

**FRONTKEN**

FRONTKEN CORPORATION BERHAD  
(651020-T)



TOTAL INTEGRATED  
ENGINEERING SOLUTIONS

ANNUAL REPORT 2015

ANNUAL REPORT 2015

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## 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)  
Chew Mei Ling (MAICSA 7019175)  
Yeap Yee Ling (MAICSA 7067021)

### REGISTERED OFFICE

B-11-10 Level 11  
Megan Avenue II  
Jalan Yap Kwan Seng  
50450 Kuala Lumpur  
Tel : (03) 2166 9718  
Fax : (03) 2166 9728

### HEAD OFFICE

Suite 301, Block F  
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No. 9, Jalan 16/11, Off Jalan  
Damansara  
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 & Issuing House  
Services Sdn Bhd  
Unit 32-01, Level 32, Tower A  
Vertical Business Suite  
Avenue 3, Bangsar South  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur  
Tel : (03) 2783 9299  
Fax : (03) 2783 9222

### 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

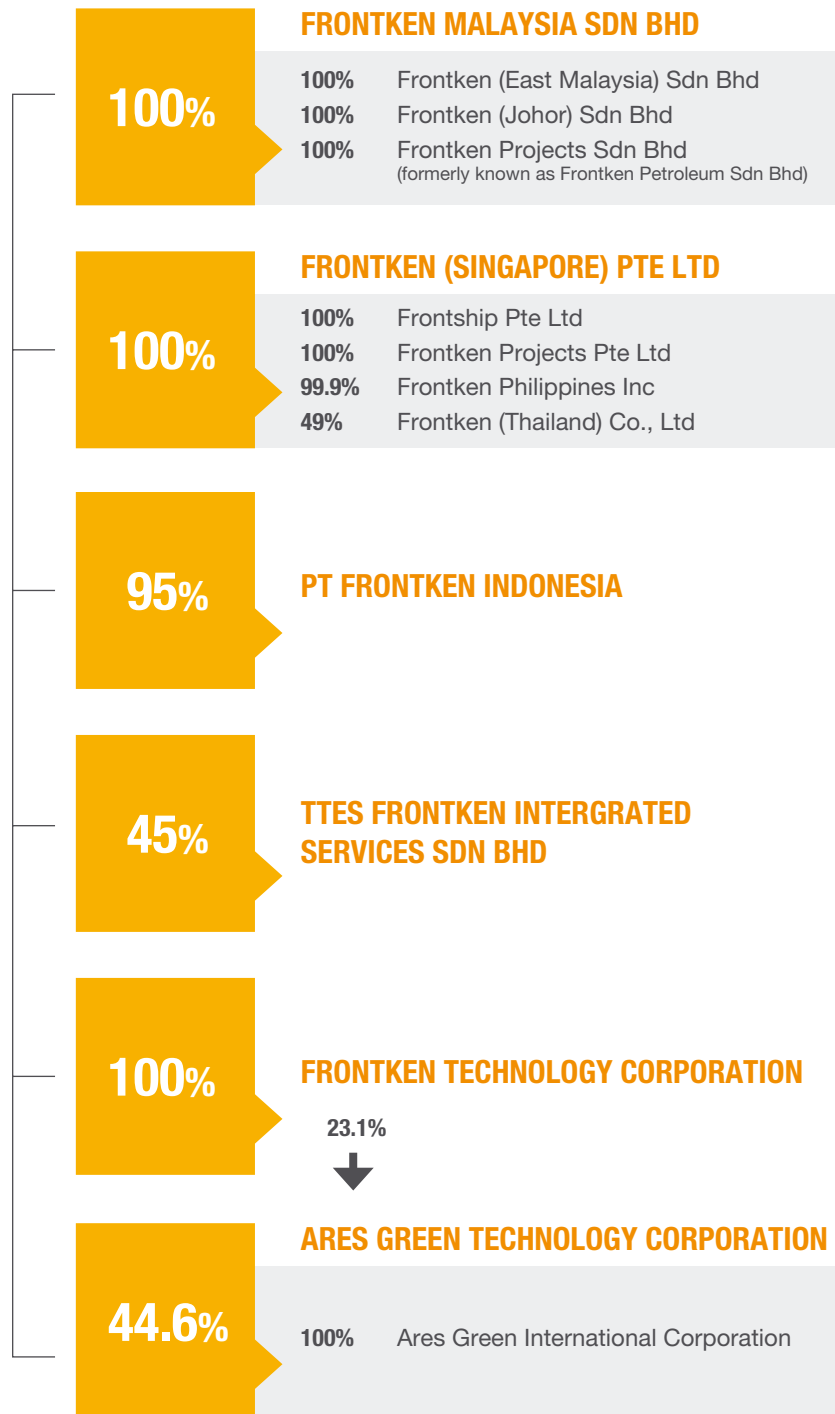
## GROUP CORPORATE STRUCTURE

As At 29 March 2016



**FRONTKEN**

FRONTKEN CORPORATION BERHAD  
(651020-T)



## OUR VISION, MISSION & PROFILE



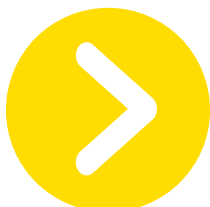
### OUR VISION

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, Thailand, 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 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.

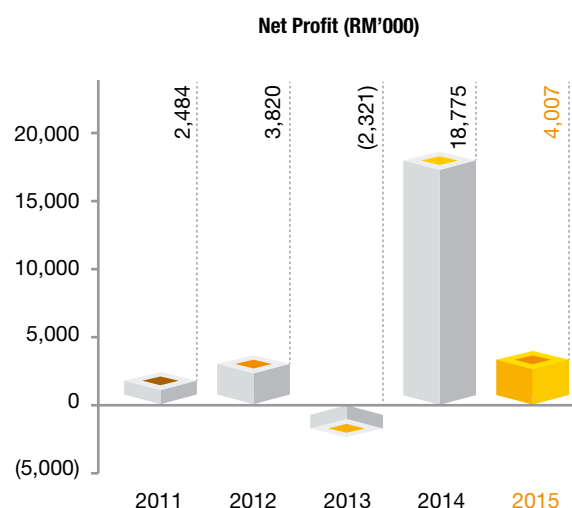
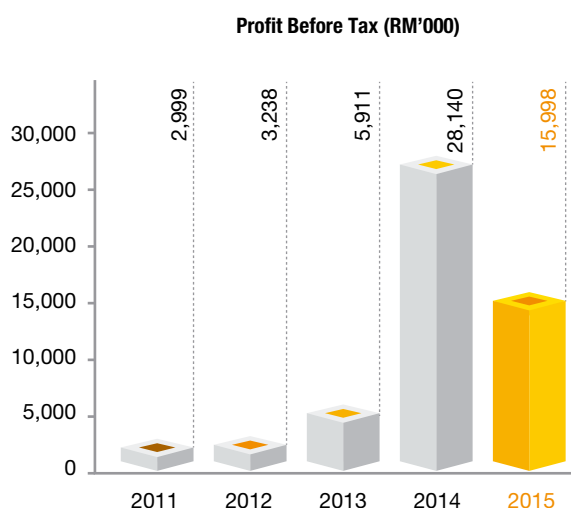
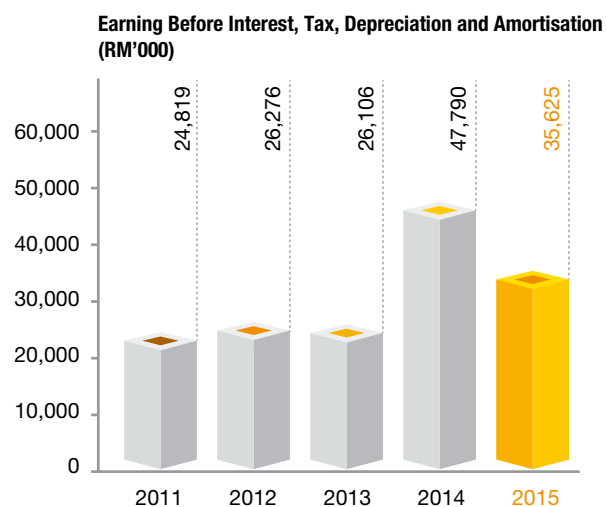
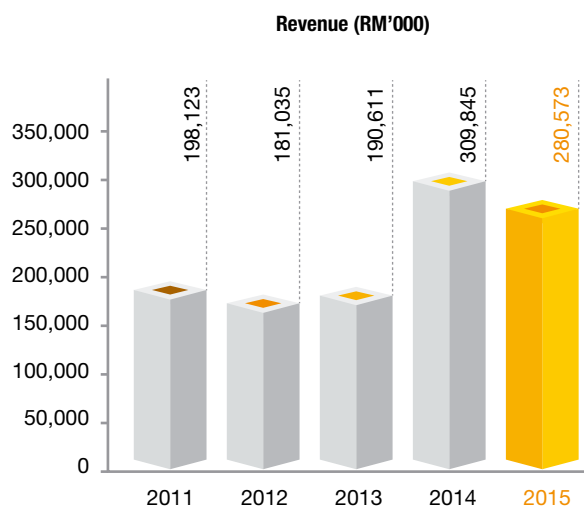
### **Plant Engineering & Construction**

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.

## FINANCIAL HIGHLIGHTS



### SEGMENTAL REVENUE – BY CUSTOMER LOCATION (RM'000)

	2011	2012	2013	2014	2015
Singapore	66,295	64,053	59,481	42,740	35,263
Malaysia	61,447	45,835	43,600	157,893	113,398
Taiwan	51,430	49,689	63,992	90,405	107,337
Others	18,951	21,458	23,538	18,807	24,575
	<b>198,123</b>	<b>181,035</b>	<b>190,611</b>	<b>309,845</b>	<b>280,573</b>

### SEGMENTAL REVENUE – BY INDUSTRY (RM'000)

	2011	2012	2013	2014	2015
Oil & Gas	26,965	21,963	18,153	131,062	91,856
Power Generation	22,810	22,174	17,365	12,416	7,457
Semiconductor	99,853	90,636	107,344	139,600	158,737
General*	48,495	46,262	47,749	26,767	22,523
	<b>198,123</b>	<b>181,035</b>	<b>190,611</b>	<b>309,845</b>	<b>280,573</b>

\* 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)	2011	2012	2013	2014	2015
Non-Current Assets	214,177	183,606	171,779	173,019	172,843
Current Assets	119,411	131,016	130,379	183,363	217,040
Total Assets	333,588	314,622	302,158	356,382	389,883
Share Capital	101,141	101,141	101,141	101,141	105,344
Reserves	78,131	83,752	85,162	105,663	131,211
Shareholders' Equity	179,272	184,893	186,303	206,804	236,555
Non-Controlling Interests	27,890	28,116	27,924	32,913	34,684
Total Equity	207,162	213,009	214,227	239,717	271,239
Non-Current Liabilities	55,614	32,095	29,484	28,341	32,331
Current Liabilities	70,812	69,518	58,447	88,324	86,313
Total Liabilities	126,426	101,613	87,931	116,665	118,644
Total Equity and Liabilities	333,588	314,622	302,158	356,382	389,883

### SUMMARISED GROUP CASH FLOWS

Year Ended 31 Dec (RM'000)	2011	2012	2013	2014	2015
Net Cash Flows From Operating Activities	24,587	16,043	36,681	40,672	44,500
Net Cash Flows (For)/From Investing Activities	(6,403)	17,527	(8,010)	(21,164)	(7,386)
Net Cash Flows (For)/From Financing Activities	(14,771)	(16,946)	(34,105)	(4,426)	6,246
Net (Decrease)/Increase in Cash and Cash Equivalents	3,413	16,624	(5,434)	15,082	43,360
Effect of exchange differences	257	208	1,061	1,079	9,182
Cash and Cash Equivalents at Beginning of Year	20,285	23,955	40,787	36,414	52,575
Cash and Cash Equivalents at End of Year	23,955	40,787	36,414	52,575	105,117

### FINANCIAL ANALYSIS

(RM'000)	2011	2012	2013	2014	2015
Turnover growth	35.0%	-8.6%	5.3%	62.6%	-9.5%
Profit Before Tax Growth	-77.1%	8.0%	82.5%	376.1%	-43.2%
Net Profit Growth	-79.3%	53.8%	-160.8%	909.0%	-78.7%
Pre-tax Profit Margin	1.5%	1.8%	3.1%	9.1%	5.7%
Net Profit Margin	1.3%	2.1%	-1.2%	6.1%	1.4%
Gearing Ratio (Net of cash) (times)	0.3	0.1	0.0	0.0	0.0
Return on Average Shareholders' Equity	1.4%	2.1%	-1.3%	9.6%	1.8%
Return on Average Total Assets	0.7%	1.2%	-0.8%	5.7%	1.1%
Loss/Earnings Per Share (Sen)					
- Basic	0.3	0.4	-0.2	1.9	0.4
- Diluted	n/a	n/a	n/a	n/a	n/a



## CHAIRMAN'S STATEMENT

**Dear Fellow Shareholders,  
On behalf of the Board of Directors  
of Frontken Corporation Berhad  
("Frontken" or the "Group"), I  
am pleased to present to you  
the Annual Report and Audited  
Financial Statements of the Group  
for the financial year ended 31  
December 2015 ("FYE2015").**

### AN OVERVIEW

Despite the headwinds for FYE2015 Frontken managed to deliver a profitable year with a revenue of RM280.6 million and earnings before interest, tax and amortization of RM35.6 million. Acknowledging that our financial profits for FYE2015 was lower compared to FYE2014; it is to be noted that this was mainly due to an unfortunate cost overrun in our ATB Project at Tanjung Bin that was completed in July 2015. ATB Project was Frontken's first Engineering, Procurement, Construction and Commissioning ("EPCC") contract of this size. We encountered some challenges during the execution of the project and stretched ourselves in ensuring on delivering the completed tankage facilities to our client and at the same time ensuring that our high standard of quality was not compromised. We believe that undertaking this project has provided us with an opportunity to further expand and advance on our technical expertise and resources in EPCC projects should we decide to pursue this area of our business.

With a wavering global economy and unsettling commodity price trends, like many others in the market, Frontken was not immune to such market conditions. The dramatic decline in oil prices from an oversupplied market has affected the entire chain of the oil and gas industry. It is believed that the unfavourable market effects of 2015 will continue to ripple through to 2016.

In response to such adverse market conditions, the management of Frontken took the necessary steps in restructuring and streamlining its resources to ensure that it is maximizing operation capacities and profits. For example in Singapore, having experienced a slower performance for two years running, resources were heavily streamlined and business strategies revised. During 2015 Frontken Singapore pursued various discussions with foreign companies in establishing a business base in Singapore tapping on its strategic regional location and expertise it is able to offer its potential partners. This has in turn developed a wider client base and international brand recognition for the Group. We hope to turn some of these possibilities into realities in the very near future.

Although it is true that for the foreseeable future we will likely continue to see lower commodity price trends particularly in the oil and gas industry, we are cautiously optimistic that we will be able to maintain our market share in our maintenance and repair business sectors albeit at a lower margin in line with our customers' expectation. To make up for the lower margin, we need to increase our efficiency and explore cost savings measures.

### BUILDING A SOLID FOUNDATION

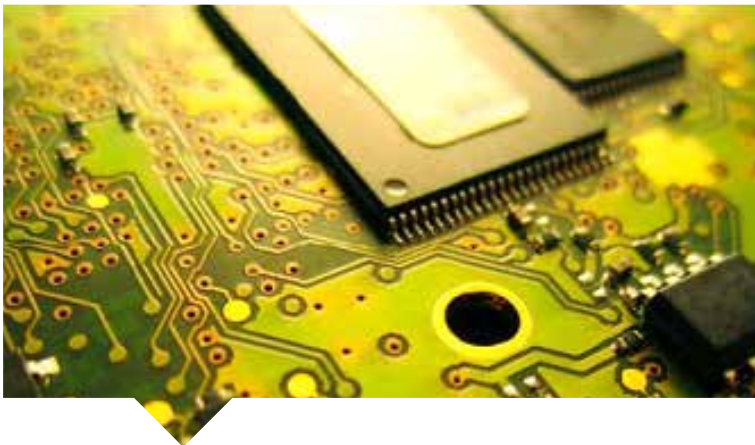
Over the recent years Frontken has been strategising and building a solid platform to maintain a stable momentum for both its operational and financial growth. I believe that establishing a good fiscal discipline and strong financial position is imperative to maintain long term and sustainable growth. Since 2012, Frontken have been steadily building a solid cash position for the Group with a zero net gearing ratio and a cash and cash equivalent of RM105.1 million as at 31 December 2015. Armed with a strong financial position gives us leverage to capitalise on project and investment opportunities. With this in mind, we will continue to look out for mergers and acquisitions to boost our bottom line.



## CHAIRMAN'S STATEMENT (cont'd)

In building a solid foundation that is sustainable, we not only have to amass our resources but investments as well to ensure long-term competitiveness and growth. This is an on-going task for Frontken.

Strategic mergers and acquisitions have been an important investment factor contributing to the profitable expansion of the Group. In 2008, we acquired a stake in Ares Green Technology Corporation ("AGTC") in Taiwan, in which we currently hold approximately 68% equity interest. AGTC is a leading company in the semiconductor industry providing environmental friendly advance precision cleaning and surface treatment solutions. AGTC has become one of our core profit contributors making up approximately 39% of total revenue for FYE2015. During the financial year under review, the management had decided to withdraw its plans in listing AGTC on the Taiwan Stock Exchange. After full evaluations and taking all factors into consideration, the management concluded that it was more practical to delist it from the preparatory board and continue as a public limited company. Furthermore, the company is performing robustly despite market sentiments and we are cautiously optimistic that AGTC will be able to maintain its trending performance moving forward.



TTES Frontken Integrated Services Sdn Bhd ("TFIS") was a profitable acquisition for Frontken in 2014. The vendors of TFIS provided a cumulative profit guarantee of RM8.0 million for two (2) financial years combined. TFIS cumulative profit for two (2) financial years combined of RM8.6 million has exceeded the guaranteed profit given to the Group at the time of the acquisition. TFIS is a synergetic addition to the Group bringing in businesses in which the Group's technical expertise and capabilities could be leveraged on. This in turn also increased the scope of works that TFIS could undertake and thus able to serve our customers better.

### MOVING FORWARD AS A GROUP

Frontken has established business presence and operating centres in Malaysia, Singapore, Taiwan, Philippines, Indonesia and Thailand. As a Group, each of our centres possesses their own set of skills and unique technology, which sets us up with an extensive platform

to cover a broad spectrum of services. We have the flexibility and capability to mobilize our resources on site with selected technical expertise required from our respective centres. These combined elements sets us apart from other industry players and enables us to maintain a competitive edge as a leader in our industry.

2016 is expected to be another rocky year for the oil and gas industry leaving many players in the market slowing down their project pipeline, restructuring their business direction and even cutting down their capital expenditures. As mentioned earlier, we believe that this will result in an increase in demand for local services and repairs in which we are anticipating and preparing for the year ahead. Acknowledging that the Group's overall margin will likely be thinner resulting from possible cost-down from our customers, we need to be vigilant in our cost management and continually explore ways to improve on our efficiency. With the excellent support



from my colleagues and our robust business strategy for the year ahead, I am confident that Frontken will be able to maintain a positive performance for the financial year ending 2016.

### APPRECIATION

I would like to thank our stakeholders for their endless support and trust in the Company. To my Board of Directors, your dedication and leadership provided throughout the years is much appreciated. To our most valued employees and colleagues, I would like to express my sincere gratitude and thanks for your commitment, hard work and dedication to Frontken.

Finally, I would like to thank our clients, associates, business partners, consultants and bankers for their continued support, loyalty, advice and trust in us.

## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW

Frontken, equipped with twenty years of industry experience in providing its clients with innovative engineering and technology is the leading provider of surface metamorphosis, chemical and mechanical engineering solutions. The Group's business facilities across the Asia Pacific region offers excellent technical expertise and solutions to key industry players in the oil and gas, power generation, petrochemical, semiconductor, marine industries and many more.

Frontken's competitive edge emanates from its commitment to quality and its investment in research and development to provide solutions in delivering maximum results. Well equipped with state-of-the-art technology and a team of committed skilled professionals, Frontken has both the capabilities and infrastructure to provide its broad spectrum of clients with a one-stop solution.

### PERFORMANCE REVIEW

For the financial year ended 31 December 2015 ("FYE2015"), Frontken reported a revenue of RM280.6 million as compared to RM309.8 million in the last financial year ended 31 December 2014 ("FYE2014"). The Group's profit before tax ("PBT") of RM16.0 million and profit after tax ("PAT") of RM9.5 million reflected a lower performance as compared to RM28.1 million and RM23.2 million respectively for FYE2014. Frontken's FYE2015 profit was adversely affected mainly by the higher expenses incurred from our ATB project that was handed over in July 2015. This was further exacerbated by the writing off and impairment of assets combined with the loss on disposal of our Hong Kong and China subsidiaries, Frontken MIC Co. Limited and Frontken-MIC (Wuxi) Co. Ltd.

For the financial year under review, the Group had a realised foreign currency gain amounting to RM2.9 million.

For FYE2015, Taiwan remains to be our key profit contributor to the Group with a revenue of RM108.7 million, representing an increase of 18.7% as compared to FYE2014. Ares Green Technology Corporation ("AGTC") is the leading advanced technology company in Taiwan that pioneered the advanced precision cleaning and surface metamorphosis technology. Headquartered in Tainan with engineering facilities in Hsinchu, Taichung and Tainan, AGTC is supported with over 355 employees leading the semiconductor service business in Taiwan.

AGTC's advanced research and development experience and capabilities has enabled the company to deliver evolving processes, engineering solutions and product quality. AGTC commands a sizable market share in the industry, which has supported its strong and stable growth over the years. Moving forward, the management is cautiously confident that it will continue to enjoy constant growth for the company in view of the increasing dependency and usage of the Internet-of-Things and the ever-evolving mobile market.



Frontken Philippines, which provides total integrated engineering solutions to the power, oil and gas, manufacturing, utilities, food, automotive and mining industries delivered a revenue growth of 47.0% with RM15.1 million. Supported with a total of 2900 square meters of operating facilities, Frontken Philippines serves major industry players in the Philippines. Despite a challenging economy during FYE2015, Frontken Philippines increased its number of completed projects from 69 in FYE2014 to 89 for FYE2015, which was reflected in its profit growth to RM3.1 million from RM1.6 million. During the year, the company had rapidly expanded its workforce to 57 professional technicians from 13 in 2014 to cater for the increasing demand from its existing clients and potential new projects that are anticipated for in 2016.

Frontken Singapore continued to be impacted by the decline in the oil and gas sector that affected the global market. The continual increase in labour costs and government's initiatives to reduce dependency on foreign workers running in parallel to increasing levies does not help our business. On the back of the very tough and dire year, Frontken Singapore delivered a revenue of RM48.0 million, falling short of last year's revenue of RM58.6 million.

To counter the market storm and tough business environment, the company has restructured and realigned its business strategies during the financial year under review. Frontken Singapore streamlined its resources, merged and strengthened its technical platform by partnering with TFIS in tendering and securing projects. Working together as a Group has placed us higher on the industry scale and enabled us to offer a broader spectrum as a one-stop solution. As a result of our combined capabilities, Frontken Singapore secured a repair project from Hitachi. This was a significant achievement for



## MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)



the company as by tradition Hitachi dispenses its own repair projects to Hitachi OEM's only. In 2015, Frontken successfully expanded into Thailand when we secured a tie-up with Mitsubishi Compressor as their representing agent.

Moving into 2016, Frontken Singapore is hopeful for a better year as we move forward with our new operating strategies. We plan to gain further business opportunities in Malaysia and Brunei in the area of rotating equipment services and to secure more projects from our key clients and industry players. However, we remain cautious of the uncertain market condition and will continue to adjust and anticipate changes.

### CORPORATE ACTIVITIES

#### Disposal of Subsidiary

During the financial year under review, Frontken disposed of its Hong Kong and China subsidiaries namely Frontken MIC Co. Limited and Frontken-MIC (Wuxi) Co. Ltd. The management's decision to strip of its China counterpart is strictly to slim down the Group's loss making operations.

#### Change in Major Shareholder

Dr Jorg Helmut Hohnloser, who was previously a major shareholder of the Group, had on 23 June 2015 disposed his entire interest of 290,991,473 ordinary shares of RM0.10 each (Shares) or 27.8% to CP Asia Holding GmbH.

#### Warrants Exercised

On 9 March 2015, the completion of the 42,026,970 warrants conversion enlarged our share capital to RM105,343,513.

### PROSPECTS AND MARKET OUTLOOK

Various research reports has it that 2016 will continue to be an extremely challenging year for the Malaysian economy, as downside risks on the external front continues to increase and even the global growth forecasts have been revised downwards by the World Bank.





However, with that said we are cautiously optimistic for the year ahead now that Frontken is strategically positioned to capture more opportunities with our merged capabilities and infrastructure as a Group. As mentioned earlier, the extreme cost cutting that oil majors had to undertake will open up more project opportunities for Frontken, as measures to prolong and maintain their equipment / assets will be sought for instead of new capital expenditure. Tapping into the anticipated increasing demand of services and repairs – Frontken will be able to leverage on its industry expertise and garner continuous growth moving forward.

Staying mindful of the challenging landscape ahead, Frontken will continue to instill proactive management and business strategies to ensure business sustainability and value.

## FINANCIAL REVIEW

### RESULTS OF OPERATIONS

in RM'000

REVENUE				EBITDA			
2014	309,845		9%	2014	47,790		25%
2015	280,573			2015	35,625		
NET PROFIT				EBITDA MARGIN as a % of revenue			
2014	18,775		79%	2014	15.4		3%
2015	4,007			2015	12.7		

### REVENUE

The revenue for the Group for the financial year ended 31 December 2015 was RM280.6 million against RM309.8 million in the previous year. Overall, the Group revenue decreased by RM29.3 million or 9.4% compared to the preceding financial year mainly due to the completion of the project at Tanjung Bin.

REVENUE (by customer location)	2015 RM'000	%	2014 RM'000	%	% change in revenue
Taiwan	107,337	38	90,405	29	19
Singapore	35,263	13	42,740	14	-17
Malaysia	113,398	40	157,893	51	-28
Philippines	15,213	6	10,276	3	48
Others	9,362	3	8,531	3	10
<b>Total</b>	<b>280,573</b>	<b>100</b>	<b>309,845</b>	<b>100</b>	<b>-9</b>

An analysis of revenue by customer location showed growth in our business across the Group particularly in Taiwan and the Philippines except for Singapore and Malaysia which declined by 17% and 28% respectively. The revenue in Singapore decreased from RM42.7 million to RM35.3 million mainly due to decline in our customers' business following the weakening in market condition in the region. The reduction in turnover for our Malaysia business was mainly due to the lower revenue recognition from the project in Tanjung Bin as the same was completed in the beginning of the third quarter of year 2015. Other than the lower project revenue recognition, the Group's other Malaysia business units showed a positive growth for year 2015.

The revenue in Taiwan increased from RM90.4 million to RM107.3 million in year 2015 or a 19% increase compared to the preceding financial year. The revenue growth in Taiwan was due to the positive growth of the semiconductor business. The better performance for our subsidiary in Philippines was attributable to improved clientele coverage.

### EARNINGS



Earnings before interest, tax, depreciation and amortization ("EBITDA") of the Group for year 2015 decreased to RM35.6 million from RM47.8 million the year before. As a percentage of revenue, EBITDA decreased by 3% which was mainly due to lower revenue, higher expenses from the project in Tanjung Bin and loss on disposal of investment in a subsidiary. If we were to exclude the cost overrun suffered in the Tanjung Bin project, the EBITDA for year 2015 would have been better than that achieved in year 2014.

Lower depreciation of property, plant and equipment and net gain on foreign exchange had a positive contribution to the Group's net profit for year 2015. The depreciation and amortization of RM18.1 million in year 2015 was lower than that recorded for last year's RM18.4 million. The lower profit after tax of RM9.5 million compared to the RM23.2 million achieved in year 2014 was mainly attributable to the higher project expenses recognised as discussed above.



**FINANCIAL REVIEW (cont'd)**

The consolidated net profit attributable to shareholders of the Company for the financial year ended 31 December 2015 was RM4.0 million, a reduction of RM14.8 million or 79% compared to the net profit attributable to shareholders of RM18.8 million for the preceding financial year was mainly due to better performances by our non-wholly owned subsidiaries. This translated to basic earnings per share in year 2015 of 0.39 sen compared to basic earnings per share of 1.86 sen in year 2014.

**CASH FLOWS**  
in RM'000

NET DEBT			WORKING CAPITAL		
2014	(26,317)	 153%	2014	95,039	 38%
2015	(66,482)		2015	130,727	

FREE CASH FLOW			CAPITAL EXPENDITURE		
2014	32,742	 14%	2014	9,082	 21%
2015	37,381		2015	7,197	

The free cash flow increased from RM32.7 million to RM37.4 million in year 2015 due to higher net cash generated from operations compared to the preceding financial year.

The net cash from operating activities was RM44.5 million and RM40.7 million in year 2015 and 2014 respectively. The improvement in net operating cash inflow was mainly due to improvement in Group's collections from its customers in year 2015. The net cash from financing activities increased from RM4.4 million net cash outflow in year 2014 to RM6.2 million net cash inflow in year 2015 as a result of proceeds from issuance of shares in year 2015 following conversion of the warrants and higher loan repayment.

Net cash used for investing activities decreased from RM21.2 million in the preceding financial year to RM7.4 million in year 2015. The improvement in cash flow for investing activities mainly due to lower capital expenditure and lower fixed deposits with maturity period of more than 3 months in year 2015.

Our Group has cash and cash equivalent of RM105.1 million as at the end of year 2015 compared to RM52.6 million at the end of year 2014. The Group will continue to exercise prudence in cash flow management while conserving the cash for potential future expansion and investing activities.

**FINANCIAL POSITION**

The Group's shareholders' fund improved from RM206.8 million as at 31 December 2014 to RM236.6 million as at 31 December 2015 due to increase in retained earnings.

Total assets of the Group increased from RM356.4 million as at 31 December 2014 to RM389.9 million as at 31 December 2015. Total Group's liabilities of RM118.6 million as at 31 December 2015 were slightly higher by RM2.0 million or 2% compared to the previous year. The Group's borrowings also increased from RM37.5 million in year 2014 to RM43.3 million in year 2015.

The total Group's borrowings as at 31 December 2015 that is repayable within one year with the balance spread over 2 to 7 years is 39%. Singapore Dollar borrowings represented 46% of the total borrowings whilst borrowings denominated in Taiwan Dollars and Ringgit Malaysia made up 30% and 24% of the 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 50, 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 admitted to the roll of barristers and solicitors of the High Court of New Zealand in 1989. He then continued practising as a barrister and solicitor in a leading legal firm in Auckland 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 public company in Taiwan, R.O.C., a subsidiary of FCB. 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 51, 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 69, 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 50, 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 58, 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 38, 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 Cleanpart Group 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

Corporate Sustainability Statement (“CSS”) is defined as *“The continuing commitment by business to behave ethically and contribute to economic social development while improving the quality of life of the workforce and their families as well as the local community and society at large.”* Recognizing this, Frontken Corporation Berhad is committed in integrating CSS as part of its business activities and in undertaking responsible practices that impacts our society and environment in a positive manner and to inculcate a culture of responsibility in all aspects of our business.

### HEALTH AND SAFETY

The Group is heading operations in Malaysia, Singapore, Philippines, Indonesia and Taiwan, thus we undertake our role and responsibility to chief and comply with all the health and safety regulatory requirements where we operate earnestly. The Group ensures that it adopts the appropriate occupational health and safety systems to enhance the safety practices among its employees and to take precautionary measures against potential hazardous sources, which could arise from its daily operation.

### THE WORK PLACE

We consider our employees as the most valuable asset. As Frontken is of a diverse community, we have always believed that everyone should be treated with mutual respect, dignity and fairness. We are continuously fostering a conducive working environment at all levels to encourage on-going development of our employees. Employees are provided with various training to develop and upgrade their skills, knowledge and attitudes so that everyone is exposed to the same opportunities.

### ENVIRONMENT

We see it as an obligation to respect the surroundings and the people that we operate in. We believe that it is a responsibility to forge environmental sustainability into each of our business functions and processes – as our continued success depends on our efforts in sustaining our environment. The Group imprints energy saving practices in our daily operations to keep our environment footprint at the lowest possible level.

We work hand in hand with our clients in all aspects to maximize product life, through timely maintenance, treatment and functional repair. The Group promotes continuous education and awareness to clients in environmental impact and encourage the practices of reuse and recycling. We believe that by working together with our surrounding society plays an integral part in best practices that impacts our environment at large.

### ETHICAL CONDUCT AND LEGAL COMPLIANCE

We view ethical conduct and legal compliance as a vital practice in a business. The Group ensures that our top management takes a clear position on the central importance of corporate ethics and legal compliance in corporate management. It is a principle that we uphold to ensure everyone in the Group advocates responsibility, fairness and high ethical standards, and to always act in accordance with the law to maintain trust.

## **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 formalized in writing Whistle Blowing Policies and Procedures, including reporting templates, 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. The Whistle Blowing Policies and Procedures document has been uploaded on the Company's website at [www.frontken.com](http://www.frontken.com).

#### **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.

## CORPORATE GOVERNANCE STATEMENT (cont'd)

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

#### 1.6 The Board should ensure it is supported by a suitably qualified and competent company secretary (cont'd)

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.

#### 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](http://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.

### 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 2015 are as follows:

Directors	Audit Committee	Nomination Committee	Remuneration Committee
Ng Wai Pin	N/A	N/A	2/2
Dato' Haji Johar bin Murat @ Murad	4/5	1/2	1/2
Aaron Sim Kwee Lein	5/5	2/2	2/2
Dr Jorg Helmut Hohnloser	2/5	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 2015 is as follows:

	Executive Directors RM'000	Non-Executive Directors RM'000
Salaries	2,753	-
Fees	34	137
Bonuses	363	-
Other emoluments	79	-
	<b>3,229</b>	<b>137</b>

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
RM1,150,001 to RM1,200,000	1	-
RM2,000,001 to RM2,050,000	1	-
	<b>2</b>	<b>3</b>

## 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 Executive Chairman.

### 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.



## CORPORATE GOVERNANCE STATEMENT (cont'd)

### PRINCIPLE 4 – FOSTER COMMITMENT (CONT'D)

#### 4.1 The Board should set expectations on time commitment for its members and protocols for accepting new directorships (cont'd)

Details of the Directors' attendance at Board meetings for the financial year ended 31 December 2015 are set out below:

Directors	Designations	Attendance	%
Ng Wai Pin	Executive Chairman and Managing Director	6/6	100
Dr Tay Kiang Meng	Executive Director / Chief Scientist	6/6	100
Dato' Haji Johar bin Murat @ Murad	Independent Non-Executive Director	5/6	83
Aaron Sim Kwee Lein	Independent Non-Executive Director	5/6	83
Dr Jorg Helmut Hohnloser	Non-Independent Non-Executive Director	3/6	50

Mr. Timo Fabian Seeberger, the Alternate Director to Dr Jorg Helmut Hohnloser, attended two (2) 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:-

<b>Ng Wai Pin</b>	<ul style="list-style-type: none"> <li>• GST Insight</li> <li>• Malaysian GST Mechanism and Treatment v2</li> <li>• Future of auditor reporting – The Game Changer for Boardroom</li> <li>• Proposed Companies Bill 2015</li> </ul>
<b>Dr Tay Kiang Meng</b>	<ul style="list-style-type: none"> <li>• SEMICON West 2015 and Intersolar North America, Material Session: Contamination Control in the Sub-20nm Era</li> <li>• Proposed Companies Bill 2015</li> </ul>
<b>Dato' Haji Johar bin Murat @ Murad</b>	<ul style="list-style-type: none"> <li>• Effective Board Evaluations Workshop</li> <li>• Proposed Companies Bill 2015</li> </ul>
<b>Aaron Sim Kwee Lein</b>	<ul style="list-style-type: none"> <li>• GST Conference 2015</li> <li>• Proposed Companies Bill 2015</li> </ul>
<b>Dr Jorg Helmut Hohnloser</b>	<ul style="list-style-type: none"> <li>• National Hardware Show Las Vegas</li> <li>• IAA Frankfurt</li> <li>• Biotechnica Hannover</li> <li>• Proposed Companies Bill 2015</li> </ul>
<b>Timo Fabien Seeberger</b>	<ul style="list-style-type: none"> <li>• Financial planning and audit preparation in general and with the help of the Software Package Lucanet</li> <li>• Proposed Companies Bill 2015</li> </ul>

## CORPORATE GOVERNANCE STATEMENT (cont'd)

### 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.

#### 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 re-appointment 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 2015, 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

During the financial year under review, the Company outsourced its internal audit function to an independent professional firm, namely KPMG Management & Risk Consulting Sdn Bhd, 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 included 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. Further details of the activities carried out by the internal audit function are set out in the Internal Control Statement included in this Annual Report.

## **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 Eleventh Annual General Meeting ("Eleventh AGM") on 25 June 2015. The Notice of AGM, Annual Report and the related circular were sent to the shareholders in accordance with the regulatory and statutory provisions. The Notice of the Eleventh 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 2014. 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 Eleventh AGM and the results of the Eleventh 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 Eleventh AGM and shareholders may inspect the minutes in accordance with the provisions of the Companies Act, 1965.

#### **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.

## CORPORATE GOVERNANCE STATEMENT (cont'd)

### PRINCIPLE 7 – ENSURE TIMELY AND HIGH QUALITY DISCLOSURE (CONT'D)

#### 8.2 Board should encourage poll voting (cont'd)

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 Eleventh AGM of the Company, which was held on 25 June 2015. 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](http://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 [erichew@frontken.com](mailto:erichew@frontken.com).

This statement is made in accordance with the resolution of the Board dated 29 March 2016.

## 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. The Statement is expected to include sufficient and meaningful information needed by shareholders to make an informed assessment of the main features and adequacy of the organization’s risk management and internal control system.

Accordingly, the Board of Directors (“Board”) is pleased to furnish the Internal Control Statement, which outlines the nature and scope of the system of risk management and internal control in the Group (comprising the Company and its subsidiaries) for the financial year ended 31 December 2015 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 has taken into consideration the “Statement on Risk Management and Internal Control - Guidelines for Directors of Listed Issuers”, a publication of Bursa which provides guidance to boards in formulating the Internal Control Statement.

### RESPONSIBILITY OF THE BOARD

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 in meeting the Group’s business and corporate objectives. 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 (“Recommendation”) of the Malaysian Code on Corporate Governance 2012 (“MCCG 2012”). As such, the Board is aware that its principal responsibilities, as outlined in the Commentaries of the same Recommendation, include, inter-alia, the following:

- to identify principal risks and ensure the implementation of appropriate controls and mitigation measures; and
- to review the adequacy and integrity of the management information and internal control systems of the Group.

The Group’s risk management and internal control system addresses strategic, operational, financial and compliance risks as well as the associated internal controls implemented by Management to mitigate the principal business risks as identified. In view of the limitations inherent in any system of risk management and internal control (“system”), the system is designed to manage, rather than 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 activities.

In embracing Recommendation 6.1 of the MCCG 2012, the Board has formalized an Enterprise Risk Management framework (“ERM framework” or “framework”) that sets out pertinent policies and guidelines to streamline the Group’s risk management initiatives and activities in a structured and holistic manner to safeguard shareholders’ investment and the Group’s assets. Based on this framework, the Board has established an on-going process to identify, evaluate, control, report and monitor significant business risks faced by the Group. The Board, through its Audit Committee, reviews the results of this process, including mitigating measures implemented by Management to address the 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 embedded in the Group’s key business processes through its ERM framework, which provides, amongst others, an easy-to-understand step by step approach to identify and evaluate risks faced by the business units and, by extension, the Group. To further streamline risk management processes and activities, the Board has formalized in writing pertinent risk management policies and guidelines for adherence by business units across the Group. The ERM framework embodies a structured 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”), including the update of risk profiles to take into account the vagaries of changing business environment as well as emerging risks.

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 comprise relevant financial and non-financial metrics for risks to be evaluated in terms of likelihood of their occurrence and the impact thereof – this feature 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.

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

### RISK MANAGEMENT FRAMEWORK (CONT'D)

Details of specific risks are recorded in individual risk registers, covering the risk description, causes of risk, risk consequences (both actual and potential), internal controls implemented by Management to address the causes of risk, Management's assessment of the effectiveness of internal controls and the residual risk rating, i.e. the balance of risk after considering the effects of controls deployed to mitigate the risk.

The risk responses and internal controls that Management has taken and/or is taking to treat the risks to acceptable levels are reported by the RMUs to the Audit Committee and the outcome thereof is documented in the minutes of Audit Committee meetings. For each of the business risks identified, a risk owner is entrusted to ensure appropriate actions are taken to mitigate the risk within specified timeline.

### INTERNAL CONTROL SYSTEM

The Group's internal control system comprise the following key elements:

- an organization structure with clearly defined lines of responsibilities and appropriate levels of delegation and authority, including financial limits of authority in approving transactions/activities as well as mandate to operate bank accounts. The structure also sets out clear reporting lines and segregation of duties for major processes like strategic management, 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 which provides a documented and auditable trail of accountability, with appropriate sign-off by personnel entrusted with the responsibilities;
- an annual budgetary exercise that requires all business units and companies in the Group to formulate 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 by Management to the Board at scheduled meetings. This oversight review process enables the Board to evaluate and monitor the Group's business performance vis-à-vis its corporate objectives;
- the Audit Committee, which is entrusted by the Board to oversee the Company's financial reporting process, in particular the quarterly and annual announcements of the Group's financial performance, meets at least quarterly to review the announcements, seek clarification and explanations from Management before recommending the announcements to the Board for approval;
- internal policies and procedures pertaining to key business processes have been formalized for application across the Group. These policies and procedures serve as a guide to enable compliance by personnel with internal control requirements and applicable laws and regulations;
- structured whistle-blower policies and procedures have been formalized to enable employees of the Group to raise genuine concerns about possible improprieties on matters of financial reporting, compliance, malpractices or unethical business conduct within the Group at the earliest opportunity and in an appropriate way without fear of reprisal or victimization; and
- where issues arise that affect the reliability and integrity of financial information of any business unit, special audits are commissioned by the Audit Committee or Senior Management, as the case may be, to assist the Board in fulfilling its oversight responsibilities.

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

### INTERNAL AUDIT FUNCTION

The internal audit function, which is outsourced to an independent professional firm, namely KPMG Management & Risk Consulting Sdn Bhd, adopts the International Professional Practices Framework ("IPPF") in carrying out internal audit of companies in the Group. The IPPF encapsulates, amongst others, the attribute and performance standards for internal auditing promulgated by the Institute of Internal Auditors, a recognized global professional body for internal auditors. This accords with Commentaries of Recommendation 6.2 of the MCCG 2012, which specify that "*internal auditors should carry out their functions according to the standards set by recognized professional bodies*".

For the financial year ended 31 December 2015, the internal audit function conducted an assessment of the Group's system of internal control and reported its observations, including Management's response and action plans thereto, directly to the Audit Committee. The internal audit function also followed up and reported to the Audit Committee the status of implementation by Management on the recommendations highlighted in its previous internal audit reports. The Audit Committee took note of the issues raised and questions were posed to Management on the timeliness of measures to address the concerns as reported.

The internal audit plan was prepared based largely on the risk priority of the Group's geographical segments and their specific risk profiles – in essence, the internal audit function deployed a risk-based approach in identifying areas to be covered. In view of the various operational sites and locations spread across the ASEAN region, the approach for internal audit is such that over a prescribed period, key locations would be identified for internal audit coverage based on 2 cycles per financial year under review.

For the financial year ended 31 December 2015, significant business units in Singapore and Indonesia were selected for internal audit with the Audit Committee's concurrence, whilst a follow-up internal audit was conducted for business units that were previously assessed. The companies in the Group and areas covered by the internal audit function for the financial year under review and up to the date of this Statement are as follows:

Name of subsidiary	Processes covered by internal audit addressing the key business risks therein
Frontken (Singapore) Pte Ltd	<ul style="list-style-type: none"> <li>• Revenue management</li> <li>• Expenses management (including payroll management)</li> <li>• Fixed assets management</li> </ul>
PT Frontken Indonesia	<ul style="list-style-type: none"> <li>• Revenue management</li> <li>• Expenses management (including payroll management)</li> <li>• Fixed assets management</li> </ul>

Detailed internal audit programmes were developed by the internal audit function to assess the adequacy and operating effectiveness of the Group's system of internal controls in achieving business objectives. Transactions and activities were selected for testing on a sample basis. Internal audit observations on systems weakness and areas for improvement, including recommended mitigating measures to address the concerns raised, both for the current internal audit as well as follow-up, were included in internal audit reports presented to the Audit Committee. Further details of the internal audit function and its activities are provided in the Audit Committee Report included in this Annual Report.

For the financial year ended 31 December 2015, the Audit Committee reviewed the work of the internal audit function, its observations and recommendations in order to obtain assurance on the adequacy and effectiveness of the Group's risk management and internal control system. The total cost incurred for the outsourced internal audit function for the financial year under review amounted to approximately RM90,000 (2014: RM94,000).

The Group's external auditors, in the course of their statutory audit of the Group's financial statements for the year ended 31 December 2015, carried out a review of the Group's system of internal control to the extent of their planned reliance as laid out in their audit plan. Any significant weaknesses identified during the audit, together with the improvement measures to strengthen internal controls, were reported to the Audit Committee. In assisting the Board to assess the adequacy and operating effectiveness of the Group's risk management and internal control system, the Audit Committee reviewed the observations raised by the internal and external auditors, as well as actions taken by Management to address the areas of concern for the financial year ended 31 December 2015.



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

### INTERNAL AUDIT FUNCTION (CONT'D)

The Audit Committee reported 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.

### BOARD'S COMMENTS ON THE ADEQUACY AND OPERATING EFFECTIVENESS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board, through its Audit Committee, has reviewed the adequacy and operating effectiveness of the Group's 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 business environment the Group operates in. Therefore, the Board endeavors to 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 operated 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 Bursa's Listing Requirements, the external auditors have reviewed this Statement for inclusion in the Annual Report for the financial year ended 31 December 2015. The external auditors have reported to the Board that, based on their review procedures performed and evidence obtained, nothing has come to their attention that causes them to believe that this 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 the Statement factually inaccurate.

This Statement is made in accordance with the resolution of the Board of Directors dated 29 March 2016.



## 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
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#### 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. As at the date of this report, the Committee held three (3) 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 co-operation 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 or 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) Review principal business risks of the Group 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 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.

Details of the internal audit activities, standards deployed and scope of coverage, including the cost incurred on the outsourced internal audit function, are set out in the Internal Control Statement included in this Annual Report.

## ADDITIONAL DISCLOSURE

### 1. SHARE BUY-BACK

At the Eleventh Annual General Meeting held on 25 June 2015, 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 2015	100,000	0.10	17,628	0.175	0.175	0.175
August 2015	100,000	0.10	16,123	0.160	0.160	0.160

As at 31 December 2015, the Company held 5,066,600 repurchased or treasury shares out of its total issued and paid-up share capital of 1,053,435,130 ordinary shares of RM0.10 each. Such treasury shares were held at a carrying amount of RM598,746. There was no resale or cancellation of treasury shares during the financial year.

### 2. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

On 9 March 2015, the completion of the 42,026,970 warrants conversion enlarged our share capital to RM105,343,513. The Company has not issued any options, warrants 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 2015 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 2015.

### 7. PROFIT GUARANTEE

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

### 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.

## **ADDITIONAL DISCLOSURE (cont'd)**

### **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 far 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 and Malaysia. We also encourage employees’ involvement in efforts to help local communities.

ANNUAL REPORT

# FINANCIAL STATEMENTS



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## DIRECTORS' REPORT

### 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 2015.

### 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 11 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	9,508,123	178,853
<b>Attributable to:</b>		
Owners of the Company	4,007,044	178,853
Non-controlling interests	5,501,079	-
	9,508,123	178,853

### 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, 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 new ordinary shares issued rank pari passu in all respects with the existing issued ordinary shares of the Company.

There were no issues of debentures during the financial year.

### TREASURY SHARES

During the financial year, the Company repurchased 200,000 of its issued ordinary shares from the open market at an average price of RM0.168 per share. The total consideration paid for the repurchase including transaction costs amounted to RM33,751. 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.

## DIRECTORS' REPORT (cont'd)

### TREASURY SHARES (CONT'D)

As at 31 December 2015, the Company held 5,066,600 treasury shares at a carrying amount of RM598,746. Relevant details on the treasury shares are disclosed in Note 21 to the financial statements.

### 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:

Issue date	Expiry date	Balance as of 1.1.2015	Number of Warrants		Balance as of 31.12.2015
			Exercised	Lapsed	
11.3.2010	10.3.2015	288,973,760	42,026,970	246,946,790	-

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:

- 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
- 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:

- 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
- which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- 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
- 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 liability as disclosed in Note 27 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 30 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  
Dr. Jorg Helmut Hohnloser  
Timo Fabian Seeberger (Alternate to Dr. 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 1.1.2015	Bought	Sold	Balance as of 31.12.2015
Shares in the Company				
Direct Interests				
Ng Wai Pin	2,000,000	1,000,000	-	3,000,000
Dr. Tay Kiang Meng	9,404,808	-	-	9,404,808
Dr. Jorg Helmut Hohnloser	290,991,473	-	290,991,473	-
Indirect Interest				
Dr. Jorg Helmut Hohnloser	-	290,991,473	-	290,991,473
		Number of warrants 2010/2015		
	Balance as of 1.1.2015	Bought	Sold	Balance as of 31.12.2015
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 18 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 29 to the financial statements.

### **SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR**

The subsequent events after the financial year are disclosed in Note 30 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**

29 March 2016

## **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 2015 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 44 to 121.

#### *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 2015 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

### **Report on Other Legal and Regulatory Requirements**

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries 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 11 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.

## INDEPENDENT AUDITORS' REPORT (cont'd)

### Other Reporting Responsibilities

The supplementary information set out in Note 33 on page 122 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

29 March 2016

Kuala Lumpur

### Cheong Tze Yuan

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

## STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	2015 RM	The Group 2014 RM	The Company 2015 RM	2014 RM
Revenue	5	280,573,014	309,845,116	5,126,439	3,726,760
Cost of sales		(223,527,255)	(242,183,205)	-	-
Gross profit		57,045,759	67,661,911	5,126,439	3,726,760
Other income		12,644,701	7,471,374	879,365	719,568
Administrative expenses		(41,990,556)	(37,116,307)	(5,134,839)	(2,578,858)
Other expenses		(10,232,651)	(8,675,774)	(136,598)	(66,569)
Finance costs	6	(1,494,353)	(1,226,693)	(555,514)	(191,420)
Share of results in associates, net of tax		25,186	25,331	-	-
<b>Profit before tax</b>	7	15,998,086	28,139,842	178,853	1,609,481
Income tax expense	8	(6,489,963)	(4,951,722)	-	-
<b>Profit after tax</b>		9,508,123	23,188,120	178,853	1,609,481
<b>Other comprehensive expenses, net of tax</b>					
<b>Items that will not be reclassified subsequently to profit or loss</b>					
Actuarial losses		(487,169)	(464,396)	-	-
<b>Items that are or may be reclassified subsequently to profit or loss</b>					
Foreign currency translation		23,599,052	2,624,044	-	-
<b>Total comprehensive income</b>		32,620,006	25,347,768	178,853	1,609,481
<b>Profit after tax attributable to:</b>					
Owners of the Company		4,007,044	18,775,293	178,853	1,609,481
Non-controlling interests		5,501,079	4,412,827	-	-
		9,508,123	23,188,120	178,853	1,609,481
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		21,292,432	20,869,842	178,853	1,609,481
Non-controlling interests		11,327,574	4,477,926	-	-
		32,620,006	25,347,768	178,853	1,609,481
<b>Earnings per ordinary share attributable to owners of the Company</b>					
Basic (sen)	9	0.39	1.86		
Diluted (sen)	9	Not applicable	Not applicable		

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

## STATEMENTS OF FINANCIAL POSITION

### AS OF 31 DECEMBER 2015

	Note	2015 RM	The Group 2014 RM	The Company 2015 RM	2014 RM
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, plant and equipment	10	135,666,676	135,551,006	74,979	95,946
Investments in subsidiaries	11	-	-	87,675,923	83,423,063
Investments in an associate	12	2,009,434	1,732,711	-	-
Goodwill on consolidation	13	33,760,856	33,760,856	-	-
Deferred tax assets	14	1,405,844	1,062,816	-	-
Fixed deposits with licensed banks	15	-	911,587	-	-
<b>Total Non-Current Assets</b>		<b>172,842,810</b>	<b>173,018,976</b>	<b>87,750,902</b>	<b>83,519,009</b>
<b>Current Assets</b>					
Inventories	16	11,793,447	10,272,374	-	-
Amount owing by a contract customer	17	-	1,837,000	-	-
Trade receivables	18	87,029,619	101,841,731	-	-
Other receivables, deposits and prepaid expenses	18	6,124,000	5,284,164	38,662	64,296
Amount owing by subsidiaries	19	-	-	39,334,680	44,137,370
Amount owing by associates	12	1,330,140	1,183,762	-	-
Tax recoverable		965,150	-	-	-
Fixed deposits with licensed banks	15	15,310,588	11,368,846	3,040,444	8,008,049
Cash and bank balances		94,486,988	51,575,148	14,460,511	3,394,285
<b>Total Current Assets</b>		<b>217,039,932</b>	<b>183,363,025</b>	<b>56,874,297</b>	<b>55,604,000</b>
<b>Total Assets</b>		<b>389,882,742</b>	<b>356,382,001</b>	<b>144,625,199</b>	<b>139,123,009</b>

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

## STATEMENTS OF FINANCIAL POSITION

### AS OF 31 DECEMBER 2015 (cont'd)

	Note	2015 RM	The Group 2014 RM	2015 RM	The Company 2014 RM
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Share capital	20	105,343,513	101,140,816	105,343,513	101,140,816
Reserves	21	131,211,160	105,663,068	16,642,900	13,135,640
Equity attributable to owners of the company		236,554,673	206,803,884	121,986,413	114,276,456
Non-controlling interests		34,683,856	32,913,068	-	-
<b>Total Equity</b>		<b>271,238,529</b>	<b>239,716,952</b>	<b>121,986,413</b>	<b>114,276,456</b>
<b>Non-Current Liabilities</b>					
Term loans	22	26,012,964	24,346,498	4,131,986	6,065,730
Hire purchase payables	23	438,908	1,039,299	-	-
Other payables	24	2,433,422	383,656	-	-
Deferred tax liabilities	14	3,446,164	2,571,891	-	-
<b>Total Non-Current Liabilities</b>		<b>32,331,458</b>	<b>28,341,344</b>	<b>4,131,986</b>	<b>6,065,730</b>
<b>Current Liabilities</b>					
Trade payables	24	31,124,756	36,836,178	-	-
Other payables and accrued expenses	24	35,017,514	35,592,037	1,376,615	1,832,062
Amount owing to subsidiaries	19	-	-	15,196,818	15,138,313
Bank borrowings	25	16,177,473	10,775,062	1,933,367	1,810,448
Hire purchase payables	23	686,532	1,377,295	-	-
Tax liabilities		3,306,480	3,743,133	-	-
<b>Total Current Liabilities</b>		<b>86,312,755</b>	<b>88,323,705</b>	<b>18,506,800</b>	<b>18,780,823</b>
<b>Total Liabilities</b>		<b>118,644,213</b>	<b>116,665,049</b>	<b>22,638,786</b>	<b>24,846,553</b>
<b>Total Equity and Liabilities</b>		<b>389,882,742</b>	<b>356,382,001</b>	<b>144,625,199</b>	<b>139,123,009</b>

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



## STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

The Group	Non-distributable				Distributable			Attributable to owners of the Company	Non-controlling interests	Total
	Share capital	Share premium	Treasury shares	Foreign currency translation reserve	Warrant reserve	Statutory reserve	Retained earnings	RM	RM	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**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)**

	Non-distributable				Distributable			Attributable to owners of the Company	Non-controlling interests	Total
	Share capital	Share premium	Treasury shares	Foreign currency translation reserve	Warrant reserve	Statutory reserve	Retained earnings			
The Group	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Balance as of 1 January 2015	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
Other comprehensive income recognised for the financial year:										
- defined benefit plan actuarial loss	-	-	-	-	-	-	(306,111)	(306,111)	(181,058)	(487,169)
- foreign currency translation differences	-	-	-	17,591,499	-	-	-	17,591,499	6,007,553	23,599,052
Profit after tax for the financial year	-	-	-	-	-	-	4,007,044	4,007,044	5,501,079	9,508,123
Total comprehensive income for the financial year	-	-	-	17,591,499	-	-	3,700,933	21,292,432	11,327,574	32,620,006
Contributions by and distributions to owners of the Company:										
- Warrants										
- exercise of warrants	4,202,697	3,490,574	-	-	(128,416)	-	-	7,564,855	-	7,564,855
- lapse of unexercised warrants	-	754,560	-	-	(754,560)	-	-	-	-	-
- Dividends:										
- by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	(2,356,882)	(2,356,882)
- Disposal of a subsidiary	-	-	-	-	-	-	-	-	589,373	589,373
- Transfer to statutory reserve	-	-	-	-	-	1,175,921	(1,175,921)	-	-	-
- Purchase of treasury shares	-	-	(33,751)	-	-	-	-	(33,751)	-	(33,751)
- Changes in ownership interests in subsidiaries that do not result in a loss of control	-	-	-	-	-	-	927,253	927,253	(7,789,277)	(6,862,024)
Balance as of 31 December 2015	105,343,513	13,581,839	(598,746)	29,626,180	-	2,466,577	86,135,310	236,554,673	34,683,856	271,238,529

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

## STATEMENTS OF CHANGES IN EQUITY

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

The Company	Non-distributable			Warrant reserve RM	Distributable	Total RM
	Share capital RM	Share premium RM	Treasury shares RM		Retained earnings RM	
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
Balance as of 1 January 2015	101,140,816	9,336,705	(564,995)	882,976	3,480,954	114,276,456
Profit after taxation/ Total comprehensive income for the financial year	-	-	-	-	178,853	178,853
Contribution by and distributions to owners of the Company:						
- Warrants						
- exercise of warrants	4,202,697	3,490,574	-	(128,416)	-	7,564,855
- lapse of unexercised warrants	-	754,560	-	(754,560)	-	-
- Purchase of treasury shares	-	-	(33,751)	-	-	(33,751)
Balance as of 31 December 2015	105,343,513	13,581,839	(598,746)	-	3,659,807	121,986,413

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

## STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES</b>				
Profit before tax	15,998,086	28,139,842	178,853	1,609,481
Adjustments for:				
Depreciation of property, plant and equipment	18,132,726	18,423,125	23,816	19,697
Interest expense	1,494,353	1,226,693	555,514	191,420
Allowance for impairment loss on plant and equipment	1,713,303	963,857	-	-
Unrealised (gain)/loss on foreign exchange	(2,918,303)	(1,215,953)	2,217,362	699,660
Allowance for impairment losses on receivables	294,518	823,534	-	-
Impairment loss on investment in subsidiaries	-	-	441,468	215,187
Inventories written down to net realisable value	52,272	937,972	-	-
Inventories written off	146,823	-	-	-
Bad debts written off	-	427,195	-	-
Property, plant and equipment written off	2,919,978	325,553	-	-
Share of results in associates	(25,186)	(25,331)	-	-
Loss on disposal of investment in a subsidiary	1,870,011	-	323,468	-
Interest income	(780,339)	(321,630)	(879,365)	(679,770)
(Gain)/Loss on disposal of property, plant and equipment	(6,669)	756,827	-	(1,200)
Reversal of allowance for impairment loss on amount owing by subsidiaries	-	-	-	(14,623)
Writeback of allowance for impairment losses on trade receivables	(717,433)	(148,158)	-	-
Gain on disposal of investment in associates	-	(2,945,303)	-	-
Gain on dilution of investment in subsidiaries	-	(65,203)	-	-
Dividend income from subsidiaries	-	-	(5,084,439)	(3,694,760)
Operating Profit/(Loss) Before Working Capital Changes	38,174,140	47,303,020	(2,223,323)	(1,654,908)

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

## STATEMENTS OF CASH FLOWS

### FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd)

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Decrease/(Increase) in:				
Inventories	(968,022)	2,576,453	-	-
Amount owing by a contract customer	1,837,000	(1,837,000)	-	-
Trade receivables	27,182,094	(28,237,306)	-	-
Other receivables and prepaid expenses	(733,496)	(225,112)	25,634	(40,725)
Amount owing by associates	28,485	189,173	-	-
Increase/(Decrease) in:				
Trade payables	(8,029,512)	14,960,491	-	-
Other payables and accrued expenses	(4,748,405)	10,508,360	(455,447)	1,663,651
Cash Generated From/ (For) Operations	52,742,284	45,238,079	(2,653,136)	(31,982)
Taxes paid	(8,242,591)	(4,566,029)	-	-
Net Cash From/(For) Operating Activities	44,499,693	40,672,050	(2,653,136)	(31,982)
<b>CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES</b>				
Repayment from subsidiaries	-	-	5,252,690	836,520
Purchase of property, plant and equipment	(7,196,780)	(8,470,048)	(2,849)	(17,780)
Dividend received from subsidiaries	-	-	4,634,439	3,694,760
Additional investment/acquisition of subsidiaries (Note 11)	(6,862,024)	-	(5,103,100)	(11,037,622)
Net cash outflow on disposal/ acquisition of a subsidiary (Note 11)	(785,413)	(7,397,296)	-	-
Proceeds from disposal of property, plant and equipment	77,955	539,776	-	1,200
Proceeds from disposal of a subsidiary	-	-	85,304	-
Proceeds from disposal of associates	-	4,414,900	-	-
Net withdrawal/(placement) of fixed deposits with licensed banks	6,600,196	(10,573,305)	6,967,605	(8,008,049)
Interest received	780,339	321,630	879,365	679,770
Net Cash (For)/From Investing Activities	(7,385,727)	(21,164,343)	12,713,454	(13,851,201)

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

## STATEMENTS OF CASH FLOWS

### FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd)

	Note	The Group		The Company	
		2015 RM	2014 RM	2015 RM	2014 RM
<b>CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES</b>					
(Decrease)/Increase in amount owing to subsidiaries		-	-	(2,275,689)	8,677,189
Treasury shares acquired		(33,751)	(369,268)	(33,751)	(369,268)
Proceeds from issuance of shares		7,564,855	-	7,564,855	-
Issue of shares by a subsidiary to non-controlling interests		-	529,783	-	-
Repayment of term loans		(878,769)	(9,233,494)	(1,810,825)	(123,822)
Interest paid		(1,494,353)	(1,226,693)	(555,514)	(191,420)
Dividend paid by a subsidiary to non-controlling interests		(1,806,882)	(3,212,123)	-	-
Drawdown of term loans		4,401,620	11,570,615	-	8,000,000
Payment of hire purchase payables		(1,506,234)	(2,484,662)	-	-
Net Cash From/(For) Financing Activities		6,246,486	(4,425,842)	2,889,076	15,992,679
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		43,360,452	15,081,865	12,949,394	2,109,496
Effect of exchange rate changes		9,181,739	1,079,467	116,833	66,852
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		52,575,148	36,413,816	3,394,285	1,217,937
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	*	105,117,339	52,575,148	16,460,512	3,394,285

Note : During the financial year, the Group and the Company acquired property, plant and equipment at an aggregate cost of RM7,196,780 and RM2,849 (2014 : RM9,081,615 and RM17,780), respectively, of which NIL and NIL (2014 : RM611,567 and NIL), respectively, was acquired under hire-purchase arrangements.

\*

		The Group		The Company	
		2015 RM	2014 RM	2015 RM	2014 RM
<b>CASH AND CASH EQUIVALENTS</b>					
Cash and bank balances		94,486,988	51,575,148	14,460,511	3,394,285
Fixed deposits with licensed banks		15,310,588	12,280,433	3,040,444	8,008,049
		109,797,576	63,855,581	17,500,955	11,402,334
Less: Fixed deposits pledged with banks		(4,680,237)	(4,240,380)	(1,040,443)	(1,008,049)
Less: Fixed deposits with maturity period more than 3 months		-	(7,040,053)	-	(7,000,000)
Cash and cash equivalents		105,117,339	52,575,148	16,460,512	3,394,285

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 11 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 29 March 2016.

### 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 119: Defined Benefit Plans – Employee Contributions  
Annual Improvements to MFRSs 2010 – 2012 Cycle  
Annual Improvements to MFRSs 2011 – 2013 Cycle

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

- 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)**

	<b>Effective Date</b>
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers & Amendments to MFRS 15: Effective Date of MFRS 15	11 January 2018
Amendments to MFRS 10 and MFRS 128 (2011): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice
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 127 (2011): Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements to MFRSs 2012 – 2014 Cycle	1 January 2016



## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application 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. Therefore, it is expected that the Group's investments in unquoted shares that are currently stated at cost will be measured at fair value through other comprehensive income upon the adoption of MFRS 9. The Group is currently assessing the financial impact of adopting MFRS 9.
- (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.

### 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.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### Critical Accounting Estimates And Judgements (Cont'd)

##### (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.

##### (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 expenses and deferred tax balances 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 Financial Liabilities

The Group carries certain financial assets and financial 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.

## **NOTES TO THE FINANCIAL STATEMENTS (cont'd)**

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **Critical Accounting Estimates And Judgements (Cont'd)**

##### **(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.

#### **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 goods and services tax, returns, cash 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 reporting period comprises current tax 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.

## 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 taxes relate to the same taxable entity and 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 adjusted against 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 expenses which they are intended to compensate for. These grants are presented as other income in profit or loss or a deduction in reporting the related expenses in profit or loss.

#### 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. The 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.

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 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 if 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.

#### 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, if any) 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. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

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. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### Basis of Consolidation (Cont'd)

##### (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.

##### (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.

##### (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.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### Intangible Assets (Cont'd)

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.

##### (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. Income, expenses and other comprehensive income 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, attributed to the owners of the Company and non-controlling interests, as appropriate.

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.



## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### Functional and Foreign Currencies (Cont'd)

##### (iii) Foreign operations (Cont'd)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign subsidiary, or a partial disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that foreign operation attributable to the owners of the Company are reclassified to profit or loss as part of the gain or loss on disposal. The portion that related to non-controlling interests is derecognised but is not reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the proportionate share of the accumulative exchange differences is reclassified to profit or loss.

#### Financial Instruments

Financial assets and financial liabilities 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.

- Held-to-maturity investments

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)

- 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. Fair value through profit or loss category also comprises contingent consideration in a business combination.

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

Equity 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 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. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares.

Where treasury shares are sold, the difference between the sales consideration and the carrying amount of the treasury shares are shown as a movement in equity. When the consideration received is more than the carrying amount, the credit difference arising is taken to the share premium account. Where the consideration received is less than the carrying amount, the debit difference is offset against reserves.

## 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.

##### (v) Financial Guarantee Contracts

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

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

#### 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	25 - 50 years
Long leasehold buildings	50 years
Long leasehold land	47 - 60 years
Factory and office renovation	5% - 10%
Plant and machinery	10% - 20%
Workshop tools	10% - 20%
Office equipment	33.3% - 80%
Furniture and fittings	10% - 33.3%
Motor vehicles	10% - 20%
Computers	33.3% - 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.

## **NOTES TO THE FINANCIAL STATEMENTS (cont'd)**

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **Property, Plant and Equipment (Cont'd)**

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.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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, being the difference between the net disposal proceeds and the carrying amount, 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 financial statement using the equity method, based on the financial statements of the associate made up to 31 December 2015. 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 into profit or loss when the equity method is discontinued.

## 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 an annual impairment assessment is compulsory or 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. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. 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 using a pre-tax discount rate. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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.

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### Assets Under Finance Leases and Hire Purchase (Cont'd)

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 of completion and the estimated costs necessary to make the sale.

#### Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposit 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.

The Group excluded deposits pledged to financial institutions from cash and cash equivalents for the purpose of the statements of cash flows.

#### 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.

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 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 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.

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

(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).
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the reporting entity either directly or indirectly, including its director (whether executive or otherwise) of that entity.



## **NOTES TO THE FINANCIAL STATEMENTS (cont'd)**

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **Earnings Per Ordinary Share**

Basic earnings per ordinary share is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

Diluted earnings per ordinary share is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

### **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 2015	Geographical segment					Reportable segment Total RM
	Malaysia RM	Singapore RM	Philippines RM	Taiwan RM	China RM	Indonesia RM
<b>Revenue</b>						
External sales	106,255,808	48,049,993	15,125,726	108,735,390	-	2,406,097
Inter-segment sales	590,964	5,759,562	719,498	315,211	-	176,556
						(7,561,791)
Total revenue	106,846,772	53,809,555	15,845,224	109,050,601	-	2,582,653
						(7,561,791)
						280,573,014
<b>Results</b>						
Segment profit/(loss) before interest, tax and share of results in an associate	1,353,107	3,216,597	3,058,951	20,909,928	(47,789)	(756,489)
						(9,177,380)
						18,556,925
Share of results in an associate						25,186
Interest income						780,339
Loss on disposal of investment in a subsidiary						(1,870,011)
Finance costs						(1,494,353)
Profit before tax						15,998,086
Income tax expense						(6,489,963)
Profit after tax						9,508,123

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 4. OPERATING SEGMENTS (CONT'D)

The Group 2015	Geographical segment					Reportable segment Total RM
	Malaysia RM	Singapore RM	Philippines RM	Taiwan RM	China RM	Indonesia RM
<b>Assets</b>						
Non-current assets						
- Property, plant and equipment	27,083,815	42,394,056	4,070,809	58,489,808	-	3,628,188
- Investment in an associate	-	2,009,434	-	-	-	-
						135,666,676
						2,009,434
- Deferred tax assets	27,083,815	44,403,490	4,070,809	58,489,808	-	3,628,188
- Goodwill	-	-	-	1,405,844	-	-
	33,760,856	-	-	-	-	-
Current assets	86,944,449	94,051,660	14,091,351	84,042,154	-	1,192,375
						(63,282,057)
						217,039,932
Consolidated total assets						389,882,742
<b>Liabilities</b>						
Tax liabilities	493,125	2,127,057	101,044	4,031,418	-	-
Segment liabilities	81,842,869	35,390,658	8,113,399	75,222,201	-	(97,757,092)
						6,752,644
Consolidated total liabilities						111,891,569
						118,644,213
<b>Other Information</b>						
Capital expenditure	364,648	790,945	369,677	5,561,036	-	110,474
Depreciation	5,276,945	7,271,393	828,497	4,439,159	-	316,732
Other non-cash items						-
- income	650,628	1,939,999	362,875	4,233,292	-	-
- expenses	4,826,016	237,718	-	3,451,976	-	162,242
						-
						7,186,794
						8,677,952

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 4. OPERATING SEGMENTS (CONT'D)

The Group 2014	Geographical segment					Reportable segment Total RM
	Malaysia RM	Singapore RM	Philippines RM	Taiwan RM	China RM	Indonesia RM
<b>Revenue</b>						
External sales	147,124,091	58,627,594	10,289,216	91,621,197	214,246	1,968,772
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
<b>Results</b>						
Segment profit/(loss) before interest, tax and share of results in an associate	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 an associate						25,331
Interest income						321,630
Gain on disposal of investment in an associate						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	Geographical segment					Reportable segment Total RM
	Malaysia RM	Singapore RM	Philippines RM	Taiwan RM	China RM	Indonesia RM
<b>Assets</b>						
Non-current assets						
- Property, plant and equipment	33,277,936	43,177,243	3,917,065	51,703,705	-	3,475,057
- Investment in an associate	-	1,732,711	-	-	-	-
						1,732,711
- Deferred tax assets	33,277,936	44,909,954	3,917,065	51,703,705	-	3,475,057
- Others	-	-	-	1,062,816	-	-
	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
<b>Liabilities</b>						
Tax liabilities	1,045,910	2,727,992	163,235	2,377,887	-	-
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
<b>Other Information</b>						
Capital expenditure	1,616,578	1,011,166	105,806	6,320,836	-	27,229
Depreciation	5,920,995	7,754,706	814,899	3,395,477	226,290	310,758
Other non-cash items	(139,242)	979,292	196,065	230,623	-	97,373
- income	1,573,558	955,979	-	469,347	1,236,054	-
- expenses						-
						4,234,938

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 4. OPERATING SEGMENTS (CONT'D)

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

	The Group	
	2015 RM	2014 RM
Allowance for impairment losses on:		
- Plant and equipment	1,713,303	963,857
- Receivables	294,518	823,534
Inventories written down to net realisable value	52,272	937,972
Inventories written off	146,823	-
Bad debts written off	-	427,195
Unrealised loss on foreign exchange	3,551,058	-
Property, plant and equipment written off	2,919,978	325,553
Loss on disposal of property, plant and equipment	-	756,827
	<b>8,677,952</b>	<b>4,234,938</b>
Writeback of allowance for impairment losses on trade receivables	(717,433)	(148,158)
Unrealised gain on foreign exchange	(6,469,361)	(1,215,953)
	<b>(7,186,794)</b>	<b>(1,364,111)</b>

Major customers

The following are major customers with revenue equal to or more than 10% of the Group's total revenue:-

	Revenue		Segment
	2015 RM	2014 RM	
Customer 1	37,948,375	19,891,839	Engineering services
Customer 2	30,029,619	87,127,641	Engineering services

## 5. REVENUE

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Provision of services	139,983,788	123,253,851	-	-
Contract customers	30,185,412	93,886,515	-	-
Sale of goods	110,403,814	92,704,750	-	-
Dividend income from subsidiaries	-	-	5,084,439	3,694,760
Management fee from subsidiaries	-	-	42,000	32,000
	<b>280,573,014</b>	<b>309,845,116</b>	<b>5,126,439</b>	<b>3,726,760</b>

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 6. FINANCE COSTS

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Interest expense on:				
Term loans	1,139,059	839,515	467,725	112,390
Hire purchase	120,305	271,881	-	-
Money market loan	228,507	92,478	-	-
Bank overdrafts	6,482	22,819	-	-
	1,494,353	1,226,693	467,725	112,390
Amount owing to subsidiaries	-	-	87,789	79,030
	1,494,353	1,226,693	555,514	191,420

### 7. PROFIT BEFORE TAX

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

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Interest income from:				
Subsidiaries	-	-	421,791	480,371
Third parties	780,339	321,630	457,574	199,399
Dividend income from subsidiaries	-	-	5,084,439	3,694,760
Reversal of impairment loss on amount owing by subsidiaries	-	-	-	14,623
Writeback of allowance for impairment losses on trade receivables	717,433	148,158	-	-
Gain on disposal of investment in associates	-	2,945,303	-	-
Gain on dilution of investment in subsidiaries	-	65,203	-	-
Gain/(Loss) on foreign exchange - net:				
Unrealised	2,918,303	1,215,953	(2,217,362)	(699,660)
Realised	2,891,130	790,733	(517,803)	23,975
Gain/(Loss) on disposal of property, plant and equipment	6,669	(756,827)	-	1,200
Staff costs	(79,755,732)	(68,309,517)	(745,240)	(691,918)
Sub-contractor works	(52,937,582)	(89,630,245)	-	-
Depreciation of property, plant and equipment	(18,132,726)	(18,423,125)	(23,816)	(19,697)



## 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	
	2015 RM	2014 RM	2015 RM	2014 RM
Directors' remuneration:				
Fees:				
Executive Directors	(33,900)	(30,930)	-	-
Non-executive Directors	(136,919)	(130,402)	(136,919)	(130,402)
Salaries and other emoluments:				
Executive Directors	(3,195,381)	(3,038,700)	(103,646)	(90,710)
Auditors' remuneration				
- current year	(604,982)	(569,168)	(87,000)	(77,000)
- overprovision in prior year	(7,500)	-	-	-
Property, plant and equipment written off	(2,919,978)	(325,553)	-	-
Allowance for impairment loss on plant and equipment	(1,713,303)	(963,857)	-	-
Allowance for impairment losses on receivables	(294,518)	(823,534)	-	-
Impairment loss on investment in subsidiaries	-	-	(441,468)	(215,187)
Inventories written down to net realisable value	(52,272)	(937,972)	-	-
Inventories written off	(146,823)	-	-	-
Loss on disposal of investment in a subsidiary	(1,870,011)	-	(323,468)	-
Bad debts written off	-	(427,195)	-	-

## (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	
	2015 RM	2014 RM	2015 RM	2014 RM
Defined contribution plan	4,279,039	4,020,555	89,120	82,257
Defined benefits plan	1,436,631	504,831	-	-

## (b) Key management personnel compensation

The remuneration of the members of key management is as follows:

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Short-term employee benefits	8,930,849	7,327,250	361,302	395,744

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 7. PROFIT BEFORE TAX (CONT'D)

#### (c) Directors' remuneration

Contributions to provident fund, included in directors' remuneration, made by the Group and Company during the current financial year amounted to RM48,564 (2014: RM43,350) and RM16,401 (2014: RM13,090) respectively.

### 8. INCOME TAX EXPENSE

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Estimated current tax payable:				
Malaysian:				
- Current year	1,447,126	2,835,454	-	-
- Under/(Over)provision in prior years	134,161	(14,179)	-	-
	1,581,287	2,821,275	-	-
Foreign:				
- Current year	3,040,544	3,327,342	-	-
- Underprovision in prior years	1,419,230	256,484	-	-
	4,459,774	3,583,826	-	-
	6,041,061	6,405,101	-	-
Deferred tax (Note 14):				
- Current year	448,902	(852,440)	-	-
- Overprovision in prior years	-	(600,939)	-	-
	448,902	(1,453,379)	-	-
	6,489,963	4,951,722	-	-

## 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	
	2015 RM	2014 RM	2015 RM	2014 RM
Profit before tax	15,998,086	28,139,842	178,853	1,609,481
Tax at the applicable tax rate of 25% (2014 : 25%)	3,999,522	7,034,961	44,713	402,370
Effect of different tax rates of other tax jurisdictions	(2,442,613)	(1,564,212)	-	-
Tax effects of:				
Non-deductible expenses	2,764,384	1,281,652	1,226,397	521,320
Income not subject to tax	(46,020)	(483,479)	(1,271,110)	(923,690)
Utilisation of deferred tax assets previously not recognised	(480,971)	(692,523)	-	-
Utilisation of unabsorbed reinvestment allowances	(407,000)	(806,000)	-	-
Tax incentives	(223,082)	(133,922)	-	-
Income tax exemption	(353,983)	(183,707)	-	-
Deferred tax assets not recognised for the year	2,132,632	863,919	-	-
Under/(Over)provision in prior years				
- Current tax	1,553,391	242,305	-	-
- Deferred tax	-	(600,939)	-	-
Effect of share of results in associates	(6,297)	(6,333)	-	-
Income tax expense	6,489,963	4,951,722	-	-

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

## 9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing profit 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	
	2015 RM	2014 RM
Profit for the year attributable to owners of the Company (RM)	4,007,044	18,775,293
Number of shares in issue as of January 1	1,011,408,160	1,011,408,160
Effects of:		
Treasury shares acquired	(4,984,134)	(2,493,970)
Conversion of warrants	34,287,141	-
Weighted average number of ordinary shares for basic earnings per share computation	1,040,711,167	1,008,914,190
Basic earnings per ordinary share attributable to equity holders of the Company (sen)	0.39	1.86

No disclosure on diluted earnings per share as there were no dilutive potential ordinary shares outstanding at the end of the reporting period.

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**

**10. PROPERTY, PLANT AND EQUIPMENT**

	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
<b>The Group</b>								
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
<b>Total</b>	<b>294,440,655</b>	<b>3,087,492</b>	<b>3,470,699</b>	<b>-</b>	<b>9,081,615</b>	<b>(9,562,460)</b>	<b>(2,574,336)</b>	<b>297,943,665</b>

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

The Group	COST					
	As at 1 January 2015 RM	Foreign currency translation differences RM	Reclassifications RM	Additions RM	Write-offs RM	Disposals RM
						As at 31 December 2015 RM
Freehold land	17,253,376	2,549,706	-	-	-	19,803,082
Freehold buildings	39,310,282	6,849,818	234,085	67,889	(656,953)	45,805,121
Long leasehold land	4,705,068	79,386	-	-	-	4,784,454
Long leasehold buildings	36,776,434	4,519,762	-	-	-	41,296,196
Factory and office renovation	23,736,961	2,126,552	-	87,874	(62,979)	25,888,408
Plant and machinery	152,685,619	17,337,732	4,503,756	1,312,680	(6,640,079)	168,602,672
Workshop tools	2,515,722	18,904	-	38,941	(178,267)	2,395,300
Office equipment	7,079,531	837,951	(42,691)	189,948	(671,903)	7,388,476
Furniture and fittings	948,518	26,352	-	11,531	-	986,401
Motor vehicles	6,653,525	706,114	-	155,262	-	7,212,223
Computers	3,371,311	414,808	-	130,480	(2,629,396)	1,287,203
Capital work-in-progress	2,907,318	508,630	(4,695,150)	5,202,175	-	3,922,973
Total	297,943,665	35,975,715	-	7,196,780	(10,839,577)	329,372,509

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

The Group	ACCUMULATED DEPRECIATION					As at 31 December 2014 RM
	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
Freehold land	-	-	-	-	-	-
Freehold buildings	12,708,507	-	93,474	1,059,486	(12,256)	-
Long leasehold land	421,368	27,930	-	65,656	-	-
Long leasehold buildings	9,009,092	-	190,833	1,252,455	-	-
Factory and office renovation	10,478,932	2,661	178,097	1,808,023	(705)	-
Plant and machinery	98,993,197	329,693	1,409,801	11,576,175	(3,689,872)	(719,693)
Workshop tools	1,913,906	-	2,172	274,991	(69,649)	-
Office equipment	9,162,379	127,170	181,476	1,531,850	(5,211,432)	(216,575)
Furniture and fittings	743,570	-	6,694	82,696	-	-
Motor vehicles	4,229,136	521,267	43,797	425,791	(249,943)	(341,465)
Computers	2,726,078	-	19,087	346,002	(3,050)	-
Capital work-in-progress	-	-	-	-	-	-
<b>Total</b>	<b>150,386,165</b>	<b>1,008,721</b>	<b>2,125,431</b>	<b>18,423,125</b>	<b>(9,236,907)</b>	<b>(1,277,733)</b>
						<b>161,428,802</b>

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

The Group	ACCUMULATED DEPRECIATION					
	As at 1 January 2015 RM	Foreign currency translation differences RM	Reclassifications RM	Charge for the year RM	Write-offs RM	Disposals RM
						As at 31 December 2015 RM
Freehold land	-	-	-	-	-	-
Freehold buildings	13,849,211	2,517,555	(39,276)	1,198,724	(165,401)	17,360,813
Long leasehold land	514,954	-	-	68,291	-	583,245
Long leasehold buildings	10,452,380	1,519,033	-	1,360,617	-	13,332,030
Factory and office renovation	12,467,008	1,237,306	-	1,888,923	(44,085)	15,549,152
Plant and machinery	107,899,301	13,214,895	59,251	11,584,105	(4,358,976)	127,872,540
Workshop tools	2,121,420	16,534	-	236,382	(162,832)	2,211,504
Office equipment	5,574,868	711,096	(19,975)	1,076,421	(665,943)	6,672,392
Furniture and fittings	832,960	22,872	-	69,463	-	925,295
Motor vehicles	4,628,583	562,552	-	502,771	-	5,391,229
Computers	3,088,117	386,015	-	147,029	(2,522,362)	1,098,799
Capital work-in-progress	-	-	-	-	-	-
Total	161,428,802	20,187,858	-	18,132,726	(7,919,599)	190,996,999



## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)	IMPAIRMENT LOSS				NET BOOK VALUE		
	As at 1 January 2014 RM	Recognised for the year RM	As at 31 December 2014/ 1 January 2015 RM	Foreign currency translation differences RM	Recognised for the year RM	As at 31 December 2015 RM	As at 31 December 2014 RM
The Group							
Freehold land	-	-	-	-	-	19,803,082	17,253,376
Freehold buildings	-	-	-	-	-	28,444,308	25,461,071
Long leasehold land	-	-	-	-	-	4,201,209	4,190,114
Long leasehold buildings	-	-	-	-	-	27,964,166	26,324,054
Factory and office renovation	-	-	-	-	-	10,339,256	11,269,953
Plant and machinery	-	963,857	963,857	31,674	1,713,303	38,021,298	43,822,461
Workshop tools	-	-	-	-	-	183,796	394,302
Office equipment	-	-	-	-	-	716,084	1,504,663
Furniture and fittings	-	-	-	-	-	61,106	115,558
Motor vehicles	-	-	-	-	-	1,820,994	2,024,942
Computers	-	-	-	-	-	188,404	283,194
Capital work-in-progress	-	-	-	-	-	3,922,973	2,907,318
Total	-	963,857	963,857	31,674	1,713,303	2,708,834	135,551,006

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

	COST						ACCUMULATED DEPRECIATION						NET BOOK VALUE	
	As at 1 January 2014 RM	Additions RM	Disposal RM	As at 31 December 2014/ 1 January 2015 RM	Additions RM	Write-offs RM	As at 31 December 2014/ 1 January 2015 RM	Charge for the year RM	Disposal RM	Charge for the year RM	As at 31 December 2015 RM	Write-offs RM	As at 31 December 2015 RM	As at 31 December 2014 RM
<b>The Company</b>														
Office renovation	151,775	-	-	151,775	-	-	151,775	-	-	-	-	-	-	151,775
Office equipment	46,067	14,600	(24,000)	36,667	-	-	36,667	5,767	(24,000)	2,117	-	-	-	36,667
Furniture and fittings	73,032	-	-	73,032	-	-	73,032	1,696	-	1,696	-	-	-	73,032
Computers	52,515	3,180	-	55,695	2,849	(5,119)	55,695	707	-	707	49,954	(5,119)	3,471	53,425
<b>Total</b>	<b>323,389</b>	<b>17,780</b>	<b>(24,000)</b>	<b>317,169</b>	<b>2,849</b>	<b>(5,119)</b>	<b>317,169</b>	<b>23,816</b>	<b>(24,000)</b>	<b>19,697</b>	<b>239,920</b>	<b>(5,119)</b>	<b>74,979</b>	<b>314,899</b>
<b>The Company</b>														
Office renovation	60,758	-	15,178	-	91,113	60,662	-	15,178	-	-	91,113	60,662	75,840	75,840
Office equipment	43,667	(24,000)	5,767	-	27,551	9,116	-	5,767	-	-	27,551	9,116	14,883	14,883
Furniture and fittings	68,586	-	1,020	-	71,302	1,730	-	1,020	-	-	71,302	1,730	2,750	2,750
Computers	52,515	-	1,851	(5,119)	49,954	3,471	(5,119)	1,851	-	-	49,954	3,471	2,473	2,473
<b>Total</b>	<b>225,526</b>	<b>(24,000)</b>	<b>23,816</b>	<b>(5,119)</b>	<b>239,920</b>	<b>74,979</b>	<b>(5,119)</b>	<b>23,816</b>	<b>(24,000)</b>	<b>19,697</b>	<b>239,920</b>	<b>(5,119)</b>	<b>74,979</b>	<b>95,946</b>

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

As of 31 December 2015, freehold land and buildings, long leasehold land and buildings and plant and machinery of the Group with a total net book value of RM76,256,680 (2014: RM69,163,072) have been charged as collateral to certain banks for term loans and bank borrowings granted to the Group as mentioned in Note 22 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 RM3,219,816 (2014: RM7,994,418).

### 11. INVESTMENTS IN SUBSIDIARIES

	<b>The Company</b>	
	<b>2015 RM</b>	<b>2014 RM</b>
Quoted shares outside Malaysia - at cost	-	32,175,037
Unquoted shares - at cost:		
- In Malaysia	21,166,738	21,166,738
- Outside Malaysia	67,496,426	31,279,140
	88,663,164	52,445,878
Impairment of investments in subsidiaries	(987,241)	(1,197,852)
	87,675,923	83,423,063
Market value of quoted shares	Not applicable	31,910,097
Unquoted shares - at cost:		
At beginning of the year	52,445,878	41,408,256
Reclassification from quoted shares	32,175,037	-
Addition during the year	5,103,100	11,037,622
Disposal during the year	(1,060,851)	-
At end of the year	88,663,164	52,445,878
Impairment of investments in subsidiaries:		
At beginning of the year	(1,197,852)	(982,665)
Addition during the year	(441,468)	(215,187)
Disposal during the year	652,079	-
At end of the year	(987,241)	(1,197,852)

During the financial year, the Company has carried out a review of the recoverable amount of its investment in subsidiaries that had been persistently making losses. A total impairment losses of RM441,468 (2014: RM215,187) representing the write-down of the investments, was recognised in "Administrative Expenses" line item of the statement of profit or loss and other comprehensive income. The carrying amount of the investments is determined based on estimated fair value of the subsidiaries as at end of the reporting period.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 11. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows:

Name of Subsidiaries	Principal Place of Business	Effective Equity Interest		Principal Activities
		2015 %	2014 %	
Direct Subsidiaries				
Frontken (Singapore) Pte. Ltd. (“FSPL”) <sup>1</sup>	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 <sup>1</sup>	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 <sup>1</sup>	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”) <sup>1,3</sup>	Hong Kong	-	40.43	Investment holding and provision of management services.
Frontken Malaysia Sdn. Bhd. (“FMSB”) <sup>2</sup>	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. (“TTES”) <sup>2,3</sup>	Malaysia	45	45	Engaged in the business of turbo machinery technical engineering services.
Indirect Subsidiaries				
Frontken Philippines Inc <sup>1</sup>	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. <sup>2</sup>	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. <sup>2</sup>	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. <sup>1</sup>	China	-	40.43	Provision of cleaning of specialised equipment for semiconductor devices, integrated circuits and components, and research and development of semiconductor cleaning technology.
Frontken Projects Sdn. Bhd. (formerly known as Frontken Petroleum Sdn. Bhd.) <sup>2</sup>	Malaysia	60.07	60.07	Dormant.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 11. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows: (Cont'd)

Name of Subsidiaries	Principal Place of Business	Effective Equity Interest		Principal Activities
		2015 %	2014 %	
Indirect Subsidiaries				
Frontship Pte. Ltd. <sup>1</sup>	Singapore	100	100	Procurement of materials, equipment consumable parts and engineering services.
Ares Green Technology Corporation (“AGTC”) <sup>1</sup>	Taiwan	64.38	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 (“AGIC”) <sup>1</sup>	Samoa	64.38	57.92	Investment holding.
Frontken Projects Pte. Ltd. (“FPPL”) <sup>1</sup>	Singapore	100	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 subsidiaries 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:

	Effective Equity Interest		The Company	
	2015 %	2014 %	2015 RM	2014 RM
AGTC	35.62	42.08	33,395,587	29,115,223
TTES	55	55	3,641,135	3,278,556
FPPL	-	49	-	2,034,306
Other individually immaterial subsidiaries			(2,352,866)	(1,515,017)
			34,683,856	32,913,068

	2015 RM	TTES 2014 RM
<u>At 31 December</u>		
Non-current assets	1,555,178	2,854,375
Current assets	9,745,143	8,444,495
Non-current liabilities	(273,811)	(359,046)
Current liabilities	(4,406,265)	(4,978,812)
Net assets	6,620,245	5,961,012
	<b>1 January to 31 December 2015 RM</b>	<b>1 June to 31 December 2014 RM</b>
<u>Financial period</u>		
Revenue	38,017,899	19,791,906
Profit for the financial year	4,159,233	2,435,650
Total comprehensive income	4,159,233	2,435,650

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 11. INVESTMENTS IN SUBSIDIARIES (CONT'D)

	1 January to 31 December 2015 RM	TTES 1 June to 31 December 2014 RM
Total comprehensive income attributable to non-controlling interests	2,287,578	1,339,608
Dividends paid to non-controlling interests	(1,925,000)	(1,320,000)
Net cash from operating activities	4,475,854	209,311
Net cash for investing activities	(293,768)	(245,274)
Net cash for financing activities	(3,577,525)	(1,422,942)
	2015 RM	FPPL 2014 RM
<u>At 31 December</u>		
Non-current assets	183,259	363,954
Current assets	13,179,249	13,762,737
Non-current liability	(57,859)	(115,401)
Current liabilities	(9,625,141)	(9,859,645)
Net assets	3,679,508	4,151,645
<u>Financial year ended 31 December</u>		
Revenue	4,209,253	13,023,012
Loss for the financial year	(1,010,110)	(259,893)
Total comprehensive expenses	(472,138)	(182,161)
Total comprehensive expenses attributable to non-controlling interests	(154,987)	(89,259)
Net cash for operating activities	(2,503,735)	(993,054)
Net cash from/(for) investing activities	373	(6,604)
Net cash from financing activities	2,486,678	83,410

During the financial year:-

- (i) the Company acquired 2,135,610 ordinary shares of NT\$10 each representing 6.46% of the issued and paid-up share capital of AGTC for a total cash consideration of NT\$42,192,117 (including incidental costs) (equivalent to RM5,103,100). Following the acquisition, the Group's interest in AGTC increased from 57.92% to 64.38%. The carrying amount of AGTC's net assets in the Group's financial statements on the date of the acquisition was RM55,380,737. The Group recognised a decrease in non-controlling interests of RM5,909,957 and an increase in retained earnings of RM806,858.
- (ii) the Company's wholly-owned subsidiary, FSPL, had on 25 August 2015 entered into a Sale and Purchase Agreement with Giga Group Pte. Ltd., to acquire the remaining 49% of the entire issued and paid-up share capital in FPPL for a cash consideration of S\$585,060 (equivalent to RM1,758,924). Following the completion of the acquisition on 28 August 2015, FPPL became a wholly-owned subsidiary of FSPL. The carrying amount of FPPL's net assets in the Group's financial statements on the date of the acquisition was RM1,956,027. The Group recognised a decrease in non-controlling interests of RM1,879,320 and an increase in retained earnings of RM120,395.



**NOTES TO THE FINANCIAL STATEMENTS (cont'd)****11. INVESTMENTS IN SUBSIDIARIES (CONT'D)**

The following summarises the effect of changes in equity interest in AGTC and FPPL that is attributable to owners of the Company:

	<b>AGTC 2015 RM</b>	<b>FPPL 2015 RM</b>	<b>Total 2015 RM</b>
Equity interest at 1 January 2015	40,475,049	2,117,339	42,592,388
Effect of increase in Company's ownership interest	5,909,957	1,879,320	7,789,277
Share of comprehensive income	14,183,937	(317,151)	13,866,786
Equity interest at 31 December 2015	60,568,943	3,679,508	64,248,451

There were no acquisitions of non-controlling interests in the previous financial year.

- (iii) the Company and its subsidiary, AGIC had on 19 August 2015 entered into a Sale and Purchase Agreement with MIC-Tech Ventures Asia Pacific Inc. to dispose of 60% of the issued and paid-up share capital of FMIC comprising 10,903,805 ordinary shares of HKD1.00 each for a cash consideration of USD90,000. The disposal was completed on 30 September 2015, whereupon FMIC ceased to be a subsidiary of the Group.

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

	<b>The Group 2015 RM</b>
Other receivables	515,491
Cash and cash equivalents	1,145,245
Trade and other payables	(20,266)
Less: Non-controlling interests	589,373
Group's interest in fair value of net identifiable assets	2,229,843
Loss on disposal of subsidiary	(1,870,011)
	359,832
Less: Cash and cash equivalents in subsidiary disposed	(1,145,245)
Net cash outflow on disposal	(785,413)

In the previous financial year:-

- (i) on 28 August 2014, 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 HKD1.00 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 for a total cash consideration of approximately RM11 million or approximately RM12.22 per TTES Share.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 11. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

	<b>The Group 2014 RM</b>
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)
<b>Fair value of net identifiable assets</b>	<b>5,925,361</b>
Less: Non-controlling interests	(3,258,949)
Add: Goodwill on acquisition (Note 13)	8,366,591
<b>Total cost of acquisition</b>	<b>11,033,003</b>
Less: Cash and cash equivalents in subsidiary acquired	(3,635,707)
<b>Net cash outflow on acquisition</b>	<b>7,397,296</b>

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

	<b>2014 RM</b>
Revenue	19,791,906
Profit after tax	2,435,650

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

### 12. INVESTMENTS IN AN ASSOCIATE

	<b>2015 RM</b>	<b>The Group 2014 RM</b>
Unquoted shares		
- at cost	1,193,279	1,193,279
Share of post-acquisition results	390,827	365,641
Foreign currency translation differences	425,328	173,791
	<b>2,009,434</b>	<b>1,732,711</b>

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 12. INVESTMENTS IN AN ASSOCIATE (CONT'D)

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

	The Group	
	2015 RM	2014 RM
Current assets	1,939,627	1,374,866
Non-current assets	4,265,548	4,032,407
Current liabilities	(1,968,187)	(1,694,650)
Non-current liabilities	(435,820)	(372,617)
Net assets	3,801,168	3,340,006
Revenue	2,678,167	2,030,737
Profit for the year	51,400	51,696
Group's share of results for the year	25,186	25,331

Details of the associate are as follows:

Name of Associate	Principal Place of Business	Effective Equity Interest		Principal Activities
		2015 %	2014 %	
Indirect Associate				
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.

#### Amount owing by an associate

	The Group	
	2015 RM	2014 RM
Amount owing by associate		
- Trade	920,573	827,467
- Non-trade	409,567	356,295
	1,330,140	1,183,762

The normal trade credit terms granted to associate range from 30 to 90 days (2014: 30 to 90 days).

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 12. INVESTMENTS IN ASSOCIATES (CONT'D)

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

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

	2015 RM	The Group 2014 RM
<b>Frontken (Thailand) Co., Ltd.</b>		
Purchases	27,554	142,888

### 13. GOODWILL ON CONSOLIDATION

	2015 RM	The Group 2014 RM
At beginning of year	33,760,856	25,394,265
Arising from acquisition of a subsidiary (Note 11)	-	8,366,591
At end of year	33,760,856	33,760,856

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:

	2015 RM	The Group 2014 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.	8,366,591	8,366,591
	33,760,856	33,760,856

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.

	2015 %	2014 %
Budgeted gross margin	20 to 36	26 to 37
Growth rates	2.0 to 5.0	0.0 to 5.0
Pre-tax discount rate	9.83 to 12.71	10.20

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)****13. GOODWILL ON CONSOLIDATION (CONT'D)**

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 there is no reasonable change in the above key assumptions would cause the carrying amount of the goodwill to exceed its recoverable amounts.

**14. DEFERRED TAX ASSETS/LIABILITIES**

	<b>The Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
<u>Deferred tax assets</u>		
At beginning of year	1,062,816	665,109
Transfer from profit or loss (Note 8)	37,141	289,118
Transfer to other comprehensive expenses	105,318	95,117
Foreign currency translation differences	200,569	13,472
<b>At end of year</b>	<b>1,405,844</b>	<b>1,062,816</b>
<u>Deferred tax liabilities</u>		
At beginning of year	2,571,891	3,653,351
Transfer from/(to) profit or loss (Note 8)	486,043	(1,164,261)
Arising from acquisition of a subsidiary	-	48,932
Foreign currency translation differences	388,230	33,869
<b>At end of year</b>	<b>3,446,164</b>	<b>2,571,891</b>

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

	<b>The Group</b>	
	<b>Deferred Tax</b>	
	<b>(Assets)/Liabilities</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Temporary differences arising from property, plant and equipment	2,091,901	2,272,694
Others	(51,581)	(763,619)
	<b>2,040,320</b>	<b>1,509,075</b>

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 14. DEFERRED TAX ASSETS/LIABILITIES (CONT'D)

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 2015, 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:

	<b>Deferred Tax (Assets)/Liabilities</b>	
	<b>2015 RM</b>	<b>2014 RM</b>
Unutilised tax losses	2,592,164	3,545,134
Unabsorbed capital allowances	89,379	279,451
Temporary differences arising from property, plant and equipment	929,185	(353,527)
Unutilised reinvestment allowances	-	407,000
Others	(14,376)	(143,406)
	<b>3,596,352</b>	<b>3,734,652</b>

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

### 15. 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 4.15% (2014: 0.25% to 3.60%) and 3.05% to 4.15% (2014: 2.90% to 3.60%) per annum. The fixed deposits of the Group and of the Company have average maturity periods ranging from 14 to 365 days (2014: 14 to 365 days) and 14 to 91 days (2014: 14 to 93 days).

The fixed deposits of the Group and of the Company amounting to RM4,680,237 (2014: RM4,240,380) and RM1,040,444 (2014: RM1,008,049) 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 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 March 2016. Hence, the fixed deposits are classified as non-current assets in the previous financial year.

### 16. INVENTORIES

	<b>The Group</b>	
	<b>2015 RM</b>	<b>2014 RM</b>
Raw materials	5,198,968	4,001,682
Work-in-progress	5,128,338	6,125,305
Finished goods	1,466,141	145,387
	<b>11,793,447</b>	<b>10,272,374</b>
Recognised in profit or loss:		
Inventories recognised as cost of sales	22,050,743	22,820,559
Amount written down to net realisable value	52,272	937,972
Inventories written off	146,823	-

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)****17. AMOUNT OWING BY A CONTRACT CUSTOMER**

	<b>The Group</b>	
	<b>2015 RM</b>	<b>2014 RM</b>
Contract costs incurred plus recognised profits	-	88,659,311
Less: Progress billings	-	(86,822,311)
	-	1,837,000
Presented as:		
Amount due from contract customers	-	1,837,000

**18. 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 (2014: 30 to 90 days).

	<b>The Group</b>	
	<b>2015 RM</b>	<b>2014 RM</b>
Trade receivables	88,919,276	104,497,984
Allowance for impairment losses	(1,889,657)	(2,656,253)
	87,029,619	101,841,731

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

	<b>The Group</b>	
	<b>2015 RM</b>	<b>2014 RM</b>
At 1 January	2,656,253	1,994,566
Allowance for impairment losses	294,518	823,534
Write-back of allowance for impairment losses	(717,433)	(148,158)
Written off as bad debts	(456,765)	(23,713)
Exchange difference	113,084	10,024
	1,889,657	2,656,253

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

	<b>The Group</b>	
	<b>2015 RM</b>	<b>2014 RM</b>
A & I Engine Rebuilders Sdn. Bhd.	721	20
AMT Engineering Sdn. Bhd.	9,148	-
Cleanpart Dresden GmbH & Co. Kg	-	20,087
	9,869	20,107

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)

### 18. 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 board member and shareholder of Cleanpart.
Frontken (Thailand) Co., Ltd.	An associated company.

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

	The Group	
	2015 RM	2014 RM
<b>A &amp; I Engine Rebuilders Sdn. Bhd.</b>		
Sales	1,340	3,190
<b>AMT Engineering Sdn. Bhd.</b>		
Sales	43,840	75,789
Purchases	1,089	22,447
Rental expense	144,000	144,000
<b>Tenaga-Tech (M) Sdn. Bhd.</b>		
Purchases	609,010	609,492
Rental expense	107,870	57,338
<b>Cleanpart Dresden GmbH &amp; Co. Kg</b>		
Sales	118,077	110,795
<b>Frontken (Thailand) Co., Ltd.</b>		
Purchases	27,554	142,888

Other receivables, deposits and prepaid expenses consist of:

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Other receivables	3,061,911	3,350,833	14,482	38,602
Allowance for impairment losses	-	(1,006,445)	-	-
	3,061,911	2,344,388	14,482	38,602
Deposits	1,994,243	1,806,628	4,830	4,830
Prepayments	1,067,846	1,133,148	19,350	20,864
	6,124,000	5,284,164	38,662	64,296



## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

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

	The Group	
	2015 RM	2014 RM
At 1 January	1,006,445	1,006,445
Written off as bad debts	(1,006,445)	-
	-	1,006,445

### 19. AMOUNTS OWING BY/TO SUBSIDIARIES

	The Company	
	2015 RM	2014 RM
Amount owing by:-		
Advances	36,741,235	39,351,180
Non-trade balances	4,091,816	6,284,561
	40,833,051	45,635,741
Allowance for impairment losses	(1,498,371)	(1,498,371)
	39,334,680	44,137,370
Amount owing to:-		
Advances	81,385	2,715,810
Non-trade balances	15,115,433	12,422,503
	15,196,818	15,138,313
Allowance for impairment losses:-		
At beginning of the year	(1,498,371)	(1,512,994)
Reversal during the financial year	-	14,623
At end of the year	(1,498,371)	(1,498,371)

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% (2014: 3%) per annum and is repayable on demand whilst the amount arising from payments made on behalf is interest-free.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 20. SHARE CAPITAL

	The Group/The Company			
	2015	2014	2015	2014
	Number of shares		RM	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 of year	1,011,408,160	1,011,408,160	101,140,816	101,140,816
Issued during the year	42,026,970	-	4,202,697	-
At end of year	1,053,435,130	1,011,408,160	105,343,513	101,140,816

During 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 resulting share premium of RM2,163,040 arising from the exercise of 42,026,970 warrants was credited to the share premium account. The new shares issued rank pari passu in all material respects with the existing shares of the Company.

### 21. RESERVES

	The Group		The Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Non-distributable:				
Share premium	13,581,839	9,336,705	13,581,839	9,336,705
Treasury shares	(598,746)	(564,995)	(598,746)	(564,995)
Foreign currency translation reserve	29,626,180	12,034,681	-	-
Warrant reserve	-	882,976	-	882,976
Statutory reserve	2,466,577	1,290,656	-	-
Distributable:				
Retained earnings	86,135,310	82,683,045	3,659,807	3,480,954
	131,211,160	105,663,068	16,642,900	13,135,640

#### Share premium

	The Group and The Company	
	2015	2014
	RM	RM
At beginning of year	9,336,705	9,336,705
Issue of 42,026,970 ordinary shares at a premium of RM0.08 per ordinary share from exercise of 42,026,970 warrants	3,362,158	-
Transfer from warrant reserve upon exercise and expiry of the warrant	882,976	-
At end of year	13,581,839	9,336,705

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 21. RESERVES (CONT'D)

#### Share premium (cont'd)

The share premium reserve represents the premium paid on subscription of ordinary shares in the Company over and above the par value of the shares issued, net of transaction costs (if any). The share premium reserve 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 200,000 (2014: 3,020,000) of its issued ordinary shares from the open market at an average price of RM0.168 (2014: RM0.122) per share. The total consideration paid for the repurchase including transaction costs amounted to RM33,751 (2014: 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 2015, the Company held 5,066,600 (2014: 4,866,600) treasury shares at a carrying amount of RM598,746 (2014: RM564,995).

As at 31 December 2015, the number of outstanding ordinary shares in issue after the set-off of 5,066,600 (2014: 4,866,600) treasury shares held by the Company is 1,048,368,530 (2014: 1,006,541,560) ordinary shares of RM0.10 each.

#### Foreign currency translation reserve

Foreign currency translation differences arose from the translation of the financial statements of foreign subsidiaries and the Group's share of an associate's foreign currency translation differences 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.

During the year, the Company issued 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 subscription rights of the Warrants expired on 10 March 2015 and the said warrants were removed from the official list of Bursa Malaysia Securities Berhad on 11 March 2015.

#### 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)

### 22. TERM LOANS

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Principal outstanding	30,655,157	28,906,045	6,065,353	7,876,178
Less: Portion due within one year (Note 25)	(4,642,193)	(4,559,547)	(1,933,367)	(1,810,448)
Non-current portion	26,012,964	24,346,498	4,131,986	6,065,730

The non-current portion is repayable as follows:

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Later than one year but not later than five years	22,941,082	22,700,494	4,131,986	6,065,730
Later than five years	3,071,882	1,646,004	-	-
	26,012,964	24,346,498	4,131,986	6,065,730

(a) The term loans are secured by:

- (i) legal charges over certain freehold land and buildings of the Group as disclosed in Note 10 to the financial statements;
- (ii) legal charges over the long-term leasehold land and buildings of the Group as disclosed in Note 10 to the financial statements;
- (iii) corporate guarantees of the Company; and
- (iv) fixed deposits as disclosed in Note 15 to the financial statements.

(b) The interest rate profile of the term loans is summarised below:

	Effective Interest Rate		The Group	
	2015 %	2014 %	2015 RM	2014 RM
Floating rate term loans	1.68 - 6.72	1.68 - 6.79	30,655,157	28,906,045
			The Company	
			2015 RM	2014 RM
Floating rate term loans	6.72	6.79	6,065,353	7,876,178

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 23. HIRE PURCHASE PAYABLES

	The Group	
	2015 RM	2014 RM
Total outstanding	1,214,506	2,611,819
Less: Interest-in-suspense	(89,066)	(195,225)
Present value of payments	1,125,440	2,416,594
Less: Amount due within 12 months (included under current liabilities)	(686,532)	(1,377,295)
Non-current portion	438,908	1,039,299

The non-current portion is payable as follows:

	The Group	
	2015 RM	2014 RM
Later than one year but not later than five years	429,936	969,832
After five years	8,972	69,467
	438,908	1,039,299

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 6 years (2014: 1 to 7 years). The interest rates implicit in the hire purchase obligations range from 1.51% to 5.64% (2014: 1.51% to 7.42%) 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.

### 24. 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 (2014: 30 to 90 days). Included in trade payables is RM87,800 (2014: RM59,363) owing to related parties.

Other payables and accrued expenses consist of:

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Other payables	19,101,230	18,329,335	1,032,295	1,527,580
Accrued expenses	18,349,706	17,646,358	344,320	304,482
	37,450,936	35,975,693	1,376,615	1,832,062
Less: Other payables (included under non-current liabilities)	(2,433,422)	(383,656)	-	-
Current liabilities	35,017,514	35,592,037	1,376,615	1,832,062

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 24. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES (CONT'D)

Included in other payables are defined benefit plan as detailed below:

	2015 RM	The Group 2014 RM
Defined benefit plan (Overseas subsidiaries)		
- Taiwan	1,860,145	231,622
- Philippines	227,743	152,034
- Indonesia	345,534	-
	2,433,422	383,656

(a) Defined benefit plan – Taiwan

	2015 RM	The Group 2014 RM
Fair value of plan assets	(5,258,185)	(4,210,596)
Present value of plan obligations	7,118,330	5,349,093
Past service cost not yet recognised	-	(906,875)
	1,860,145	231,622

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

- i) 2 months average salary for each year for the first 15 years of working; and
- ii) 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:

	2015 RM	The Group 2014 RM
Cash at bank	936,483	792,434
Short-term investments	79,924	105,265
Debentures	648,860	485,482
Fixed income investments	812,916	618,115
Equity securities	2,575,459	2,040,455
Others	204,543	168,845
	5,258,185	4,210,596

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 24. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES (CONT'D)

#### (a) Defined benefit plan – Taiwan (Cont'd)

Movement in the present value of defined benefit obligations:

	2015 RM	The Group 2014 RM
At 1 January	5,349,093	3,381,916
Current service costs and interest	117,565	1,324,775
Actuarial losses in other comprehensive income	652,811	575,303
Defined plan payable	(13,331)	-
Exchange difference	1,012,192	67,099
At 31 December	7,118,330	5,349,093

Movement in the fair value of plan assets:

	2015 RM	The Group 2014 RM
At 1 January	4,210,596	3,947,697
Expected return on plan assets	88,677	78,811
Actuarial losses in other comprehensive income	33,290	15,790
Contribution paid into the plan	164,279	141,065
Defined plan payable	(13,331)	-
Exchange difference	774,674	27,233
At 31 December	5,258,185	4,210,596

Expenses recognised in profit or loss:

	2015 RM	The Group 2014 RM
Current service costs and interests	1,118,812	440,695
Expected return on plan assets	(88,677)	(78,811)
Net benefit expense	1,030,135	361,884

Actuarial gains and losses recognised directly in other comprehensive income:

	2015 RM	The Group 2014 RM
Actuarial losses recognised during the year	(514,203)	(464,396)

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 24. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES (CONT'D)

#### (a) Defined benefit plan – Taiwan (Cont'd)

The Group defined benefit plan 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:

	2015	The Group	2014
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)	1.75%		1.88%
v) Expected rate of salary increases (per annum)	3.00%		3.00%

	2015 RM (Decrease)/ Increase	The Group 2014 RM (Decrease)/ Increase
<b>Effect on defined benefit obligations</b>		
Discount rate (per annum)		
- strengthened by 0.25%	(250,007)	(186,288)
- weakened by 0.25%	263,346	196,229
Expected rate of salary increases (per annum)		
- strengthened by 0.25%	254,803	189,890
- weakened by 0.25%	(243,206)	(181,234)

#### (b) Defined benefit plan – Philippines

The Group conforms to the minimum regulatory benefit under prevailing law and regulations which is of the defined benefit type.

The normal retirement age is 60. The plan provides a benefit equal to 22.5 days' salary for every year of credited service. The regulatory benefits are paid in lump sum upon retirement.



## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 24. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES (CONT'D)

#### (b) Defined benefit plan – Philippines (Cont'd)

Movement in the present value of defined benefit obligations:

	The Group	
	2015 RM	2014 RM
At 1 January	152,034	-
Current service costs and interest	31,167	142,947
Actuarial losses in other comprehensive income	14,982	-
Exchange difference	29,560	9,087
At 31 December	227,743	152,034

Expenses recognised in profit or loss:

	The Group	
	2015 RM	2014 RM
Current service costs and interests	31,167	142,947

Actuarial gains and losses recognised directly in other comprehensive income:

	The Group	
	2015 RM	2014 RM
Actuarial losses recognised during the year	(14,982)	-

The Group defined benefit plan based on the actuarial valuation performed by an independent actuary adopting the Projected Unit Credit method, with the following principal actuarial assumptions:

	2015
i) Retirement age	60
ii) Discount rate (per annum)	5.48%
iii) Expected rate of salary increases (per annum)	2.00%

	The Group 2015 (Decrease)/Increase
<b>Effect on defined benefit obligations</b>	
Discount rate (per annum)	
- strengthened by 1%	(15,965)
- weakened by 1%	18,244
Expected rate of salary increases (per annum)	
- strengthened by 1%	16,323
- weakened by 1%	(14,537)

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 24. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES (CONT'D)

(c) Defined benefit plan – Indonesia

The Group conforms to the obligations relating to the employee benefits due under the prevailing law and regulations.

Movement in the present value of defined benefit obligations:

	<b>The Group 2015 RM</b>
At 1 January	-
Current service costs and interest	375,329
Actuarial gains in other comprehensive income	(42,016)
Exchange difference	12,221
<b>At 31 December</b>	<b>345,534</b>

Expenses recognised in profit or loss:

	<b>The Group 2015 RM</b>
Current service costs and interests	375,329

Actuarial gains and losses recognised directly in other comprehensive income:

	<b>The Group 2015 RM</b>
Actuarial gains recognised during the year	42,016

The Group defined benefit plan based on the actuarial valuation performed by an independent actuary adopting the Projected Unit Credit method, with the following principal actuarial assumptions:

	<b>The Group 2015</b>
i) Mortality rate	
- below 25	0.00062
- between age 25 to 30	0.00077
- between age 30 to 35	0.00085
- between age 35 to 40	0.00123
- between age 40 to 45	0.00223
- between age 45 to 50	0.00421
- between age 50 to 55	0.00594
ii) Retirement age	55
iii) Disability rate (per annum)	10% of mortality rate
iv) Discount rate (per annum)	9.10%
v) Expected rate of salary increases (per annum)	10.00%

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 24. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES (CONT'D)

#### (c) Defined benefit plan – Indonesia (Cont'd)

The Group defined benefit plan based on the actuarial valuation performed by an independent actuary adopting the Projected Unit Credit method, with the following principal actuarial assumptions (Cont'd):

	The Group 2015 (Decrease)/Increase
Effect on defined benefit obligations	
Discount rate (per annum)	
- strengthened by 1%	33,680
- weakened by 1%	(38,868)
Expected rate of salary increases (per annum)	
- strengthened by 1%	(36,512)
- weakened by 1%	41,646

### 25. BANK BORROWINGS

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Short-term borrowings				
- Money market security	11,535,280	6,215,515	-	-
Term loans - current portion (Note 22)	4,642,193	4,559,547	1,933,367	1,810,448
	16,177,473	10,775,062	1,933,367	1,810,448

The short-term borrowings represent money market loan facility obtained by a subsidiary incorporated in Singapore which are rolled over every month. The money market loan facility bear effective interest rates ranging from 2.36% to 3.33% (2014: 2.12% to 2.39%) per annum.

The security for the bank borrowings are disclosed in Note 22 to the financial statements.

### 26. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risk (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 currencies other than the respective functional currencies of entities within the Group. The currencies giving rise to this risk are primarily United States Dollar, Singapore Dollar, New Taiwan Dollar and Indonesian Rupiah. 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)**

**26. 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:-

<b>The Group 2015</b>	<b>Singapore Dollar RM</b>	<b>Ringgit Malaysia RM</b>	<b>United States Dollar RM</b>	<b>Philippine Peso RM</b>	<b>New Taiwan Dollar RM</b>	<b>Others* RM</b>	<b>Total RM</b>
<b>Financial assets</b>							
Trade receivables	6,899,459	13,001,724	19,757,397	618,977	46,558,302	193,760	87,029,619
Other receivables and deposits	1,685,007	677,557	344,777	612,696	1,577,785	158,332	5,056,154
Amount owing by associates	1,330,140	-	-	-	-	-	1,330,140
Fixed deposits with licensed banks	462,913	14,847,675	-	-	-	-	15,310,588
Cash and bank balances	2,821,226	15,804,138	43,141,611	498,023	32,066,378	155,612	94,486,988
	13,198,745	44,331,094	63,243,785	1,729,696	80,202,465	507,704	203,213,489
<b>Financial liabilities</b>							
Trade payables	1,766,849	16,845,581	1,089,394	359,016	10,823,956	239,960	31,124,756
Other payables	4,408,129	4,372,880	1,493,499	976,408	23,710,867	55,731	35,017,514
Bank borrowings							
- Term loans	7,588,885	10,010,772	-	-	13,055,500	-	30,655,157
- Short-term borrowings	11,535,280	-	-	-	-	-	11,535,280
Hire purchase payables	659,676	465,764	-	-	-	-	1,125,440
	25,958,819	31,694,997	2,582,893	1,335,424	47,590,323	295,691	109,458,147
Net financial (liabilities)/assets	(12,760,074)	12,636,097	60,660,892	394,272	32,612,142	212,013	93,755,342
Less: Net financial liabilities/(assets) denominated in the respective entities' functional currencies	12,242,821	(12,636,097)	-	(394,272)	(31,632,376)	(216,769)	(32,636,693)
Currency exposure	(517,253)	-	60,660,892	-	979,766	(4,756)	61,118,649

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

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 26. FINANCIAL INSTRUMENTS (CONT'D)

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

##### (i) Foreign currency risk (Cont'd)

The Group 2014	Singapore Dollar RM	Ringgit Malaysia RM	United States Dollar RM	Philippine Peso RM	New Taiwan Dollar RM	Others* RM	Total RM
<u>Financial assets</u>							
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
<u>Financial liabilities</u>							
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	273,847	21,489,617	88,385	35,592,037
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	495,328	37,111,774	337,187	109,966,369
Net financial (liabilities)/assets	(2,826,228)	9,169,647	40,385,802	1,136,110	13,762,239	1,275,151	62,902,721
Less: Net financial liabilities/(assets) denominated in the respective entities' functional currencies	2,395,755	(9,169,647)	(13,797)	(1,136,110)	(13,727,703)	(1,266,502)	(22,918,004)
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.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 26. FINANCIAL INSTRUMENTS (CONT'D)

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

##### (i) Foreign currency risk (Cont'd)

<b>The Company 2015</b>	<b>Singapore Dollar RM</b>	<b>Ringgit Malaysia RM</b>	<b>United States Dollar RM</b>	<b>Indonesian Rupiah RM</b>	<b>New Taiwan Dollar RM</b>	<b>Total RM</b>
<u>Financial assets</u>						
Amount owing by subsidiaries	-	36,583,114	-	2,751,566	-	39,334,680
Cash and bank balances	-	2,596,051	10,874,909	-	989,551	14,460,511
	-	39,179,165	10,874,909	2,751,566	989,551	53,795,191
<u>Financial liabilities</u>						
Amount owing to subsidiaries	3,814,659	7,256	11,374,903	-	-	15,196,818
Net financial (liabilities)/assets	(3,814,659)	39,171,909	(499,994)	2,751,566	989,551	38,598,373
Less: Net financial assets denominated in the entity's functional currency	-	(39,171,909)	-	-	-	(39,171,909)
Currency exposure	(3,814,659)	-	(499,994)	2,751,566	989,551	(573,536)

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 26. 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
<u>Financial assets</u>						
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
<u>Financial liabilities</u>						
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)

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 26. 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 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	
	2015	2014	2015	2014
	Increase/ (Decrease) RM	Increase/ (Decrease) RM	Increase/ (Decrease) RM	Increase/ (Decrease) RM
<b>Effects on profit after taxation</b>				
Singapore Dollar:-				
- strengthened by 5%	(25,863)	(21,524)	(190,733)	(293,420)
- weakened by 5%	25,863	21,524	190,733	293,420
New Taiwan Dollar				
- strengthened by 5%	48,988	1,727	49,478	1,727
- weakened by 5%	(48,988)	(1,727)	(49,478)	(1,727)
United States Dollar				
- strengthened by 5%	3,033,045	2,018,600	(25,000)	(424,986)
- weakened by 5%	(3,033,045)	(2,018,600)	25,000	424,986
Others*				
- strengthened by 5%	(238)	432	137,578	120,110
- weakened by 5%	238	(432)	(137,578)	(120,110)

\* Denominated in Euro, Great Britain Pound 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 long-term borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio of mix of fixed and floating rate borrowings.

The Group's fixed deposits with licensed banks and borrowings are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined MFRS 7 since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

The Group's exposure to interest rate risk that based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed in Notes 22 and 25 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 by RM361,416 (2014 : RM229,692) and RM45,490 (2014 : RM59,071) respectively. A 100 basis points weakening would have had an equal but opposite effect on the profit after taxation. This assumes that all other variables remain constant.



## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 26. FINANCIAL INSTRUMENTS (CONT'D)

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

##### (iii) Equity price risk

The Group does not have any quoted 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 (where applicable). Impairment is estimated by management based on prior experience and the current economic environment.

The Company provides financial guarantee to financial institutions for credit facilities granted to certain subsidiaries. The Company monitors the results of these subsidiaries regularly and repayments made by the subsidiaries.

#### Credit risk concentration profile

The Group does not have any major concentration of credit risk related to any individual customer or counterparty.

#### Exposure to credit risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Group and of the Company after deducting any allowance for impairment losses (where applicable).

#### Ageing analysis

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

	Gross Amount RM	Individual Impairment RM	Collective Impairment RM	Carrying Value RM
<b>The Group 2015</b>				
Not past due	73,326,282	-	-	73,326,282
Past due:-				
- Less than 1 month	6,673,097	-	-	6,673,097
- 1 to 9 months	7,334,292	-	(357,750)	6,976,542
- over 9 months	1,585,605	(1,248,002)	(283,905)	53,698
	88,919,276	(1,248,002)	(641,655)	87,029,619

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 26. FINANCIAL INSTRUMENTS (CONT'D)

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

##### (iv) Credit risk (Cont'd)

##### Ageing analysis (Cont'd)

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

	<b>Gross Amount RM</b>	<b>Individual Impairment RM</b>	<b>Collective Impairment RM</b>	<b>Carrying Value RM</b>
<b>The Group 2014</b>				
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
	<b>104,497,984</b>	<b>(2,195,454)</b>	<b>(460,799)</b>	<b>101,841,731</b>

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 Group believes that no additional impairment allowance is necessary in respect of trade receivables that are past due but not impaired because they are companies with good collection track record and no recent history of default.

##### (v) Liquidity risk

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

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 26. FINANCIAL INSTRUMENTS (CONT'D)

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

##### (v) Liquidity risk (Cont'd)

##### Maturity analysis

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):-

The Group 2015	Contractual Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 year RM	1 – 5 years RM	Over 5 years RM
Hire purchase payables	1.51 – 5.64	1,125,440	1,214,506	733,560	460,802	20,144
Term loans	1.68 – 6.72	30,655,157	32,939,650	5,564,134	24,281,951	3,093,565
Short-term borrowings	2.36 – 3.33	11,535,280	11,535,280	11,535,280	-	-
Trade payables	-	31,124,756	31,124,756	31,124,756	-	-
Other payables	-	35,017,514	35,017,514	35,017,514	-	-
		<b>109,458,147</b>	<b>111,831,706</b>	<b>83,975,244</b>	<b>24,742,753</b>	<b>3,113,709</b>
<b>2014</b>						
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	-	35,592,037	35,592,037	35,592,037	-	-
		<b>109,966,369</b>	<b>112,895,359</b>	<b>85,744,556</b>	<b>25,422,517</b>	<b>1,728,286</b>

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 26. FINANCIAL INSTRUMENTS (CONT'D)

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

##### (v) Liquidity risk (Cont'd)

##### Maturity analysis (Cont'd)

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):- (Cont'd)

<b>The Company</b>	<b>Contractual</b>	<b>Carrying</b>	<b>Contractual</b>	<b>Within 1 year</b>	<b>1 – 5 years</b>
<b>2015</b>	<b>Interest Rate</b>	<b>Amount</b>	<b>Undiscounted</b>	<b>RM</b>	<b>RM</b>
	<b>%</b>	<b>RM</b>	<b>Cash Flows</b>		
			<b>RM</b>		
Term loan	6.72	6,065,353	6,699,856	2,282,044	4,417,812
Other payables	-	1,376,615	1,376,615	1,376,615	-
Amount owing to subsidiaries					
- interest bearing	3.00	81,385	81,385	81,385	-
- interest free	-	15,115,433	15,115,433	15,115,433	-
		<b>22,638,786</b>	<b>23,273,289</b>	<b>18,855,477</b>	<b>4,417,812</b>
<b>2014</b>					
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	-
		<b>24,846,553</b>	<b>25,965,465</b>	<b>19,259,873</b>	<b>6,705,592</b>

#### (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 its 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, returning of capital to shareholders or issuing 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) more than 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)

### 26. FINANCIAL INSTRUMENTS (CONT'D)

#### (c) Classification of Financial Instruments

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>Financial Assets</b>				
<u>Loans and receivables financial assets</u>				
Amount owing by a contract customer	-	1,837,000	-	-
Trade receivables	87,029,619	101,841,731	-	-
Other receivables and deposits	5,056,154	4,151,016	19,312	43,432
Amount owing by subsidiaries	-	-	39,334,680	44,137,370
Amount owing by associates	1,330,140	1,183,762	-	-
Fixed deposits with licensed banks	15,310,588	12,280,433	3,040,444	8,008,049
Cash and bank balances	94,486,988	51,575,148	14,460,511	3,394,285
	203,213,489	172,869,090	56,854,947	55,583,136
<b>Financial liabilities</b>				
<u>Other financial liabilities</u>				
Trade payables	31,124,756	36,836,178	-	-
Other payables and accrued expenses	35,017,514	35,592,037	1,376,615	1,832,062
Amount owing to subsidiaries	-	-	15,196,818	15,138,313
Term loans	30,655,157	28,906,045	6,065,353	7,876,178
Bank borrowings	11,535,280	6,215,515	-	-
Hire purchase payables	1,125,440	2,416,594	-	-
	109,458,147	109,966,369	22,638,786	24,846,553

#### (d) Fair Value Information

As the Group does not have any financial instruments carried at fair value, the following table sets out only the fair value profile of financial instruments that are carried at fair value at the end of the reporting period.

	Fair Value Of Financial Instruments Not Carried At Fair Value			Total Fair Value	Carrying Amount
	Level 1 RM	Level 2 RM	Level 3 RM		
<b>The Group 2015</b>					
<u>Financial Liabilities</u>					
Hire purchase payables	-	1,120,733	-	1,120,733	1,125,440
Short-term borrowings	-	11,535,280	-	11,535,280	11,535,280
Term loans	-	30,655,157	-	30,655,157	30,655,157
	Fair Value Of Financial Instruments Not Carried At Fair Value			Total Fair Value	Carrying Amount
	Level 1 RM	Level 2 RM	Level 3 RM		
<b>The Group 2014</b>					
<u>Financial Liabilities</u>					
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

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 26. FINANCIAL INSTRUMENTS (CONT'D)

#### (d) Fair Value Information (Cont'd)

As the Company does not have any financial instruments carried at fair value, the following table sets out only the fair value profile of financial instruments that are carried at fair value at the end of the reporting period.

	Fair Value Of Financial Instruments Not Carried At Fair Value			Total Fair Value	Carrying Amount
	Level 1 RM	Level 2 RM	Level 3 RM		
<b>The Company 2015</b>					
<u>Financial Liability</u>					
Term loans	-	6,065,353	-	6,065,353	6,065,353

	Fair Value Of Financial Instruments Not Carried At Fair Value			Total Fair Value	Carrying Amount
	Level 1 RM	Level 2 RM	Level 3 RM		
<b>The Company 2014</b>					
<u>Financial Liability</u>					
Term loans	-	7,876,178	-	7,876,178	7,876,178

The fair values, which are for disclosure purpose, have been determined using the following basis:-

- (i) The fair value of hire purchase payables, short term borrowing and term loans determined by discounting the relevant cash flows using current market 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:-

	The Group		The Company	
	2015 %	2014 %	2015 %	2014 %
Hire purchase payables	1.51% - 5.64%	1.51% - 7.42%	-	-
Short-term borrowings	2.36% - 3.33%	2.12% - 2.39%	-	-
Term loans	1.68% - 6.72%	1.68% - 6.79%	6.72	6.79

### 27. CONTINGENT LIABILITY

The Company provided corporate guarantees to banks and financial institutions to secure banking facilities and leasing of equipment provided to certain subsidiaries amounting to RM35,426,387 (2014 : RM37,661,459).

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 28. COMMITMENTS

#### (i) Operating lease commitments

	The Group	
	2015 RM	2014 RM
Non-cancellable future minimum lease payments		
Not later than one year	1,803,479	1,746,287
Between one year and five years	3,576,318	3,709,383
Later than five years	12,389,716	10,939,395
	<hr/> 17,769,513	<hr/> 16,395,065

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 2015, the Group has the following capital commitments:

	The Group	
	2015 RM	2014 RM
Approved and contracted for:		
Plant and equipment	5,089,260	836,585

### 29. 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 Horwath.

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 21 July 2015. The trial date fixed on 16 to 18 November 2015 have been taken off and new trial dates have been fixed on 18 to 20 April 2016.

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.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 29. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONT'D)

- (ii) During 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.

- (iii) During the financial year, the Company acquired 2,135,610 ordinary shares of NT\$10 each representing 6.46% of the issued and paid-up share capital of AGTC for a total cash consideration of NT\$42,192,117 (including incidental costs) (equivalent to RM5,103,100). Following the acquisition, the Group's interest in AGTC increased from 57.92% to 64.38%.
- (iv) During the financial year, the Company's wholly-owned subsidiary, FSPL, had on 25 August 2015 entered into a Sale and Purchase Agreement with Giga Group Pte. Ltd., to acquire the remaining 49% of the entire issued and paid-up share capital in FPPL for a cash consideration of S\$585,060 (equivalent to RM1,758,924). Following the completion of the acquisition on 28 August 2015, FPPL became a wholly-owned subsidiary of FSPL.
- (v) The Company and its subsidiary, Ares Green International Corporation had on 19 August 2015 entered into a Sale and Purchase Agreement with MIC-Tech Ventures Asia Pacific Inc. to dispose of 60% of the issued and paid-up share capital of FMIC comprising 10,903,805 ordinary shares of HKD1.00 each for a cash consideration of USD90,000. The disposal was completed on 30 September 2015, whereupon FMIC ceased to be a subsidiary of the Group.
- (vi) During the year, AGTC, a subsidiary of the Company, withdrew from the Over-The-Counter GreTai and revoked for public trading.

### 30. SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

- (i) On 26 February 2016, the Company acquired 1,135,575 ordinary shares of NT\$10 each representing 3.33% of the issued and paid-up share capital of Ares Green Technology Corporation ("AGTC") for a total cash consideration of NT\$19,514,250 (including incidental costs) (equivalent to RM2,438,473). Following the acquisition, the Group's interest in AGTC increased from 64.38% to 67.71%.
- (ii) On 27 February 2016, the Company's wholly-owned subsidiary, FMSB, acquired the remaining 39.93% of the entire issued and paid-up share capital in Frontken Projects Sdn. Bhd. (formerly known as Frontken Petroleum Sdn. Bhd.) ("FPSB") for a cash consideration of RM2. Following the acquisition, FPSB became a wholly-owned subsidiary of FMSB.
- (iii) On 8 March 2016, the Company's wholly-owned subsidiary, Frontken Petroleum Sdn. Bhd. changed its name to Frontken Projects Sdn. Bhd.



## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 31. 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:

	As previously reported RM	The Group As restated RM
<b>As of 31 December 2014</b>		
<b>Statements of Financial Position</b>		
<b>Non-Current Liabilities</b>		
Other payables	-	383,656
<b>Current Liabilities</b>		
Other payables and accruals	35,975,693	35,592,037
<b>Statements of Profit or Loss and Other Comprehensive Income</b>		
Cost of sales	240,875,084	242,183,205
Other expenses	9,983,895	8,675,774

### 32. 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:-

	<b>The Group/The Company</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Singapore Dollar	3.04	2.64
United States Dollar	4.29	3.50
Philippine Peso	0.09	0.08
New Taiwan Dollar	0.13	0.11
Euro	4.69	4.25
Chinese Renminbi	0.66	0.56
Indonesian Rupiah	0.00031	0.00028
Thai Baht	0.12	0.11

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Total retained earnings of Group and Company				
Realised	105,338,328	97,041,899	7,521,922	5,311,766
Unrealised	2,881,480	(183,546)	(3,862,115)	(1,830,812)
	108,219,808	96,858,353	3,659,807	3,480,954
Total share of retained earnings from associates				
Realised	366,023	340,837	-	-
Unrealised	-	-	-	-
	366,023	340,837	-	-
Less: Consolidation adjustments	(22,450,521)	(14,516,145)	-	-
Total retained earnings	86,135,310	82,683,045	3,659,807	3,480,954

## STATEMENT BY DIRECTORS

### PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT 1965

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 44 to 121 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 as of 31 December 2015 and of their financial performance and the cash flows for the financial year ended on that date.

The supplementary information set out in Note 33, 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,

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**NG WAI PIN**

29 March 2016

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**DR. TAY KIANG MENG**

## DECLARATION BY THE OFFICER

### PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

### PURSUANT TO SECTION 169(16) OF COMPANIES ACT 1965

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 44 to 122 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.

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**HEE KOK HIONG**

Subscribed and solemnly declared  
by the abovenamed **HEE KOK HIONG** at  
**KUALA LUMPUR** this 29th day of March 2016.

Before me,

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

<b>Address</b>	<b>Description/ Existing use</b>	<b>Land area/ Built-up area</b>	<b>Approximate age of building</b>	<b>Tenure</b>	<b>Audited net book value as at 31.12.2015</b>	<b>Date of acquisition</b>
<b>Frontken (Singapore) Pte Ltd (FS)</b>		<b>sq m</b>			<b>RM'000</b>	
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	19 years, 29 years & 5 years	Leasehold expiring on 19.07.2039	19,022	01.08.2001
<b>FS</b>						
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	14 years	Leasehold expiring on 30.04.2026	3,175	18.03.2005
<b>Frontken Malaysia Sdn Bhd (FM)</b>						
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	19 years	Freehold	1,935	17.03.2003
<b>FM</b>						
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 sq m	Approximate age of building	Tenure	Audited net book value as at 31.12.2015 RM'000	Date of acquisition
<b>FM</b>						
H.S. (D) 40495 & 40609 Lots 12049 & 12063 Mukim 14, Daerah Seberang Perai Tengah Penang	1½-storey semi- detached factory to house production facilities and R&D activities	604/ 597	13 years	Freehold	480	07.07.2003
Bearing postal address: No. 18, Jalan Pala 12 Kawasan Industri Ringan Permatang Tinggi 14100 Bukit Mertajam Penang						
H.S. (D) 40496 & 40610 Lots 12050 & 12064 Mukim 14, Daerah Seberang Perai Tengah Penang	1½-storey semi- detached factory to house production facilities and R&D activities	603/ 541	13 years	Freehold		
Bearing postal address: No. 20, Jalan Pala 12 Kawasan Industri Ringan Permatang Tinggi 14100 Bukit Mertajam Penang						
<b>FM</b>						
H.S. (D) 50571 P.T. No. 1923 Mukim Padang Cina Daerah Kulim Kedah Darul Aman	Single-storey detached factory building to house production facilities and R&D activities	12,141/ 3,299	10 years	Leasehold expiring on 08.05.2066	6,425	23.12.2005
Bearing postal address: PT1923, Jalan Hi Tech 2/3 Industrial Zone Phase I Kulim Hi-Tech Industrial Park 09000 Kulim Kedah Darul Aman						
<b>FM</b>						
H.S. (D) 50571 P.T. No. 1923 Mukim Padang Cina Daerah Kulim Kedah Darul Aman	Vacant industrial land	15,419/ -	N/A	Leasehold expiring on 08.05.2066	1,802	09.11.2007
Bearing postal address: PT 1923, Jalan Hi Tech 2/3 Industrial Zone Phase I Kulim Hi-Tech Industrial Park 09000 Kulim Kedah Darul Aman						

## LIST OF PROPERTIES (cont'd)

Address	Description/ Existing use	Land area/ Built-up area sq m	Approximate age of building	Tenure	Audited net book value as at 31.12.2015 RM'000	Date of acquisition
<b>Ares Green Technology Corporation</b>						
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	16 years	Freehold	44,333	14.06.2004
<b>PT Frontken Indonesia</b>						
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	31 years	Leasehold expiring on 17.10.2039 & 19.05.2041	1,482	12.12.2011
<b>TTES Frontken Integrated Services Sdn Bhd</b>						
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	259	08.12.2009

## SHAREHOLDING STATISTICS

### AS AT 17 MARCH 2016

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 17 MARCH 2016

Size of holdings	No. of shareholders	% of shareholders	*No. of shares	*% of issued capital
Less than 100	186	2.8	8,198	~
100 – 1,000	324	4.8	166,079	~
1,001 – 10,000	1,784	26.5	12,404,028	1.2
10,001 – 100,000	3,625	54.0	153,805,868	14.7
100,001 to less than 5% of issued shares	797	11.9	590,792,884	56.3
5% and above of issued shares	1	~	290,991,473	27.8
Total	6,717	100.0	1,048,168,530	100.0

Notes:

~ Negligible

\* Excluding 5,266,600 shares held as treasury shares as at 17 March 2016

Distribution of shareholdings based on Record of Depositors

### DIRECTORS' SHAREHOLDINGS AS AT 17 MARCH 2016

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:

No.	Name	No. of shares	Direct	No. of shares	Indirect
			*%		%
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 @ Murat	-	-	-	-
4.	Aaron Sim Kwee Lein	-	-	-	-
5.	Dr Jorg Helmut Hohnloser	-	-	^290,991,473	27.8
6.	Timo Fabian Seeberger	-	-	-	-

Note:

\* Excluding 5,266,600 shares held as treasury shares as at 17 March 2016

^ Deemed interested by virtue of section 6A(4) of the Act, through its 100% equity interest in Hohnloser Holding GmbH & Co. KG, which in turn has a deemed interest in CP Asia Holding GmbH

### SUBSTANTIAL SHAREHOLDERS AS AT 17 MARCH 2016

No.	Name	No. of shares	Direct	No. of shares	Indirect
			*%		%
1.	Maybank Securities Nominees (Asing) Sdn Bhd CP Asia Holding GmbH	290,991,473	27.8	-	-
2.	Ooi Keng Thy	138,375,400	13.2	-	-

Note:

\*Excluding 5,266,600 shares held as treasury shares as at 17 March 2016

Substantial shareholders based on Register of Substantial Shareholders

**SHAREHOLDING STATISTICS (cont'd)**  
**THIRTY LARGEST SHAREHOLDERS**  
**AS AT 17 MARCH 2016**

No.	Shareholders	No. of shares	*% of issued capital
1	Maybank Securities Nominees (Asing) Sdn Bhd CP Asia Holding GmbH	290,991,473	27.76
2	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ooi Keng Thye	38,483,800	3.67
3	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ooi Keng Thye (6000009)	23,796,100	2.27
4	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Cheng Chew Giap (6000179)	18,336,900	1.75
5	Kho Chew Swan	17,075,552	1.63
6	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ooi Keng Thye	16,971,600	1.62
7	CIMSEC Nominees (Asing) Sdn Bhd Exempt An For CIMB Securities (Singapore) Pte Ltd (Retail Clients)	15,945,035	1.52
8	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ooi Keng Thye (E-PPG)	14,976,000	1.43
9	Mohd Shukri Bin Hitam	13,082,000	1.25
10	HLB Nominees (Asing) Sdn Bhd Pledged Securities Account For Patrick Tan Choon Hock (Sin 9967-2)	11,760,000	1.12
11	Citigroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ooi Keng Thye (474326)	11,443,800	1.09
12	Affin Hwang Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Ooi Keng Thye	10,986,700	1.05
13	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ooi Keng Thye (023)	9,804,400	0.94
14	Tay Kiang Meng	9,404,808	0.90
15	Ooi Keng Thye	9,271,000	0.88
16	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ong Siok Wan (Margin)	8,240,900	0.79
17	Koh Kok Choon	8,000,000	0.76
18	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Cheng Chew Giap (023)	6,822,300	0.65
19	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Kho Chai Yam	6,174,000	0.59
20	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad For RHB Dynamic Fund (200188)	5,887,000	0.56
21	Loo Bee Lang	5,000,000	0.48
22	Public Invest Nominees (Asing) Sdn Bhd Exempt An For Phillip Securities Pte Ltd (Clients)	4,890,352	0.47
23	Bo Eng Chee	4,650,000	0.44
24	Lee Mee Huong	4,530,900	0.43
25	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Cheng Chew Giap	4,404,800	0.42
26	Loo Lai Ming	4,400,000	0.42
27	Maybank Nominees (Tempatan) Sdn Bhd Eyo Sze Guan	4,350,000	0.42
28	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ho Chin Ser (8095381)	3,925,000	0.37
29	Tan Shu Ayan	3,900,000	0.37
30	Fong Pik Na	3,542,730	0.34

Note:

\*Excluding 5,266,600 shares held as treasury shares as at 17 March 2016



## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Twelfth Annual General Meeting of the Company will be held at Suite 301, 3<sup>rd</sup> Floor, Block F, Pusat Dagangan Phileo Damansara 1, No. 9, Jalan 16/11, Off Jalan Damansara, 46350 Petaling Jaya, Selangor on Friday, 24 June 2016 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 2015 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) Dr Tay Kiang Meng; and *(Ordinary Resolution 1)*
  - (b) Mr Aaron Sim Kwee Lein. *(Ordinary Resolution 2)*
3. To approve the payment of Directors' fees of up to RM300,000.00 for the financial year ending 31 December 2016. *(Ordinary Resolution 3)*
4. To re-appoint Messrs Crowe Horwath as Auditors of the Company for the financial year ending 31 December 2016 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 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** 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."

### 8. To transact any other business of which due notice shall be given.

BY ORDER OF THE BOARD

Mah Li Chen (MAICSA 7022751)  
Chew Mei Ling (MAICSA 7019175)  
Yeap Yee Ling (MAICSA 7067021)  
Company Secretaries

Kuala Lumpur  
26 April 2016

## NOTICE OF ANNUAL GENERAL MEETING (cont'd)

### 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 Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 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 Twelfth Annual General Meeting, the Company shall request Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at 17 June 2016. Only a depositor whose name appears on the Record of the Depositors as at 17 June 2016 shall be entitled to attend this Twelfth 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 Eleventh AGM held on 25 June 2015, 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.

#### 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 Twelfth AGM is required by the law to be held. Please refer to the Share Buy-Back Statement dated 26 April 2016 which is despatched together with this Annual Report for more information.

## **NOTICE OF ANNUAL GENERAL MEETING (cont'd)**

### **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 to act as an Independent Non-Executive Director of the Company based on the following justifications:

- (a) He fulfills 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 judgement 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 discussion 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.



**FRONTKEN CORPORATION BERHAD**  
(Company No.: 651020-T)  
(Incorporated in Malaysia under the Companies Act, 1965)

**PROXY FORM**

CDS Account No.
Number of shares held

I/We..... Tel. No.:.....  
[Full name in block and 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 Twelfth 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 Friday, 24 June 2016 at 11.00 a.m. or any adjournment thereof, and to vote as indicated below:-

Item	Agenda	Resolution	For	Against
1.	Re-election of Dr Tay Kiang Meng	Ordinary Resolution 1		
2.	Re-election of Mr Aaron Sim Kwee Lein	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            , 2016.

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 Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time fixed for convening the meeting or any adjournment thereof.
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FOLD THIS FLAP FOR SEALING

FOLD HERE



**FRONTKEN CORPORATION BERHAD** (651020-T)  
c/o Tricor Investor & Issuing House Services Sdn Bhd  
Unit 32-01, Level 32, Tower A  
Vertical Business Suite, Avenue 3  
Bangsar South, No. 8, Jalan Kerinchi  
59200 Kuala Lumpur  
MALAYSIA

FOLD HERE

FRONTKEN CORPORATION BERHAD (651020-T)  
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