,046,347
- Over 9 months	4,393,513	(1,643,573)	(153,066)	2,596,874
	73,271,056	(1,643,573)	(350,993)	71,276,490

At the end of the reporting period, trade receivables that are individually impaired are those which have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

The collective impairment allowance is determined based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

Trade receivables that are past due but not impaired

The Group believes that no impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

Trade receivables that are neither past due nor impaired

A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables.

(v) Liquidity risk

Liquidity risk arises mainly from general funding and business activities. The Group practices prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

27. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(v) Liquidity risk (Cont'd)

The Group	Weighted average effective rate %	Carrying amount RM	Contractual undiscounted cash flows RM	Within 1 year RM	1 – 5 years RM	Over 5 years RM
2014						
Hire purchase payables	1.51 – 7.42	2,416,594	2,611,819	1,489,531	1,050,388	71,900
Term loans	1.68 – 6.79	28,906,045	31,639,810	5,611,295	24,372,129	1,656,386
Short-term borrowings	2.12 – 2.39	6,215,515	6,215,515	6,215,515	–	–
Trade payables	–	36,836,178	36,836,178	36,836,178	–	–
Other payables	–	35,975,693	35,975,693	35,975,693	–	–
		110,350,025	113,279,015	86,128,212	25,422,517	1,728,286
2013						
Hire purchase payables	2.43 – 6.89	3,832,438	4,169,004	2,521,610	1,647,394	–
Term loans	1.68 – 4.97	29,356,849	31,818,138	5,933,839	19,043,772	6,840,527
Short-term borrowings	2.07 – 4.90	3,094,300	3,094,300	3,094,300	–	–
Trade payables	–	21,370,123	21,370,123	21,370,123	–	–
Other payables	–	25,074,408	25,074,408	25,074,408	–	–
		82,728,118	85,525,973	57,994,280	20,691,166	6,840,527

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

27. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(v) Liquidity risk (Cont'd)

The Company	Weighted average effective rate %	Carrying amount RM	Contractual undiscounted cash flows RM	Within 1 year RM	1 – 5 years RM
2014					
Term loan	6.79	7,876,178	8,995,090	2,289,498	6,705,592
Other payables	–	1,832,062	1,832,062	1,832,062	–
Amount owing to subsidiaries					
- interest bearing	3.00	2,715,810	2,715,810	2,715,810	–
- interest free	–	12,422,503	12,422,503	12,422,503	–
		24,846,553	25,965,465	19,259,873	6,705,592
2013					
Other payables	–	168,411	168,411	168,411	–
Amount owing to subsidiaries					
- interest bearing	3.00	2,663,854	2,663,854	2,663,854	–
- interest free	–	3,030,758	3,030,758	3,030,758	–
		5,863,023	5,863,023	5,863,023	–

(b) Capital Risk Management

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, return of capital to shareholders or issue new shares.

The Group manages its capital based on debt-to-equity ratio. The Group's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as net debt divided by total equity. Net debt is calculated as external borrowings less cash and bank balances and fixed deposits with licensed banks.

There was no change in the Group's approach to capital management during the financial year.

The debt-to-equity ratio of the Company is not disclose in the financial statements as the cash and bank balances and fixed deposits with licensed banks are in surplus position after net off with external borrowings.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity (total equity attributable to owners of the Company) equal to or not less than the 25% of the issued and paid-up share capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

27. FINANCIAL INSTRUMENTS (CONT'D)

(c) Classification of Financial Instruments

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Financial Assets				
Loans and receivables financial assets				
Amount owing by a contract customer	1,837,000	–	–	–
Trade receivables	101,841,731	71,276,490	–	–
Other receivables and deposits	4,151,016	4,009,072	43,432	6,073
Amount owing by subsidiaries	–	–	44,137,370	44,959,267
Amount owing by associates	1,183,762	1,346,669	–	–
Fixed deposits with licensed banks	12,280,433	1,647,742	8,008,049	950,000
Cash and bank balances	51,575,148	35,463,816	3,394,285	267,937
	172,869,090	113,743,789	55,583,136	46,183,277
Financial liabilities				
Other financial liabilities				
Trade payables	36,836,178	21,370,123	–	–
Other payables and accrued expenses	35,975,693	25,074,408	1,832,062	168,411
Amount owing to subsidiaries	–	–	15,138,313	5,694,612
Term loans	28,906,045	29,356,849	7,876,178	–
Bank borrowings	6,215,515	3,094,300	–	–
Hire purchase payables	2,416,594	3,832,438	–	–
	110,350,025	82,728,118	24,846,553	5,863,023

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

27. FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair Value Information

Other than those disclosed below, the fair values of the financial assets and financial liability maturing within the next 12 months approximated their carrying amount due to the relatively short-term maturity of the financial instruments. This fair value is included in level 2 of the fair value hierarchy.

	Fair Value Of Financial Instruments Carried At Fair Value			Fair Value Of Financial Instruments Not Carried At Fair Value			Total Fair Value	Carrying Amount
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3		
The Group	RM	RM	RM	RM	RM	RM	RM	RM
2014								
Financial Liabilities								
Hire purchase payables	–	–	–	–	2,418,054	–	2,418,054	2,416,594
Short-term borrowings	–	–	–	–	6,215,515	–	6,215,515	6,215,515
Term loans	–	–	–	–	28,906,045	–	28,906,045	28,906,045
2013								
Financial Liabilities								
Hire purchase payables	–	–	–	–	3,653,761	–	3,653,761	3,832,438
Short-term borrowings	–	–	–	–	3,094,300	–	3,094,300	3,094,300
Term loans	–	–	–	–	29,356,849	–	29,356,849	29,356,849

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

27. FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair Value Information (Cont'd)

The fair values of level 2 above have been determined using the following basis:-

(i) The fair value of hire purchase payables and term loans determined by discounting the relevant cash flows using interest rates for similar instruments at the end of the reporting period. The interest rates used to discount the estimated cash flows are as follows:-

	2014 %	2013 %
Hire purchase payables	1.51% - 7.42%	2.43% - 6.89%
Short-term borrowings	2.12% - 2.39%	2.07% - 4.90%
Term loans	1.68% - 6.79%	1.68% - 4.97%

28. CONTINGENT LIABILITIES

The Company provided corporate guarantees to banks and financial institutions to secure banking facilities and leasing of equipment provided to certain subsidiaries amounting to RM37,661,459 (2013 : RM23,660,383).

29. COMMITMENTS

(i) Operating lease commitments

	The Group	
	2014 RM	2013 RM
Non-cancellable future minimum lease payments		
Not later than one year	1,746,287	1,872,495
Between one year and five years	3,709,383	4,499,389
Later than five years	10,939,395	10,823,452
	16,395,065	17,195,336

The Group has various operating lease agreements for equipment, offices and other facilities. Most leases contain renewable options. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

(ii) Capital commitments

As of 31 December 2014, the Group has the following capital commitments:

	The Group	
	2014 RM	2013 RM
Approved and contracted for:		
Plant and equipment	836,585	590,730

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(i) Following the resignation of a senior management personnel of Frontken Malaysia Sdn Bhd ("FM"), a wholly-owned subsidiary of the Company, in 2012 the Board of Directors of the Company (the "Board") was made aware that there may be some irregular dealings between FM and its suppliers.

On 1 October 2012, Messrs Crowe Horwath was appointed to carry out a special investigative audit. Messrs Crowe Horwath issued a report on 18 February 2013 followed by an Expanded and Revised Investigative Audit Report on 3 June 2013.

The Company had on 11 June 2013 lodged a police report at the Police Headquarters, Commercial Crime Investigation Department at Bukit Aman on the alleged financial irregularities.

A civil suit had also been lodged against an ex-senior management personnel and 5 others ("collectively known as Defendants") in the High Court of Penang for inter alia recovery of monies identified to have been wrongfully paid out by FM to some of the Defendants in view of the findings of the Investigative Audit conducted by Messrs Crowe Horwarth.

An ex-parte Mareva Injunction Order was subsequently obtained by FM against one of the Defendants on 2 August 2013. This was followed by an ex-parte Ad Interim order dated 16 August 2013. In essence, the purpose of the ex-parte Orders was to freeze his assets. FM's Mareva application against the one of the Defendant was allowed by consent on 18 March 2014. The main civil suit has been fixed for case management on 16 March 2015. The trial dates have been fixed from 21 to 23 July 2015.

In respect of the main civil suit, some of the Defendants filed Defences and Counterclaims against FM and some of its existing senior management. The aforesaid counterclaims are being resisted by FM as well as its senior management.

The Board has lodged a second police report on one of the Defendants for fraudulently and/or unlawfully altering the email details in the Defendant affidavits for attempting to mislead the Court and pervert the course of justice.

(ii) On 4 February 2014, Frontken (East Malaysia) Sdn Bhd ("FEM"), a wholly-owned subsidiary of the Company, had served, via its solicitors, a writ of Summons together with a Statement of Claims on Kuching Barrage Management Sdn Bhd ("KBM").

FEM is claiming for an aggregate outstanding sum of RM2,571,570 in respect of unpaid invoices for work done and services rendered by FEM to KBM for the repair and refurbishment of the downriver shiplock gate cylinders at Pier 7 and 8 ("the said works") at the price of RM2,050,420 and RM521,150 respectively. FEM has duly completed the said works and the same had been commissioned and tested to KBM's satisfaction.

On 6 March 2014, FEM received in total four cheques amounting to RM2,581,570 including legal fees in the sum of RM10,000 from KBM's lawyer. FEM withdrew the matter against the defendant upon the clearance of the abovementioned cheques.

(iii) On 28 August 2014, Frontken MIC Co. Limited ("FMIC"), a subsidiary of the Company, increased its issued and paid-up capital from HKD14,990,812 to HKD18,173,025 by the allotment and issuance of 3,182,213 new ordinary shares of HKD1 each at par for cash.

Pursuant to the above allotment of 3,182,213 new ordinary shares, the Company's effective equity interest in FMIC, held directly and indirectly by the Company diluted from 41.61% to 40.43%.

(iv) On 30 April 2014, the Company entered into a Sale and Purchase Agreement to acquire 900,000 ordinary shares of RM1.00 each ("TTES Shares") representing 45% of the issued and paid-up share capital of TTES Frontken Integrated Services Sdn. Bhd. (formerly known as TTES Team & Specialist Sdn. Bhd.) ("TTES") for a total cash consideration of RM11 million or approximately RM12.22 per TTES Share.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

31. SUBSEQUENT EVENT AFTER THE FINANCIAL YEAR

Subsequent to the financial year, the Company increased its issued and paid-up share capital from RM101,140,816 to RM105,343,513 by the issuance of 42,026,970 new ordinary shares of RM0.10 each pursuant to the exercise of 42,026,970 warrants at an exercise price of RM0.18 per warrant. The warrants were exercised on various dates in year 2015 before the expiry date of the warrant on 10 March 2015.

The new ordinary shares issued are rank pari passu with the existing issued ordinary shares of the Company.

The resulting premium of RM3,362,158 arising from the shares is credited to the share premium account.

32. RECLASSIFICATIONS AND COMPARATIVE FIGURES

Certain reclassifications have been made to the prior year's financial statements to conform with the current year's presentation. The items were reclassified as follows:

	The Group	
	As previously reported RM	As restated RM
As of 31 December 2013		
Statements of Financial Position (Extract):-		
Amount owing by a contract customer	2,130,236	–
Trade receivables	69,762,903	71,276,490
Other receivables, deposits and prepaid expenses	4,653,439	5,270,088
Statements of Cash Flows (Extract):-		
Net cash for investing activities	(7,983,439)	(8,010,189)
Cash and cash equivalents at beginning of year	41,457,531	40,786,539
Cash and cash equivalents at end of year	37,111,558	36,413,816

33. FOREIGN EXCHANGE RATES

The principal closing foreign exchange rates used (expressed on the basis of one unit of foreign currency to Ringgit Malaysia equivalent) for the translation of foreign currency balances at the end of the reporting period are as follows:-

	The Group/ The Company	
	2014	2013
Singapore Dollar	2.64	2.59
United States Dollar	3.50	3.28
Philippine Peso	0.08	0.07
New Taiwan Dollar	0.11	0.11
Euro	4.25	4.52
Chinese Renminbi	0.56	0.54
Indonesian Rupiah	0.00028	0.00027
Thai Baht	0.11	0.10

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

34. SUPPLEMENTARY INFORMATION – DISCLOSURE OF REALISED AND UNREALISED PROFITS/ (LOSSES)

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Total retained earnings of Group and Company				
Realised	97,041,899	81,055,467	5,311,766	3,003,139
Unrealised	(183,546)	(4,140,251)	(1,830,812)	(1,131,666)
	96,858,353	76,915,216	3,480,954	1,871,473
Total share of retained earnings from associates				
Realised	340,837	64,341	–	–
Unrealised	–	22,432	–	–
	340,837	86,773	–	–
Less: Consolidation adjustments	(14,516,145)	(12,215,307)	–	–
Total retained earnings	82,683,045	64,786,682	3,480,954	1,871,473

STATEMENT BY DIRECTORS

We, **NG WAI PIN** and **DR. TAY KIANG MENG**, being two of the directors of **FRONTKEN CORPORATION BERHAD**, state that, in the opinion of the directors, and to the best of our knowledge and belief, the financial statements set out on pages 46 to 122 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company at 31 December 2014 and of their financial performance and the cash flows for the financial year ended on that date.

The supplementary information set out in Note 34, which is not part of the financial statements, is prepared in all material respects, 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 and the directive of Bursa Malaysia Securities Berhad.

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

NG WAI PIN **DR. TAY KIANG MENG**

23 April 2015

DECLARATION BY THE OFFICER
PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, **HEE KOK HIONG**, being the officer primarily responsible for the financial management of **FRONTKEN CORPORATION BERHAD**, do solemnly and sincerely declare that the financial statements of the Group and of the Company set out on pages 46 to 123 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

HEE KOK HIONG

Subscribed and solemnly declared by
the abovenamed **HEE KOK HIONG** at
KUALA LUMPUR this 23rd day of April 2015

Before me,

Datin Hajah Raihela Wanchik (No. W-275)
COMMISSIONER FOR OATHS

LIST OF PROPERTIES

Details of the landed properties owned and leased by the Company and its subsidiaries are set out below:

Address	Description/ Existing use	Land area/ Built-up area	Approximate age of building	Tenure	Audited net book value as at 31.12.2014	Date of acquisition
		sq m			RM'000	
Frontken (Singapore) Pte Ltd (FS) Pte Lot A12843 (to be known as Pte Lot A21020) Bearing postal address: 156A Gul Circle Singapore 629614	2 factory buildings with mezzanine office and a 4-storey factory to house production facilities	11,154/ 11,213	18 years, 28 years & 4 years	Leasehold expiring on 19.07.2039	17,439	01.08.2001
FS Pte Lot A22490 (to be known as Pte Lot A1355601) Bearing postal address: 15 Gul Drive Singapore 629466	4-storey factory building to house production facilities and R&D activities	4,877/ 3,147	13 years	Leasehold expiring on 30.04.2026	3,057	18.03.2005
Frontken Malaysia Sdn Bhd (FM) 177296 Lot 38206 Pekan Baru Hicom Daerah Petaling Selangor Darul Ehsan Bearing postal address: Lot 2-46 Jalan Subang Utama 7 Taman Perindustrian Subang Utama Seksyen 22 40300 Shah Alam Selangor Darul Ehsan	1½ -storey detached factory building to house production facilities	2,023/ 1,006	18 years	Freehold	1,952	17.03.2003
FM 177293 Lot 38196 Pekan Baru Hicom Daerah Petaling Selangor Darul Ehsan Bearing postal address: Lot 2-47 Jalan Subang Utama 8 Taman Perindustrian Subang Utama Seksyen 22 40300 Shah Alam Selangor Darul Ehsan	Vacant industrial land	2,177/ -	N/A	Freehold	1,500	04.07.2007

LIST OF PROPERTIES
(cont'd)

Address	Description/ Existing use	Land area/ Built-up area	Approximate age of building	Tenure	Audited net book value as at 31.12.2014	Date of acquisition
		sq m			RM'000	
FM H.S. (D) 40495 & 40609 Lots 12049 & 12063 Mukim 14 Daerah Seberang Perai Tengah Penang Bearing postal address: No. 18, Jalan Pala 12 Kawasan Industri Ringan Permatang Tinggi 14100 Bukit Mertajam Penang	1½-storey semi-detached factory to house production facilities and R&D activities	604/ 597	12 years	Freehold	486	07.07.2003
H.S. (D) 40496 & 40610 Lots 12050 & 12064 Mukim 14, Daerah Seberang Perai Tengah Penang Bearing postal address: No. 20 Jalan Pala 12 Kawasan Industri Ringan Permatang Tinggi 14100 Bukit Mertajam Penang	1½-storey semi-detached factory to house production facilities and R&D activities	603/ 541	12 years	Freehold		
FM H.S. (D) 50571 P.T. No. 1923 Mukim Padang Cina Daerah Kulim Kedah Darul Aman Bearing postal address: PT1923, Jalan Hi Tech 2/3 Industrial Zone Phase I Kulim Hi-Tech Industrial Park, 09000 Kulim Kedah Darul Aman	Single-storey detached factory building to house production facilities and R&D activities	12,141/ 3,299	9 years	Leasehold expiring on 08.05.2066	6,552	23.12.2005
FM H.S. (D) 50571 P.T. No. 1923 Mukim Padang Cina Daerah Kulim Kedah Darul Aman Bearing postal address: PT 1923, Jalan Hi Tech 2/3 Industrial Zone Phase I Kulim Hi-Tech Industrial Park, 09000 Kulim Kedah Darul Aman	Vacant industrial land	15,419/-	N/A	Leasehold expiring on 08.05.2066	1,838	09.11.2007

LIST OF PROPERTIES
(cont'd)

Address	Description/ Existing use	Land area/ Built-up area	Approximate age of building	Tenure	Audited net book value as at 31.12.2014	Date of acquisition
		sq m			RM'000	
Ares Green Technology Corporation 0273-0000, 0276-0000 & 0277-0000 Bearing postal address: No. 17 Bade Road Xinying Dist. Tainan City, 73054 Taiwan, R.O.C.	A single-storey factory building and a 2-storey factory building to house production facilities and R&D activities and a 2-storey office building	16,966/ 14,190	15 years	Freehold	38,777	14.06.2004
PT Frontken Indonesia NIB No 28.04.02.19.00499 28.04.02.19.00497 28.04.02.19.00495 28.04.02.19.00493 28.04.02.19.00492 28.04.02.19.00490 Bearing postal address: Jl. Raya Serang KM.13 RT.003/RW.002 Kp. Cirewed, Sukadamai-Cikupa Tangerang Banten, Indonesia 15710	A single-storey factory building to house production facilities and office	5,385/ 3,222	30 years	Leasehold expiring on 17.10.2039 & 19.05.2041	1,362	12.12.2011
TTES Frontken Integrated Services Sdn Bhd (formerly known as TTES Team & Specialist Sdn Bhd) Lot 3687 & 3688 Mukim Telok Kalong Kemaman Terengganu Bearing postal address: Lot 3687 & 3688 Mukim Telok Kalong Kemaman Terengganu	Vacant industrial land	4,133	N/A	Leasehold expiring on 22.08.2057	266	08.12.2009

SHAREHOLDING STATISTICS
AS AT 15 APRIL 2015

Authorised Share Capital	:	RM500,000,000 divided into 5,000,000,000 ordinary shares of RM0.10 each
Issued and Paid-up Share Capital	:	RM105,343,513 comprising 1,053,435,130 ordinary shares of RM0.10 each
Class of shares	:	Ordinary shares of RM0.10 each
Voting rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS
AS AT 15 APRIL 2015

Size of holdings	No. of shareholders	% of shareholders	*No. of shares	*% of issued capital
Less than 100	180	3.0	7,964	~
100 – 1,000	225	3.7	108,387	~
1,001 – 10,000	1,313	21.9	9,074,652	0.9
10,001 – 100,000	3,344	55.7	155,829,700	14.8
100,001 to less than 5% of issued shares	943	15.7	592,456,354	56.5
5% and above of issued shares	1	~	290,991,473	27.8
Total	6,006	100.0	1,048,468,530	100.0

Notes:
~ Negligible
* Excluding 4,966,600 shares held as treasury shares as at 15 April 2015

DIRECTORS' SHAREHOLDINGS
AS AT 15 APRIL 2015

The shareholdings of the directors of the Company and the number of shares held by them as recorded in the Register of Director Shareholdings at the date of this statement are as follows:

		Direct		Indirect	
No.	Name	No. of shares	*%	No. of shares	%
1.	Ng Wai Pin	3,000,000	0.3	–	–
2.	Dr Tay Kiang Meng	9,404,808	0.9	–	–
3.	Dato' Haji Johar Bin Murat @ Murad	–	–	–	–
4.	Aaron Sim Kwee Lein	–	–	–	–
5.	Dr Jorg Helmut Hohnloser	290,991,473	27.8	–	–
6.	Timo Fabian Seeberger	–	–	–	–

Note:
* Excluding 4,966,600 shares held as treasury shares as at 15 April 2015

SUBSTANTIAL SHAREHOLDERS
AS AT 15 APRIL 2015

		Direct		Indirect	
No.	Name	No. of shares	*%	No. of shares	%
1.	Dr Jorg Helmut Hohnloser	290,991,473	27.8	–	–

Note:
* Excluding 4,966,600 shares held as treasury shares as at 15 April 2015

SHAREHOLDING STATISTICS
(cont'd)

THIRTY LARGEST SHAREHOLDERS
AS AT 15 APRIL 2015

No.	Shareholders	No. of shares	*% of issued capital
1	Maybank Securities Nominees (Asing) Sdn Bhd		
	Maybank Kim Eng Securities Pte Ltd For Jorg Helmut Hohnloser	290,991,473	27.75
2	CIMSEC Nominees (Asing) Sdn Bhd		
	Exempt An For CIMB Securities (Singapore) Pte Ltd (Retail Clients)	47,945,626	4.57
3	RHB Nominees (Tempatan) Sdn Bhd		
	Pledged Securities Account For Ooi Keng Thye	22,175,800	2.12
4	Kho Chew Swan	17,075,552	1.63
5	Mohammad Allaudin & Co. Sdn. Bhd.	16,651,000	1.59
6	Mohd Shukri Bin Hitam	13,182,000	1.26
7	HLB Nominees (Asing) Sdn Bhd		
	Pledged Securities Account For Tan Choon Hock (SIN 9967-2)	11,760,000	1.12
8	Tay Kiang Meng	9,404,808	0.90
9	Fong Pik Na	8,542,730	0.81
10	Alliancegroup Nominees (Tempatan) Sdn Bhd		
	Pledged Securities Account For Ooi Keng Thye (6000009)	7,332,300	0.70
11	Koh Kok Choon	6,425,400	0.61
12	TA Nominees (Tempatan) Sdn Bhd		
	Pledged Securities Account For Kho Chai Yam	6,174,000	0.59
13	Nancy Sia Siaw Mei	6,168,900	0.59
14	Chia Tee Peng	6,100,000	0.58
15	Ooi Bee Eng	6,000,000	0.57
16	Wong Kum Cheong	6,000,000	0.57
17	Lee Mee Huong	4,530,900	0.43
18	Public Invest Nominees (Asing) Sdn Bhd		
	Exempt An For Phillip Securities Pte Ltd (Clients)	4,214,352	0.40
19	Mohammad Allaudin Bin Md Ali	4,115,000	0.39
20	Lau Eng Huat	4,100,000	0.39
21	CIMSEC Nominees (Tempatan) Sdn Bhd		
	CIMB Bank For Wong Ah Yong (MY1278)	4,000,000	0.38
22	Maybank Nominees (Tempatan) Sdn Bhd		
	Eyo Sze Guan	3,659,000	0.35
23	Ooi Sow Teck @ Ooi Soon Teik	3,500,000	0.33
24	Loo Lai Ming	3,400,000	0.32
25	Nadiah Binti Hassan	3,030,000	0.29
26	Affin Hwang Investment Bank Berhad		
	IVT (LEJ)	3,000,000	0.29
27	RHB Capital Nominees (Tempatan) Sdn Bhd		
	Ng Wai Pin	3,000,000	0.29
28	JF Apex Nominees (Tempatan) Sdn Bhd		
	Pledged Securities Account For Tan Boon Han	2,882,300	0.27
29	Lagos George Inocentes	2,648,420	0.25
30	Toh Chin Lim	2,625,000	0.25

Note:
* Excluding 4,966,600 shares held as treasury shares as at 15 April 2015

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Eleventh Annual General Meeting of the Company will be held at Suite 301, 3rd Floor, Block F, Pusat Dagangan Phileo Damansara 1, No. 9, Jalan 16/11, Off Jalan Damansara, 46350 Petaling Jaya, Selangor on Thursday, 25 June 2015 at 11.00 a.m. for the transaction of the following businesses:-

AGENDA

As Ordinary Business:-

1. To receive the Audited Financial Statements for the year ended 31 December 2014 together with the Reports of the Directors and the Auditors thereon. (Please refer to Explanatory Note 1)

2. To re-elect the following Directors who retire pursuant Article 74 of the Company's Articles of Association:-

   (a) Mr Ng Wai Pin; and (Ordinary Resolution 1)

   (b) Dato' Haji Johar Bin Murat @ Murad. (Ordinary Resolution 2)

3. To approve the payment of Directors' fees of up to RM300,000 for the financial year ending 31 December 2015. (Ordinary Resolution 3)

4. To re-appoint Messrs Crowe Horwath as Auditors of the Company for the financial year ending 31 December 2015 and to authorize the Directors to fix their remuneration. (Ordinary Resolution 4)

As Special Business:-

To consider and if thought fit, to pass the following Resolutions:-

5. **AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965** (Ordinary Resolution 5)

   "**THAT** subject always to the Companies Act, 1965 ("Act"), the Memorandum and Articles of Association of the Company and the approvals of Bursa Malaysia Securities Berhad ("Bursa Securities") and the relevant regulatory authorities where such approval is necessary, the Directors be and are hereby empowered, pursuant to Section 132D of the Act, to issue shares of the Company at any time until the conclusion of the next Annual General Meeting ("AGM") and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares to be issued does not exceed 10% of the total issued and paid-up share capital of the Company (excluding treasury shares) at the time of issue.

   AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities and that such authority shall continue to be in force until the conclusion of the next AGM of the Company."

NOTICE OF THE ANNUAL GENERAL MEETING (cont'd)

6. PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES ("PROPOSED RENEWAL OF SHARE BUY-BACK MANDATE") (Ordinary Resolution 6)

"**THAT** subject to the provisions under the Act, the Memorandum and Articles of Association of the Company, the Listing Requirements and any other applicable laws, rules, regulations and guidelines for the time being in force, the Company be and is hereby authorised to purchase such number of ordinary shares of RM0.10 each in the Company ("Shares") as may be determined by the Directors from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of shares purchased pursuant to this resolution shall not exceed 10% of the total issued and paid-up share capital of the Company.

THAT the maximum amount of funds to be allocated for the purpose of purchasing the Shares shall not exceed the aggregate of the retained profits and share premium account of the Company.

THAT authority be and is hereby given to the Directors to decide at their discretion, as may be permitted and prescribed by the Act and/or any prevailing laws, rules, regulations, orders, guidelines and requirements issued by the relevant authorities for the time being in force to deal with any of the Shares so purchased by the Company in the following manner:

(i) the Shares so purchased could be cancelled; or
(ii) the Shares so purchased could be retained as treasury shares for distribution as dividends to the shareholders of the Company and/or be resold through Bursa Securities in accordance with the relevant rules of Bursa Securities and/or to be cancelled subsequently; or
(iii) combination of (i) and (ii) above.

THAT the authority conferred by this resolution will be effective immediately from the passing of this ordinary resolution and shall continue to be in force until:

(i) the conclusion of the next AGM of the Company, at which time the said authority would lapse unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
(ii) the expiration of the period within which the next AGM is required by law to be held; or
(iii) the authority is revoked or varied by an ordinary resolution of the shareholders of the Company in a general meeting,

whichever occurs first.

AND THAT the Directors be and are hereby authorised to take such steps as are necessary or expedient to implement or to effect the purchase(s) of the Shares with full power to assent to any conditions, modifications, variations and/or amendments as may be imposed by the relevant authorities and to take such steps as they may deem necessary or expedient in order to implement, finalise and give full effect in relation thereto."

7. RETENTION OF INDEPENDENT DIRECTOR (Ordinary Resolution 7)

To consider and if thought fit, to pass the following resolution as Ordinary Resolution:

"**THAT** subject to the passing of Resolution 2, approval be and is hereby given to Dato' Haji Johar Bin Murat @ Murad, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company."

NOTICE OF THE ANNUAL GENERAL MEETING
(cont'd)

8. To transact any other business of which due notice shall be given.

BY ORDER OF THE BOARD

Mah Li Chen (MAICSA 7022751)
Wong Wei Fong (MAICSA 7006751)
Company Secretaries

Kuala Lumpur
21 May 2015

Notes:-

1. *A Member entitled to attend and vote at this meeting is entitled to appoint a proxy/proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.*
2. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
3. *Where the appointer is a corporation, this form must be executed under its common seal or under the hand of an officer or attorney duly authorised.*
4. *The instrument appointing a proxy or proxies must be deposited at the office of the Share Registrar of the Company situated at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time fixed for convening the Meeting or any adjournment thereof.*
5. *For the purpose of determining a member who shall be entitled to attend the Eleventh Annual General Meeting, the Company shall request Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at 19 June 2015. Only a depositor whose name appears on the Record of the Depositor as at 19 June 2015 shall be entitled to attend this Eleventh Annual General Meeting or appoint proxies to attend and/or vote on his/her behalf.*

Explanatory Notes on Ordinary Business:-

1. Item 1 of the Agenda

This Agenda item is meant for discussion only as the provision of Section 169 of the Companies Act, 1965 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this item is not put forward to shareholders for voting.

Explanatory Note on Special Business:-

2. Item 5 of the Agenda

The proposed Ordinary Resolution 5, if passed, will empower the Directors from the conclusion of this AGM, to allot and issue up to a maximum of 10% of the total issued and paid-up share capital of the Company (excluding treasury shares) at the time of issue (other than bonus or rights issue) without the need to convene a general meeting and for such purposes as they consider would be in the best interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next AGM of the Company. This mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to placing of shares, for the purpose of funding working capital, future investment project(s) and/or acquisition(s). At this juncture, there is no decision to issue new shares. If there should be a decision to issue any new share after the general mandate is sought, the Company will make an announcement in respect thereof.

The proposed Ordinary Resolution 5 is a renewal of the general mandate for issuance of shares pursuant to Section 132D of the Act. The Company had, at the Tenth AGM held on 26 June 2014, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to Section 132D of the Act. As at the date of this notice, the Company did not issue any share pursuant to the said mandate.

NOTICE OF THE ANNUAL GENERAL MEETING
(cont'd)

3. **Item 6 of the Agenda**

The proposed Ordinary Resolution 6, if passed, will give the Directors of the Company the authority to take all such steps as are necessary or expedient to implement, finalise, complete and/or effect the purchase(s) of Shares by the Company as the Directors may deem fit and expedient in the best interest of the Company. This authority will, unless renewed or revoked or varied by the Company at a general meeting, continue to be in force until the conclusion of the next AGM of the Company or the expiry of the period within which the next AGM of the Company following the Eleventh AGM is required by the law to be held. Please refer to the Share Buy-Back Statement dated 21 May 2015 which is despatched together with this Annual Report for more information.

4. **Item 7 of the Agenda**

The Nomination Committee has assessed the independence of Dato' Haji Johar Bin Murat @ Murad, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, and recommended him to continue act as an Independent Non-Executive Director of the Company based on the following justifications:

a. He fulfils the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and, thus, he is able to provide a check and balance by bringing an element of objectivity and independent judgment to the Board's deliberation;
b. He brings with him vast experience and expertise to complement the competencies of the other Directors to enhance boardroom discussions and decision;
c. He has been with the Company for more than 9 years since 2006 and, accordingly, is familiar with the nuances and understanding of the Group's business operations; and
d. He has exercised due care and diligence during his tenure as an Independent Non-Executive Director of the Company and carried out his duties professionally and objectively in the interest of the Company and shareholders.

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PROXY FORM

CDS Account No.

No. of shares held

FRONTKEN CORPORATION BERHAD
(Company no. 651020-T)
(Incorporated in Malaysia under the Companies Act, 1965)

I/We____ Tel. No.: ______________________
[Full name in block, NRIC No./Company No.]

of ____
[Address]

____
being a member/members of **Frontken Corporation Berhad**, hereby appoint:-

Full Name (in Block)	**NRIC/Passport/Company No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

and / or (delete as appropriate)

Full Name (in Block)	**NRIC/Passport/Company No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

or failing him, the Chairman of the Meeting as my/our proxy to attend and to vote for me/us and on my/our behalf and, if necessary, to demand for a poll at the Eleventh Annual General Meeting of the Company to be held at Suite 301, 3rd Floor, Block F, Pusat Dagangan Phileo Damansara 1, No. 9, Jalan 16/11, Off Jalan Damansara, 46350 Petaling Jaya, Selangor on Thursday, 25 June 2015 at 11.00 a.m. or any adjournment thereof, and to vote as indicated below:-

Item	Agenda	Resolution	For	Against
1.	Re-election of Ng Wai Pin	Ordinary Resolution 1		
2.	Re-election of Dato' Haji Johar Bin Murat @ Murad	Ordinary Resolution 2		
3.	Payment of Directors' fees	Ordinary Resolution 3		
4.	Re-appointment of auditors	Ordinary Resolution 4		
5.	Authority to issue shares	Ordinary Resolution 5		
6.	Proposed Renewal of Share Buy-Back Mandate	Ordinary Resolution 6		
7.	Retention of Independent Director	Ordinary Resolution 7		

Please indicate with an "X" in the space provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific direction, your proxy may vote or abstain as he thinks fit.

Signed this _______________day of _______________ , 2015.

____
Signature of Shareholder(s)/Common Seal

Notes:-

1. *A Member entitled to attend and vote at this meeting is entitled to appoint a proxy/proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.*
2. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
3. *Where the appointer is a corporation, this form must be executed under its common seal or under the hand of an officer or attorney duly authorised.*
4. *The instrument appointing a proxy or proxies must be deposited at the office of the Share Registrar of the Company situated at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time fixed for convening the meeting or any adjournment thereof.*
5. *For the purpose of determining a member who shall be entitled to attend the Eleventh Annual General Meeting, the Company shall request Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at 19 June 2015. Only a depositor whose name appears on the Record of Depositors as at 19 June 2015 shall be entitled to attend this Eleventh Annual General Meeting or appoint proxies to attend and/or vote on his/her behalf.*

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AFFIX
STAMP

FRONTKEN CORPORATION BERHAD (651020-T)
c/o TRICOR INVESTOR SERVICES SDN BHD
Level 17 The Gardens North Tower
Mid Valley City Lingkaran Syed Putra
59200 Kuala Lumpur
MALAYSIA

1st fold here

FRONTKEN CORPORATION BERHAD *(651020-T)*
Suite 301, Block F, Pusat Dagangan Phileo Damansara 1
No. 9, Jalan 16/11, Off Jalan Damansara, 46350 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel : *+603 7968 3312* ***Fax :*** *+603 7968 3316*

www.frontken.com