

Company No:
481559 - M

THREE-A RESOURCES BERHAD (481559 - M)
(Incorporated in Malaysia)

DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS
31 DECEMBER 2014

THREE-A RESOURCES BERHAD (481559 - M)

(Incorporated in Malaysia)

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THREE-A RESOURCES BERHAD (481559 - M)

(Incorporated in Malaysia)

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 9 to the financial statements.

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

RESULTS

	Group RM'000	Company RM'000
Profit for the financial year, attributable to owners of the parent	<u>18,214</u>	<u>21,941</u>

DIVIDENDS

Dividends paid, declared or proposed since the end of the previous financial year were as follows:

	RM'000
In respect of financial year ended 31 December 2014: Interim single tier dividend of 1.4 sen per ordinary share, paid on 5 January 2015	<u>5,510</u>

The Directors do not recommend any payment of final dividend for the financial year ended 31 December 2014.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

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

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

DIRECTORS

The Directors who have held office since the date of the last report are:

Dato' Mohd Nor Bin Abdul Wahid	
Fang Chew Ham	
Fong Chu King @ Tong Chu King	
Chew Eng Chai	
Tan Chon Sing @ Tan Kim Tieng	
Fang Siew Yee	
Khoo Wee Boon	
Mohd Zaki Bin Hamzah	
Kwek Ju-Yang, Mark	
Sun Yi-Ling	(Alternate Director to Kwek Ju-Yang, Mark)
Fang Siew Ping	(Alternate Director to Fang Siew Yee)
Liew Kuo Shin	(Alternate Director to Fong Chu King @ Tong Chu King)
Sun You Ning	(Appointed on 18 November 2014)

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares in the Company and of its related corporations during the financial year ended 31 December 2014 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 in Malaysia were as follows:

	Number of ordinary shares of RM0.20 each			
	Balance			Balance
	as at 1.1.2014	Bought	Sold	as at 31.12.2014
Direct interests:				
Dato' Mohd Nor Bin Abdul Wahid	438,000	-	-	438,000
Fong Chu King @ Tong Chu King	10,950,000	-	-	10,950,000
Chew Eng Chai	160,000	-	-	160,000
Tan Chon Sing @ Tan Kim Tieng	1,488,000	-	-	1,488,000
Mohd Zaki Bin Hamzah	500,000	-	-	500,000
Liew Kuo Shin	430,000	-	(430,000)	-
Fang Chew Ham	100,000	-	-	100,000
Indirect interests:				
Fang Chew Ham	122,750,960	-	(2,450,000)	120,300,960
Fang Siew Ping	80,520,000	-	-	80,520,000
Fang Siew Yee	80,950,000	-	(430,000)	80,520,000
Fong Chu King @ Tong Chu King	31,160,860	-	(2,020,000)	29,140,860
Liew Kuo Shin	100,000	-	-	100,000

DIRECTORS' INTERESTS (continued)

By virtue of their interests in the ordinary shares of the Company, Fang Chew Ham, Fang Siew Ping, and Fang Siew Yee are also deemed to be interested in the ordinary shares of all the subsidiaries to the extent the Company has an interest.

None of the other Directors holding office at the end of the financial year held any interest in ordinary shares in the Company during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than remuneration received by certain Directors as directors/executives of a related corporation and any benefit which may be deemed to have arisen by virtue of the significant related party transactions as disclosed in Note 30 to the financial statements.

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

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

- (a) Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there are no known bad debts and that adequate provision has been made for doubtful debts; and
 - (ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

**OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY
(continued)**

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

- (c) The Directors are not aware of any circumstances:
 - (i) which would necessitate the writing off of bad debts or render the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent;
 - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and
 - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) In the opinion of the Directors:
 - (i) there has not arisen any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and
 - (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which would or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

(III) AS AT THE DATE OF THIS REPORT

- (e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.
- (f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.
- (g) The Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

AUDITORS

The auditors, BDO, have expressed their willingness to continue in office.

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



Dato' Mohd Nor Bin Abdul Wahid
Director



Fang Chew Ham
Director

Kuala Lumpur
27 March 2015

THREE-A RESOURCES BERHAD (481559 - M)

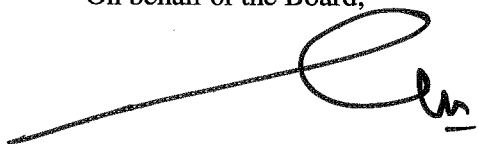
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 10 to 75 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2014 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

In the opinion of the Directors, the information set out in Note 34 to the financial statements on page 76 has been compiled in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

On behalf of the Board,



Dato' Mohd Nor Bin Abdul Wahid
Director




Fang Chew Ham
Director

Kuala Lumpur
27 March 2015

STATUTORY DECLARATION

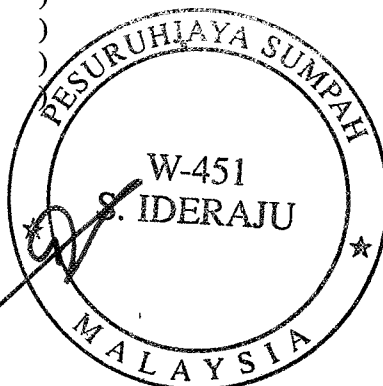
I, Fong Peng Fai, being the officer primarily responsible for the financial management of Three-A Resources Berhad, do solemnly and sincerely declare that the financial statements set out on pages 10 to 76 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed at)
Kuala Lumpur, this)
27 March 2015)



Fong Peng Fai

Before me:



Suite 5.1A, 5th Flr., Wisma Sime Darby
Jalan Raja Laut
50350 Kuala Lumpur

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THREE-A RESOURCES BERHAD

Report on the Financial Statements

We have audited the financial statements of Three-A Resources Berhad, which comprise statements of financial position as at 31 December 2014 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 10 to 75.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
THREE-A RESOURCES BERHAD (continued)**

Opinion

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

Report on Other Legal and Regulatory Requirements

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

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



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
THREE-A RESOURCES BERHAD (continued)**

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.

A handwritten signature in black ink, appearing to be 'BDO'.

BDO
AF : 0206
Chartered Accountants

A handwritten signature in black ink, appearing to be 'Law Kian Huat'.

Law Kian Huat
2855/06/16 (J)
Chartered Accountant

Kuala Lumpur
27 March 2015

THREE-A RESOURCES BERHAD (481559 - M)

(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014**

	Note	2014 RM'000	2013 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	130,147	134,359
Prepaid lease payments for land	8	5,992	6,361
Investment in a joint venture	10	3,536	9,347
		<u>139,675</u>	<u>150,067</u>
Current assets			
Inventories	12	54,278	46,788
Trade and other receivables	13	68,592	79,202
Current tax assets		46	2
Cash and bank balances	14	17,058	16,720
		<u>139,974</u>	<u>142,712</u>
TOTAL ASSETS		<u><u>279,649</u></u>	<u><u>292,779</u></u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	15	78,720	78,720
Reserves	16	153,105	140,311
TOTAL EQUITY		<u>231,825</u>	<u>219,031</u>
LIABILITIES			
Non-current liabilities			
Borrowings	17	9,491	19,804
Deferred tax liabilities	11	14,525	13,143
		24,016	32,947
Current liabilities			
Trade and other payables	19	14,346	13,032
Dividend payable		5,510	4,723
Borrowings	17	2,992	22,892
Current tax liabilities		960	154
		<u>23,808</u>	<u>40,801</u>
TOTAL LIABILITIES		<u>47,824</u>	<u>73,748</u>
TOTAL EQUITY AND LIABILITIES		<u><u>279,649</u></u>	<u><u>292,779</u></u>

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

THREE-A RESOURCES BERHAD (481559 - M)

(Incorporated in Malaysia)

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014**

	Note	2014 RM'000	2013 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	-	-
Investments in subsidiaries	9	163,190	142,423
		163,190	142,423
Current assets			
Trade and other receivables	13	4,218	6,676
Current tax asset		46	2
Cash and bank balances	14	5,687	6,646
		9,951	13,324
TOTAL ASSETS		<u>173,141</u>	<u>155,747</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	15	78,720	78,720
Reserves	16	88,683	72,252
TOTAL EQUITY		<u>167,403</u>	<u>150,972</u>
LIABILITIES			
Current liabilities			
Trade and other payables	19	228	52
Dividend payable		5,510	4,723
TOTAL LIABILITIES		<u>5,738</u>	<u>4,775</u>
TOTAL EQUITY AND LIABILITIES		<u>173,141</u>	<u>155,747</u>

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

THREE-A RESOURCES BERHAD (481559 - M)

(Incorporated in Malaysia)

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Revenue	22	311,410	302,910	22,447	5,003
Cost of sales	23	<u>(255,438)</u>	<u>(256,428)</u>	<u>-</u>	<u>-</u>
Gross profit		55,972	46,482	22,447	5,003
Other income		1,617	666	8	76
Administrative expenses		(16,295)	(16,646)	(439)	(365)
Other operating expenses		(7,526)	(7,313)	-	-
Share of results of a joint venture, net of tax	10(c)	<u>(5,901)</u>	<u>(4,275)</u>	<u>-</u>	<u>-</u>
Profit from operations		27,867	18,914	22,016	4,714
Finance costs	24	<u>(1,602)</u>	<u>(2,794)</u>	<u>-</u>	<u>-</u>
Profit before tax	25	26,265	16,120	22,016	4,714
Tax expense	26	<u>(8,051)</u>	<u>(5,804)</u>	<u>(75)</u>	<u>(21)</u>
Profit for the financial year		18,214	10,316	21,941	4,693
Other comprehensive income that may be reclassified subsequently to profit or loss - Foreign currency translation		<u>90</u>	<u>1,136</u>	<u>-</u>	<u>-</u>
Total other comprehensive income, net of tax		<u>90</u>	<u>1,136</u>	<u>-</u>	<u>-</u>
Total comprehensive income		<u>18,304</u>	<u>11,452</u>	<u>21,941</u>	<u>4,693</u>
Profit attributable to owners of the parent		<u>18,214</u>	<u>10,316</u>	<u>21,941</u>	<u>4,693</u>
Total comprehensive income attributable to owners of the parent		<u>18,304</u>	<u>11,452</u>	<u>21,941</u>	<u>4,693</u>
Earnings per share attributable to equity holders of the Company (sen):					
Basic and diluted	27	<u>4.6</u>	<u>2.6</u>		

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

THREE-A RESOURCES BERHAD (481559 - M)

(Incorporated in Malaysia)

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

Group	Note	----- Non-distributable -----			Distributable Retained earnings RM'000	Total RM'000
		Share capital RM'000	Share premium RM'000	Exchange translation reserve RM'000		
Balance as at 1 January 2013		78,720	70,367	483	62,732	212,302
Profit for the financial year		-	-	-	10,316	10,316
Other comprehensive income, net of tax		-	-	1,136	-	1,136
Total comprehensive income		-	-	1,136	10,316	11,452
Transactions with owners						
Dividends	28	-	-	-	(4,723)	(4,723)
Balance as at 31 December 2013		78,720	70,367	1,619	68,325	219,031
Profit for the financial year		-	-	-	18,214	18,214
Other comprehensive income, net of tax		-	-	90	-	90
Total comprehensive income		-	-	90	18,214	18,304
Transactions with owners						
Dividends	28	-	-	-	(5,510)	(5,510)
Balance as at 31 December 2014		78,720	70,367	1,709	81,029	231,825

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

THREE-A RESOURCES BERHAD (481559 - M)

(Incorporated in Malaysia)

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

Company	Note	Share capital RM'000	Non- distributable Share premium RM'000	Distributable Retained earnings RM'000	Total RM'000
Balance as at 1 January 2013		78,720	70,367	1,915	151,002
Profit for the financial year		-	-	4,693	4,693
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		-	-	4,693	4,693
Transactions with owners Dividend on ordinary shares	28	-	-	(4,723)	(4,723)
Balance as at 31 December 2013		78,720	70,367	1,885	150,972
Profit for the financial year		-	-	21,941	21,941
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		-	-	21,941	21,941
Transactions with owners Dividend on ordinary shares	28	-	-	(5,510)	(5,510)
Balance as at 31 December 2014		78,720	70,367	18,316	167,403

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

THREE-A RESOURCES BERHAD (481559 - M)

(Incorporated in Malaysia)

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

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		26,265	16,120	22,016	4,714
Adjustments for:					
Amortisation of prepaid lease payments for land	8	369	370	-	-
Depreciation of property, plant and equipment	7	6,963	6,820	-	-
Dividend income from a subsidiary	22	-	-	(22,447)	(5,003)
Loss/(Gain) on disposal of property, plant and equipment		40	(18)	-	-
Impairment loss on trade receivables	13	-	940	-	-
Interest expense	24	1,602	2,794	-	-
Interest income		(272)	(76)	(8)	(76)
Share of results of a joint venture, net of tax	10(c)	5,901	4,275	-	-
Unrealised foreign exchange gain		(332)	(453)	-	-
Operating profit/(loss) before changes in working capital		40,536	30,772	(439)	(365)
Changes in working capital:					
Inventories		(7,490)	17,082	-	-
Trade and other receivables		10,976	1,829	-	5
Trade and other payables		1,137	(386)	176	9
Cash generated from/(used in) operations		45,159	49,297	(263)	(351)
Tax (paid)/refunded		(5,907)	(3,895)	(119)	13
Net cash from/(used in) operating activities		39,252	45,402	(382)	(338)

THREE-A RESOURCES BERHAD (481559 - M)

(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (continued)

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
(Advances to)/Repayments by subsidiaries		-	-	(18,309)	4,808
Purchase of property, plant and equipment	7(a)	(2,518)	(5,406)	-	-
Acquisition of prepaid lease payment for land		-	(4,000)	-	-
Proceeds from disposal of property, plant and equipment		20	-	-	-
Dividend received from a subsidiary		-	-	22,447	-
Interest received		272	76	8	76
		<u>272</u>	<u>76</u>	<u>8</u>	<u>76</u>
Net cash (used in)/from investing activities		<u>(2,226)</u>	<u>(9,330)</u>	<u>4,146</u>	<u>4,884</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid	28	(4,723)	(4,723)	(4,723)	(4,723)
Interest paid	24	(1,602)	(2,794)	-	-
Repayments of bankers' acceptances		(17,154)	(28,311)	-	-
Repayments of term loans		(11,956)	(534)	-	-
Repayments of hire purchase obligations		(1,029)	(406)	-	-
		<u>(1,029)</u>	<u>(406)</u>	<u>-</u>	<u>-</u>
Net cash used in financing activities		<u>(36,464)</u>	<u>(36,768)</u>	<u>(4,723)</u>	<u>(4,723)</u>
Net increase/(decrease) in cash and cash equivalents		562	(696)	(959)	(177)
Effect of exchange rate changes on cash and cash equivalents		(150)	(55)	-	-
Cash and cash equivalents at beginning of financial year		<u>16,646</u>	<u>17,397</u>	<u>6,646</u>	<u>6,823</u>
Cash and cash equivalents at end of financial year	14(c)	<u>17,058</u>	<u>16,646</u>	<u>5,687</u>	<u>6,646</u>

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

THREE-A RESOURCES BERHAD (481559 - M)

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014**

1. CORPORATE INFORMATION

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

The registered office and the principal place of business of the Group and of the Company is located at AL 308, Lot 590 & Lot 4196, Jalan Industri, U19, Kampung Baru Sungai Buloh, 40160 Shah Alam, Selangor Darul Ehsan.

The consolidated financial statements for the financial year ended 31 December 2014 comprise the Company and its subsidiaries and the interest of the Group in a joint venture. These financial statements are presented in Ringgit Malaysia (“RM”), which is also the functional currency of the Company. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 27 March 2015.

2. PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 9 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group and of the Company set out on pages 10 to 75 have been prepared in accordance with Malaysian Financial Reporting Standards (‘MFRSs’), International Financial Reporting Standards (‘IFRSs’) and the provisions of the Companies Act, 1965 in Malaysia. However, Note 34 to the financial statements set out on page 76 has been prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants (‘MIA Guidance’) and the directive of Bursa Malaysia Securities Berhad.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

The preparation of financial statements in conformity with MFRSs requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 6 to the financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

4.2 Basis of consolidation

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

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

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

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

Intragroup balances, transactions, income and expenses are eliminated on consolidation. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the interest of the Group in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the other entities in the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Basis of consolidation (continued)

Non-controlling interests represent equity in subsidiaries that are not attributable, directly or indirectly, to owners of the parent, and is presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the parent.

If the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

- (a) The aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- (b) The previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Business combinations

Business combinations are accounted for by applying the acquisition method of accounting.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair value at acquisition date, except that:

- (a) Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;
- (b) Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement by the Group of an acquiree's share-based payment transactions are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and
- (c) Assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the serviced are received.

Any contingent consideration payable is recognised at fair value at the acquisition date. Measurement period adjustments to contingent consideration are dealt with as follows:

- (a) If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity.
- (b) Subsequent changes to contingent consideration classified as an asset or liability that is a financial instrument within the scope of MFRS 139 are recognised either in profit or loss or in other comprehensive income in accordance with MFRS 139. All other subsequent changes are recognised in profit or loss.

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

Components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at fair value. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the previously held equity interest of the Group in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has different useful life, is depreciated separately.

After initial recognition, property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal annual depreciation periods are as follows:

Long-term leasehold land	56 to 99 years
Factory and office buildings	50 years
Plant and machinery, tools and implements	10 to 20 years
Furniture and fittings and equipment	10 years
Renovations and electrical installations	10 years
Motor vehicles	7 to 15 years

Construction-in-progress represents factory under construction and is stated at cost. Construction-in-progress is not depreciated until such time when the asset is available for use.

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 4.7 to the financial statements on impairment of non-financial assets).

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in accounting estimate.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Leases and hire purchase

(a) Finance leases and hire purchase

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

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

(b) Operating leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

(c) Leases of land and buildings

For leases of land and buildings, the land and buildings elements are considered separately for the purpose of lease classification and these leases are classified as operating or finance leases in the same way as leases of other assets.

The minimum lease payments including any lump-sum upfront payments made to acquire the interest in the land and buildings are allocated between the land and the buildings elements in proportion to the relative fair values of the leasehold interests in the land element and the buildings element of the lease at the inception of the lease.

For a lease of land and buildings in which the amount that would initially be recognised for the land element is immaterial, the land and buildings are treated as a single unit for the purpose of lease classification and is accordingly classified as a finance or operating lease. In such a case, the economic life of the buildings is regarded as the economic life of the entire leased asset.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Investments

(a) Subsidiaries

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

An investment in subsidiary, which is eliminated on consolidation, is stated in the separate financial statements of the Company at cost. Put options written over non-controlling interests on the acquisition of subsidiary shall be included as part of the cost of investment in the separate financial statements of the Company. Subsequent changes in the fair value of the written put options over non-controlling interests shall be recognised in profit or loss. Investments accounted for at cost shall be accounted for in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* when they are classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with MFRS 5.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the Group would derecognise all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

(b) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. The parties are bound by a contractual arrangement which gives two or more parties joint control of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is either a joint operation or a joint venture.

(i) Joint operation

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. These parties are known as joint operators.

The Group and the Company recognise in relation to its interest in a joint operation:

- (a) its assets, including its share of any assets held jointly;
- (b) its liabilities, including its share of any liabilities incurred jointly;
- (c) its revenue from the sale of its share of the output arising from the joint operation;
- (d) its share of the revenue from the sale of the output buy the joint operation;
and
- (e) its expenses, including its share of any expenses incurred jointly.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Investments (continued)

(b) Joint arrangements (continued)

(i) Joint operation (continued)

When the Group transacts with a joint operation (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, as such the gains and losses resulting from the transactions are recognised only to the extent of interests of other parties in the joint operation.

When the Group transacts with a joint operation (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

(ii) Joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. These parties are known as joint venturers.

In the separate financial statements of the Company, an investment in a joint venture is stated at cost.

Any premium paid for an investment in a joint venture above the fair value of the share of the identifiable assets, liabilities and contingent liabilities acquired of the Group is capitalised and included in the carrying amount of the investment in joint venture. Where there is an objective evidence that the investment in a joint venture has been impaired, the carrying amount of the investment is tested for impairment in accordance with MFRS 136 *Impairment of Assets* as a single asset, by comparing its recoverable amount with its carrying amount.

The Group recognises its interest in a joint venture as an investment and accounts for that investment using the equity method in accordance with MFRS 128 *Investment in Associates and Joint Ventures*.

The Group determines the type of joint arrangement in which it is involved, based on the rights and obligations of the parties to the arrangement. In assessing the classification of interests in joint arrangements, the Group considers:

- (i) The structure of the joint arrangement;
- (ii) The legal form of joint arrangements structured through a separate vehicle;
- (iii) The contractual terms of the joint arrangement agreement; and
- (iv) Any other facts and circumstances

When there are changes in the facts and circumstances change, the Group reassesses whether the type of joint arrangement in which it is involved has changed.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Impairment of non-financial assets

The carrying amount of assets, except for financial assets (excluding investments in subsidiaries and a joint venture), inventories and deferred tax assets, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ('CGU') to which the asset belongs.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating the value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated to reduce the carrying amount of the assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU.

The impairment loss is recognised in profit or loss immediately.

An impairment loss for assets is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Such reversals are recognised as income immediately in profit or loss.

4.8 Inventories

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

Cost incurred in bringing the inventories to their present location and condition are accounted for as follows:

- (a) raw materials and goods-in-transit: purchase costs on a first-in first-out basis.
- (b) finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Group.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Group.

Financial instruments are recognised on the statement of financial position when the Group has become a party to the contractual provisions of the instrument. At initial recognition, a financial instrument is recognised at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial instrument.

An embedded derivative is separated from the host contract and accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative is not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative meets the definition of a derivative, and the hybrid instrument is not measured at fair value through profit or loss.

(a) Financial assets

A financial asset is classified into the following four (4) categories after initial recognition for the purpose of subsequent measurement:

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

Financial assets at fair value through profit or loss comprise financial assets that are held for trading (i.e. financial assets acquired principally for the purpose of resale in the near term), derivatives (both, freestanding and embedded) and financial assets that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial assets classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as at fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial assets classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

However, derivatives that is linked to and must be settled by delivery of unquoted equity instruments that do not have a quoted market price in an active market are recognised at cost.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Financial instruments (continued)

(a) Financial assets (continued)

(ii) Held-to-maturity investments

Financial assets classified as held-to-maturity comprise non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

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

(iii) Loans and receivables

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

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

(iv) Available-for-sale financial assets

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

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

Cash and bank balances include cash and cash equivalents, bank overdrafts, deposits and other short term, highly liquid investments with original maturities of three (3) months or less, which are readily convertible to cash and are subject to insignificant risk of changes in value.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Financial instruments (continued)

(a) Financial assets (continued)

A financial asset is derecognised when the contractual right to receive cash flows from the financial asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised directly in other comprehensive income shall be recognised in profit or loss.

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or marketplace convention.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable using trade date accounting.

(b) Financial liabilities

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. A financial liability is classified into the following two (2) categories after initial recognition for the purpose of subsequent measurement:

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

Financial liabilities at fair value through profit or loss comprise financial liabilities that are held for trading, derivatives (both, freestanding and embedded) and financial liabilities that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial liabilities classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial liabilities classified as at fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial liabilities classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

(ii) Other financial liabilities

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Financial instruments (continued)

(b) Financial liabilities (continued)

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Financial instruments (continued)

(c) Equity

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

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

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

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

When the Group repurchases its own shares, the shares repurchased would be accounted for using the treasury stock method.

Where the treasury stock method is applied, the shares repurchased and held as treasury shares shall be measured and carried at the cost of repurchase on initial recognition and subsequently. It shall not be revalued for subsequent changes in the fair value or market price of the shares.

The carrying amount of the treasury shares shall be offset against equity in the statement of financial position. To the extent that the carrying amount of the treasury shares exceeds the share premium account, it shall be considered as a reduction of any other reserves as may be permitted by the Main Market Listing Requirements.

No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the own equity instruments of the Company. If such shares are issued by resale, any difference between the sales consideration and the carrying amount is shown as a movement in equity.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Impairment of financial assets

The Group assesses whether there is any objective evidence that a financial asset is impaired at the end of each reporting period.

Loans and receivables

The Group collectively considers factors such as the probability of bankruptcy or significant financial difficulties of the receivable, and default or significant delay in payments by the receivable, to determine whether there is objective evidence that an impairment loss on loans and receivables has occurred. Other objective evidence of impairment include historical collection rates determined on an individual basis and observable changes in national or local economic conditions that are directly correlated with the historical default rates of receivables.

If any such objective evidence exists, the amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of loans and receivables are reduced through the use of an allowance account.

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

4.11 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualified asset is capitalised as part of the cost of the asset until when substantially all the activities necessary to prepare the asset for its intended use or sale are complete, after which such expense is charged to profit or loss. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing cost is suspended during extended periods in which active development is interrupted.

The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on the borrowing during the period less any investment income on the temporary investment of the borrowing.

All other borrowing cost is recognised in profit or loss in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 Income taxes

Income taxes include all domestic and foreign taxes on taxable profit. Income taxes also include other taxes, such as withholding taxes, which are payable by a foreign joint venture on distributions to the Group and real property gains taxes payable on disposal of properties, if any.

Taxes in the profit or loss and other comprehensive income comprise current tax and deferred tax.

(a) Current tax

Current tax expenses are determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits (including withholding taxes payable by foreign joint ventures on distribution of retained earnings to the Group) and real property gains taxes payable on disposal of properties.

(b) Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statement of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits would be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profits would be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset would be reduced accordingly. When it becomes probable that sufficient taxable profits would be available, such reductions would be reversed to the extent of the taxable profits.

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

- (i) the same taxable entity; or
- (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 Income taxes (continued)

(b) Deferred tax (continued)

Deferred tax would be recognised as income or expense and included in the profit or loss for the period unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax would be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on the announcement of tax rates and tax laws by the Government in the annual budgets which have the substantive effect of actual enactment by the end of each reporting period.

(c) Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

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

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

4.13 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, the amount of a provision would be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits would be required to settle the obligation, the provision would be reversed.

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.14 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources would be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but disclose its existence where inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date.

4.15 Employee benefits

(a) Short term employee benefits

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

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur and they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Group.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

(b) Defined contribution plan

The Company and its subsidiaries make contributions to a statutory provident fund. The contributions are recognised as a liability after deducting any contribution already paid and as an expense in the period in which the employees render their services.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.16 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the entities of the Group are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Ringgit Malaysia, which is the functional and presentation currency of the Company.

(b) Foreign currency translations and balances

Transactions in foreign currencies are converted into functional currency at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of each reporting period are translated into functional currency at rates of exchange ruling at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition, and non-monetary items, which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

(c) Foreign operations

Financial statements of foreign operations are translated at end of the reporting period exchange rates with respect to their assets and liabilities, and at exchange rates at the dates of the transactions with respect to the statement of profit or loss and other comprehensive income. All resulting translation differences are recognised as a separate component of equity.

In the consolidated financial statements, exchange differences arising from the translation of net investment in foreign operations are taken to equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in profit or loss as part of the gain or loss on disposal.

Exchange differences arising on a monetary item that forms part of the net investment of the Company in a foreign operation shall be recognised in profit or loss in the separate financial statements of the Company or the foreign operation, as appropriate. In the consolidated financial statements, such exchange differences shall be recognised initially as a separate component of equity and recognised in profit or loss upon disposal of the net investment.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.17 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivables, net of discounts and rebates.

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction would flow to the Group, and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured and specific recognition criteria have been met for each of the activities of the Group as follows:

(a) Sales of goods

Revenue from sale of goods is recognised when significant risk and rewards of ownership of the goods has been transferred to the customer and where the Group does not have continuing managerial involvement over the goods, which coincides with the delivery of goods and acceptance by customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Dividend income

Dividend income is recognised when the right of the Group to receive payment is established.

(c) Interest income

Interest income is recognised as it accrues, using the effective interest method.

4.18 Operating segments

Operating segments are defined as components of the Group that:

- (a) Engages in business activities from which it could earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);
- (b) Whose operating results are regularly reviewed by the chief operating decision maker of the Group in making decisions about resources to be allocated to the segment and assessing its performance; and
- (c) For which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenues.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.18 Operating segments (continued)

The Group reports separately information about each operating segment that meets any of the following quantitative thresholds:

- (a) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is ten percent (10%) or more of the combined revenue, internal and external, of all operating segments.
- (b) The absolute amount of its reported profit or loss is ten percent (10%) or more of the greater, in absolute amount of:
 - (i) The combined reported profit of all operating segments that did not report a loss; and
 - (ii) The combined reported loss of all operating segments that reported a loss.
- (c) Its assets are ten percent (10%) or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

Total external revenue reported by operating segments shall constitute at least seventy five percent (75%) of the revenue of the Group. Operating segments identified as reportable segments in the current financial year in accordance with the quantitative thresholds would result in a restatement of prior period segment data for comparative purposes.

4.19 Earnings per share

- (a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

- (b) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.20 Fair value measurements

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

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

- (a) the condition and location of the asset; and
- (b) restrictions, if any, on the sale or use of the assets.

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

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

- (a) a liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date; and
- (b) an entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

5. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

5.1 New MFRSs adopted during the financial year

The Group and the Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ('MASB') during the financial year.

Title	Effective Date
Amendments to MFRS 10 <i>Consolidated Financial Statements: Investment Entities</i>	1 January 2014
Amendments to MFRS 12 <i>Disclosure of Interest in Other Entities: Investment Entities</i>	1 January 2014
Amendments to MFRS 127 <i>Separate Financial Statements (2011): Investment Entities</i>	1 January 2014
Amendments to MFRS 132 <i>Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014
Amendments to MFRS 136 <i>Recoverable Amount Disclosures for Non-Financial Assets</i>	1 January 2014
Amendments to MFRS 139 <i>Novation of Derivatives and Continuation of Hedge Accounting</i>	1 January 2014
IC Interpretation 21 <i>Levies</i>	1 January 2014

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

5.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2015

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

Title	Effective Date
Amendments to MFRS 119 <i>Defined Benefit Plans: Employee Contributions</i>	1 July 2014
Amendments to MFRSs <i>Annual Improvements 2010 – 2012 Cycle</i>	1 July 2014
Amendments to MFRSs <i>Annual Improvements 2011 – 2013 Cycle</i>	1 July 2014
MFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associates or Joint Venture</i>	1 January 2016
Amendments to MFRS 116 and MFRS 138 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to MFRS 11 Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 116 and MFRS 141 <i>Agriculture: Bearer Plants</i>	1 January 2016
Amendments to MFRS 127 <i>Equity Method in Separate Financial Statements</i>	1 January 2016

5. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

5.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2015 (continued)

Title	Effective Date
Amendments to MFRSs <i>Annual Improvements to 2012-2014 Cycle</i>	1 January 2016
Amendments to MFRS 101 <i>Disclosure Initiative</i>	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 <i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2017
MFRS 9 <i>Financial Instruments (IFRS as issued by IASB in July 2014)</i>	1 January 2018

The Group is in the process of assessing the impact of implementing these Standards, since the effects would only be observable for the future financial years.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

6.1 Changes in estimates

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Directors are of the opinion that there are no significant changes in estimates at the end of the reporting period.

6.2 Critical judgements made in applying accounting policies

The following are judgements made by management in the process of applying the accounting policies of the Group that have the most significant effect on the amounts recognised in the financial statements.

(a) 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.

Due to 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 and that the present value of the minimum lease payments do not form substantially all of the fair value of the land at the inception of the lease, management had determined that the short term leasehold land lease does not transfer substantially all the risks and rewards to the Group and hence it is classified as operating lease.

The Group has assessed and classified land use rights (i.e. long term leasehold land) of the Group as finance leases based on the extent to which risks and rewards incidental to ownership of the land resides with the Group arising from the lease term. Consequently, the Group has classified the unamortised upfront payment for land use rights (i.e. long term leasehold land) as finance leases in accordance with MFRS 117 *Leases*.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

6.2 Critical judgements made in applying accounting policies (continued)

(b) Classification of non-current bank borrowings

Term loan agreements entered into by the Group include repayment on demand clauses at the discretion of financial institutions. The Group believes that in the absence of a default being committed by the Group, these financial institutions are not entitled to exercise its right to demand for repayment. Accordingly, the carrying amount of the term loans have been classified between current and non-current liabilities based on their repayment period.

(c) Classification of joint arrangements

For the joint arrangement structured in a separate vehicle, the Group assesses the substance of the joint arrangement in determining whether it is classified as a joint venture or joint operation. This assessment requires the Group to consider whether there are any factors that give the Group rights to the net assets of the joint arrangement (in which case it is classified as a joint venture), or rights to specific assets, liabilities, expenses, and revenues (in which case it is classified as a joint operation). These factors include:

- (i) Structure;
- (ii) Legal form;
- (iii) Contractual agreement; and
- (iv) Other facts and circumstances.

Upon consideration of these factors, the Group has determined that the joint arrangement structured through a separate vehicle provide rights to the net assets and are therefore, classified as a joint venture.

(d) Contingent liabilities on corporate guarantees

The determination of treatment of contingent liabilities is based on management's view of the expected outcome of the contingencies for matters in the ordinary course of the business. The Directors are of the view that the chances of the financial institutions to call upon the corporate guarantees are remote.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

6.3 Key sources of estimation uncertainty

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

(a) Depreciation of plant and machinery

The cost of plant and machinery is depreciated on a straight-line basis over the assets' useful lives. Management estimates that the useful lives of these plant and machinery as disclosed in Note 4.4 to the financial statements. The useful lives are based on the historical experience of the Group with similar assets and taking into account of anticipated technological changes, which are common life expectancies applied in the manufacturing industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, and therefore future depreciation charges could be revised.

(b) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that future taxable profits would be available against which the losses and capital allowances could be utilised. Significant management judgement is required to determine the amount of deferred tax assets that could be recognised, based on the likely timing and extent of future taxable profits together with future tax planning strategies.

(c) Impairment of receivables

The Group makes impairment of receivables based on an assessment of the recoverability of receivables. Impairment is applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debt, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of impairment of receivables. Where expectations differ from the original estimates, the differences would impact the carrying amount of receivables.

(d) Write down for obsolete or slow moving inventories

The Group writes down its obsolete or slow moving inventories based on assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts could not be recovered. Management specifically analyses sales trend and current economic trends when making this judgement to evaluate the adequacy of the write down for obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences would impact the carrying amount of inventories.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

6.3 Key sources of estimation uncertainty (continued)

(e) Impairment of investments in subsidiaries and joint venture

The management reviews the material investments in subsidiaries and joint venture for impairment when there is an indication of impairment.

The recoverable amounts of the investments in subsidiaries and joint venture are assessed by reference to the higher of its fair value less cost to sell and its value in use of the respective subsidiaries and joint venture.

Estimating a value in use requires management to make an estimate of the expected future cash flows to be derived from continuing use of the asset and from its ultimate disposal, expectations about possible variations in the amount, timing of those cash flows, the time value of money, price for inherent uncertainty risk and other relevant factors.

(f) Fair value measurement

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

- (i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- (iii) Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

The Group measures its financial instruments at fair value as disclosed in Note 32 to the financial statements.

7. PROPERTY, PLANT AND EQUIPMENT

Group	Long-term leasehold land	Factory and office buildings	Plant and machinery, tools and implements	Furniture and fittings and equipment	Renovations and electrical installations	Motor vehicles	Construction-in-progress	Total
2014	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost								
As at 1 January 2014	20,857	48,584	96,640	4,332	2,544	9,602	1,667	184,226
Additions	-	96	1,022	115	3	716	859	2,811
Disposal	-	-	-	-	-	(291)	-	(291)
As at 31 December 2014	20,857	48,680	97,662	4,447	2,547	10,027	2,526	186,746
Accumulated depreciation								
As at 1 January 2014	2,208	6,492	33,580	2,630	1,569	3,388	-	49,867
Charge for the year	247	919	4,787	274	161	575	-	6,963
Disposal	-	-	-	-	-	(231)	-	(231)
As at 31 December 2014	2,455	7,411	38,367	2,904	1,730	3,732	-	56,599
Carrying amount								
As at 31 December 2014	18,402	41,269	59,295	1,543	817	6,295	2,526	130,147

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Long-term leasehold land	Factory and office buildings	Plant and machinery, tools and implements	Furniture and fittings and equipment	Renovations and electrical installations	Motor vehicles	Construction-in-progress	Total
2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost								
As at 1 January 2013	20,857	47,709	92,502	4,082	2,511	9,275	1,642	178,578
Additions	-	875	4,138	250	33	646	25	5,967
Disposal	-	-	-	-	-	(319)	-	(319)
As at 31 December 2013	20,857	48,584	96,640	4,332	2,544	9,602	1,667	184,226
Accumulated depreciation								
As at 1 January 2013	1,961	5,575	28,947	2,365	1,409	2,997	-	43,254
Charge for the year	247	917	4,633	265	160	598	-	6,820
Disposal	-	-	-	-	-	(207)	-	(207)
As at 31 December 2013	2,208	6,492	33,580	2,630	1,569	3,388	-	49,867
Carrying amount								
As at 31 December 2013	18,649	42,092	63,060	1,702	975	6,214	1,667	134,359

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Furniture and fittings	
	2014	2013
	RM'000	RM'000
Cost		
At 1 January/31 December	<u>5</u>	<u>5</u>
Accumulated depreciation		
At 1 January/31 December	<u>5</u>	<u>5</u>
Carrying amount		
At 31 December	<u>-</u>	<u>-</u>

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

	Group	
	2014	2013
	RM'000	RM'000
Purchase of property, plant and equipment	2,811	5,967
Financed by hire purchase	-	(401)
Financed by credit purchase (Note 19(c))	<u>(293)</u>	<u>(160)</u>
Cash payments on purchase of property, plant and equipment	<u>2,518</u>	<u>5,406</u>

- (b) The carrying amount of the property, plant and equipment of the Group under hire purchase arrangements at the end of the reporting period are as follows:

	Group	
	2014	2013
	RM'000	RM'000
Plant and machinery	2,980	3,167
Motor vehicles	<u>2,459</u>	<u>2,693</u>
	<u>5,439</u>	<u>5,860</u>

- (c) As at the end of the reporting period, certain long term leasehold land, factory and office buildings, plant and machinery with a carrying amount of RM54,626,000 (2013: RM56,665,000) have been charged to bank for credit facilities granted to the Group as disclosed in Note 17 to the financial statements.

8. PREPAID LEASE PAYMENTS FOR LAND

Group	Balance as at 1.1.2014 RM'000	Amortisation charge for the financial year RM'000	Balance as at 31.12.2014 RM'000
Carrying amount			
Short term leasehold land	6,361	(369)	5,992

	Cost RM'000	At 31.12.2014 Accumulated amortisation RM'000	Carrying amount RM'000
Short term leasehold land	7,201	(1,209)	5,992

Group	Balance as at 1.1.2013 RM'000	Addition RM'000	Amortisation charge for the financial year RM'000	Balance as at 31.12.2013 RM'000
Carrying amount				
Short term leasehold land	1,731	5,000	(370)	6,361

	Cost RM'000	At 31.12.2013 Accumulated amortisation RM'000	Carrying amount RM'000
Short term leasehold land	7,201	(840)	6,361

Prepaid lease payments for land with a carrying amount of RM1,019,000 (2013: RM1,058,000) are charged as securities for bank facilities of the Group (Note 17).

9. INVESTMENTS IN SUBSIDIARIES

	Company	
	2014 RM'000	2013 RM'000
Unquoted shares - at cost	163,190	142,423

9. INVESTMENTS IN SUBSIDIARIES (continued)

(a) The details of the subsidiaries are as follows:

Name of company	Country of incorporation	Effective interest in equity		Principal activities
		2014 %	2013 %	
San Soon Seng Food Industries Sdn. Bhd.	Malaysia	100	100	Manufacturing and sale of food and beverage ingredients
Three-A Food Industries (M) Sdn. Bhd.	Malaysia	100	100	Investment holding

All subsidiaries are audited by BDO, Malaysia.

(b) During the financial year, amounts owing by subsidiaries amounting to RM20,767,000 have been capitalised as investments in subsidiaries (Note 13(c)).

10. INVESTMENT IN A JOINT VENTURE

	Group	
	2014 RM'000	2013 RM'000
Unquoted equity shares, at cost	14,039	14,039
Share of post-acquisition reserves	(12,212)	(6,311)
	1,827	7,728
Exchange differences	1,709	1,619
	<u>3,536</u>	<u>9,347</u>

(a) The details of the joint venture are as follows:

Name	Country of incorporation	Proportion (%) of ownership interest		Principal activities
		2014 %	2013 %	
Held through Three-A Food Industries (M) Sdn. Bhd.				
Three-A (Qinhuangdao) Food Industries Co. Ltd. #	People's Republic of China	50	50	Manufacturing and sale of food and beverage ingredients

Audited by a firm other than BDO

10. INVESTMENT IN A JOINT VENTURE (continued)

- (b) Three-A (Qinhuangdao) Food Industries Co. Ltd., the only joint venture in which the Group participates, is an unlisted separate structured entity whose quoted market price is not available. The contractual arrangement provides the Group with only the rights to the net assets of the joint arrangement, with the rights to the assets and obligation for liabilities of the joint arrangement resting primarily with Three-A (Qinhuangdao) Food Industries Co. Ltd.. The joint arrangement has been classified as a joint venture and has been included in the consolidated financial statements using the equity method.
- (c) The summarised financial information of the joint venture, adjusted for any differences in accounting policies, if any and a reconciliation to the carrying amount in the consolidated financial statements, are as follows:

	Group	
	2014	2013
	RM'000	RM'000
Assets and liabilities		
Non-current assets	55,011	55,421
Current assets	9,804	5,816
Current liabilities	<u>(57,743)</u>	<u>(42,543)</u>
Net assets	<u>7,072</u>	<u>18,694</u>
Proportion of the ownership of the Group	50%	50%
Carrying amount of the investment in joint venture	<u>3,536</u>	<u>9,347</u>
Results		
Revenue	12,016	2,624
Cost of sales	<u>(17,193)</u>	<u>(7,821)</u>
Gross loss	(5,177)	(5,197)
Administrative expenses	(3,374)	(1,219)
Finance cost	<u>(2,494)</u>	<u>(2,134)</u>
Loss before tax	(11,045)	(8,550)
Taxation	<u>(757)</u>	<u>-</u>
Loss for the financial year	<u>(11,802)</u>	<u>(8,550)</u>
Share of loss by the Group for the financial year	<u>(5,901)</u>	<u>(4,275)</u>

10. INVESTMENT IN A JOINT VENTURE (continued)

- (d) The commitments of the Group in respect of its investment in a joint venture are as follows:

		Group	
	Note	2014 USD'000	2013 USD'000
Co-operation commitments	(i)	20,000	20,000
Balance of the investment commitment in joint venture	(ii)	5,450	5,450
		RM'000	RM'000
Share of capital commitments of joint venture on buildings, machinery and equipment	(iii)	286	64

- (i) On 5 May 2010, the Group had entered into a framework co-operation agreement with Wilmar International Limited (“Wilmar”), a company incorporated in Singapore to set up an equity joint venture company in the People’s Republic of China (“PRC”). Both parties agreed to contribute 50% and jointly invest up to USD40,000,000 or such other amount as may be agreed by both parties from time to time.
- (ii) Pursuant to the framework co-operation Agreement, the Group had on 5 May 2010 entered into a joint venture agreement with Yihai Kerry Investments Co. Ltd (“Yihai”), a wholly-owned subsidiary of Wilmar. Both parties agreed to contribute 50% of the total investment cost of up to USD12,000,000 in the joint venture company to set up a factory in the vicinity of Shanhaiguan, PRC for the business of manufacturing and selling of food and beverage ingredients. The Group and Yihai agreed to increase their total investment in the joint venture company up to USD20,000,000 in prior years. As at the end of reporting period, the Group had invested a total amount of USD4,550,000 (2013: USD4,550,000).
- (iii) The joint venture company has capital commitments of RMB1,014,000 (2013: RMB237,000) on buildings, machinery and equipment as at 31 December 2014. The Group’s share of the capital commitment is RMB507,000 (2013: RMB118,400) (equivalent to RM286,000 (2013: RM64,000)), representing the Group’s 50% share in the joint venture company.
- (e) The exchange rate of RMB1.00: RM0.5634 (2013: RMB1.00: RM0.5411) as at end of reporting period have been used.

11. DEFERRED TAX

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

	Group	
	2014	2013
	RM'000	RM'000
Balance as at 1 January	13,143	12,377
Recognised in profit or loss (Note 26)	1,382	766
	<u>14,525</u>	<u>13,143</u>
Balance as at 31 December	<u>14,525</u>	<u>13,143</u>
Deferred tax liabilities presented after appropriate offsetting	<u>14,525</u>	<u>13,143</u>

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

Deferred tax liabilities of the Group

	Property, plant and equipment	Others	Total
	RM'000	RM'000	RM'000
Balance as at 1 January 2013	13,569	(93)	13,476
Recognised in profit or loss	1,181	149	1,330
	<u>14,750</u>	<u>56</u>	<u>14,806</u>
Balance as at 31 December 2013	14,750	56	14,806
Recognised in profit or loss	565	28	593
	<u>15,315</u>	<u>84</u>	<u>15,399</u>
Balance as at 31 December 2014	<u>15,315</u>	<u>84</u>	<u>15,399</u>

Deferred tax assets of the Group

	Provisions
	RM'000
Balance as at 1 January 2013	(1,099)
Recognised in profit or loss	(564)
	<u>(1,663)</u>
Balance as at 31 December 2013	(1,663)
Recognised in profit or loss	789
	<u>(874)</u>
Balance as at 31 December 2014	<u>(874)</u>

12. INVENTORIES

	Group	
	2014 RM'000	2013 RM'000
At cost		
Raw materials	31,561	29,812
Goods-in-transit	8,419	4,252
Work-in-progress	3,636	3,331
Packing materials	999	1,032
Finished goods	9,663	8,361
	<u>54,278</u>	<u>46,788</u>

During the financial year, inventories of the Group recognised as cost of sales amounted to RM240,256,000 (2013: RM243,866,000).

13. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Trade receivables				
Third parties	66,204	74,925	-	-
Related parties	595	162	-	-
	66,799	75,087	-	-
Less: Impairment losses - third parties	(956)	(956)	-	-
	65,843	74,131	-	-
Other receivables				
Amounts owing by subsidiaries	-	-	4,210	6,668
Other receivables	8	8	8	8
Staff loans	62	20	-	-
Deposits	362	324	-	-
	<u>432</u>	<u>352</u>	<u>4,218</u>	<u>6,676</u>
Loans and receivables	66,275	74,483	4,218	6,676
Prepayments	2,317	4,719	-	-
Total trade and other receivables	<u>68,592</u>	<u>79,202</u>	<u>4,218</u>	<u>6,676</u>

13. TRADE AND OTHER RECEIVABLES (continued)

- (a) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group range from 30 to 150 days (2013: 30 to 150 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.
- (b) Amounts owing by related parties are due from Seong Chan Sauce & Foodstuff Sdn. Bhd. and Three-A (Qinhuangdao) Food Industries Co. Ltd., a company in which certain Directors have financial interests and a joint venture company of the Group respectively. Amounts owing by related parties are non-interest bearing and range from 60 to 90 days (2013: 90 days) credit terms and are repayable in cash.
- (c) Amounts owing by subsidiaries represent non-trade transactions, which are unsecured, interest-free and payable upon demand in cash and cash equivalents. Included in amounts owing by subsidiaries is the subordination up to RM28,000,000 (2013: RM28,000,000) of advances to a subsidiary as required by borrowing covenant (Note 17).

In addition, during the financial year, an amount of RM20,767,000 owing by subsidiaries have been capitalised as investments in subsidiaries, as disclosed in Note 9 to the financial statements.

- (d) Included in prepayments is RM1,804,000 (2013: RM4,209,000) paid to suppliers for purchase of raw materials.
- (e) The currency exposure profile of receivables are as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Ringgit Malaysia	50,995	57,608	4,218	6,676
US Dollar	13,861	15,566	-	-
Singapore Dollar	1,419	1,309	-	-
	<u>66,275</u>	<u>74,483</u>	<u>4,218</u>	<u>6,676</u>

13. TRADE AND OTHER RECEIVABLES (continued)

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

	Group	
	2014	2013
	RM'000	RM'000
Neither past due nor impaired	65,147	72,876
Past due and not impaired		
1 month past due not impaired	340	680
2 months past due not impaired	296	413
3 months past due not impaired	-	141
4 months past due not impaired	-	-
More than 5 months past due not impaired	60	21
Past due and not impaired	696	1,255
Past due and impaired	956	956
	<u>66,799</u>	<u>75,087</u>

Receivables that are neither past due nor impaired

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

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

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM696,000 (2013: RM1,255,000) that are past due at the end of the reporting period but not impaired. Trade receivables that are past due but not impaired mainly arose from active corporate customers with healthy business relationship, in which the Group is of the view that the amounts are recoverable based on past payment history. Trade receivables of the Group that are past due but not impaired are unsecured in nature. The Group closely monitors the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

13. TRADE AND OTHER RECEIVABLES (continued)

- (f) The ageing analysis of trade receivables of the Group are as follows (continued):

Receivables that are past due and impaired

Trade receivables of the Group that are past due and impaired at the end of each reporting period are as follows:

	Individually impaired	
	2014	2013
	RM'000	RM'000
Trade receivables - nominal amounts	956	956
Less: Impairment loss	(956)	(956)
	-	-
	-	-

- (g) The reconciliation of movement in the impairment loss are as follows:

	2014	2013
	RM'000	RM'000
Trade receivables		
At 1 January	956	16
Charge for the financial year (Note 25)	-	940
	956	956
At 31 December	956	956

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

- (h) Information on financial risks of trade and other receivables is disclosed in Note 33 to the financial statements.

14. CASH AND BANK BALANCES

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	17,058	16,720	5,687	6,646
	17,058	16,720	5,687	6,646

- (a) Information on financial risks of cash and bank balances is disclosed in Note 33 to the financial statements.

14. CASH AND BANK BALANCES (continued)

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

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	16,524	15,992	5,687	6,646
US Dollar	465	692	-	-
Singapore Dollar	67	34	-	-
Indonesia Rupiah	1	1	-	-
Philippine Peso	1	1	-	-
	<u>17,058</u>	<u>16,720</u>	<u>5,687</u>	<u>6,646</u>

(c) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the end of each reporting period:

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	17,058	16,720	5,687	6,646
Bank overdrafts included in borrowings (Note 17)	-	(74)	-	-
	<u>17,058</u>	<u>16,646</u>	<u>5,687</u>	<u>6,646</u>

15. SHARE CAPITAL

	Group and Company			
	2014		2013	
	Number		Number	
	of shares		of shares	
	'000	RM'000	'000	RM'000
Ordinary share of RM0.20 each				
Authorised	<u>500,000</u>	<u>100,000</u>	<u>500,000</u>	<u>100,000</u>
Issued and fully paid				
- At 1 January/31 December	<u>393,600</u>	<u>78,720</u>	<u>393,600</u>	<u>78,720</u>

The owners of the parent are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the residual assets of the Company.

16. RESERVES

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Non-distributable				
Share premium	70,367	70,367	70,367	70,367
Exchange translation reserve	1,709	1,619	-	-
	72,076	71,986	70,367	70,367
Distributable				
Retained earnings	81,029	68,325	18,316	1,885
	<u>153,105</u>	<u>140,311</u>	<u>88,683</u>	<u>72,252</u>

(a) Exchange translation reserve

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

17. BORROWINGS

	Group	
	2014	2013
	RM'000	RM'000
Current liabilities		
Secured:		
Bank overdrafts (Note 14)	-	74
Bankers' acceptances	-	17,154
Term loans	2,015	4,635
Hire purchase creditors (Note 18)	977	1,029
	<u>2,992</u>	<u>22,892</u>
Non-current liabilities		
Secured:		
Term loans	7,487	16,823
Hire purchase creditors (Note 18)	2,004	2,981
	<u>9,491</u>	<u>19,804</u>
Total borrowings		
Secured:		
Bank overdrafts (Note 14)	-	74
Bankers' acceptances	-	17,154
Term loans	9,502	21,458
Hire purchase creditors (Note 18)	2,981	4,010
	<u>12,483</u>	<u>42,696</u>

- (a) The bank borrowings of the Group, other than hire purchase creditors are secured by the following:
- (i) fixed charges over the prepaid lease payments for land (Note 8), long-term leasehold land, factory and office buildings, plant and machinery of a subsidiary (Note 7);
 - (ii) debentures over certain plant and machinery of a subsidiary;
 - (iii) negative pledge on two adjoining pieces of leasehold land of a subsidiary;
 - (iv) a corporate guarantee of RM9,502,000 (2013: RM38,612,000) by the Company; and
 - (v) subordination up to RM28,000,000 (2013: RM28,000,000) of advances by the Company to the subsidiary.

17. BORROWINGS (continued)

(b) Term loans are repayable as follows:

	Group	
	2014	2013
	RM'000	RM'000
Not later than one (1) year	2,015	4,635
Later than one (1) year and not later than five (5) years	5,044	12,933
Later than five (5) years	2,443	3,890
	<u>9,502</u>	<u>21,458</u>

(c) Information on financial risks of borrowings is disclosed in Note 33 to the financial statements.

(d) All borrowings are denominated in RM.

18. HIRE PURCHASE CREDITORS

	Group	
	2014	2013
	RM'000	RM'000
Minimum hire purchase and lease payments:		
- not later than one (1) year	1,151	1,263
- later than one (1) year but not later than five (5) years	2,241	3,224
- later than five (5) years	-	154
	<u>3,392</u>	<u>4,641</u>
Total minimum hire purchase and lease payments	3,392	4,641
Less: Future finance charges	(411)	(631)
	<u>2,981</u>	<u>4,010</u>
Present value of hire purchase and lease payments	<u>2,981</u>	<u>4,010</u>
Repayable as follows:		
Current liabilities:		
- not later than one (1) year	977	1,029
Non-current liabilities:		
- later than one (1) year but not later than five (5) years	2,004	2,828
- later than five (5) years	-	153
	<u>2,004</u>	<u>2,981</u>
	<u>2,981</u>	<u>4,010</u>

Information on financial risks of hire purchase creditors is disclosed in Note 33 to the financial statements.

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Trade payables - third parties	8,600	7,331	-	-
Other payables	2,054	2,484	-	-
Accruals	3,692	3,217	228	52
	<u>5,746</u>	<u>5,701</u>	<u>228</u>	<u>52</u>
Total trade and other payables	<u>14,346</u>	<u>13,032</u>	<u>228</u>	<u>52</u>

- (a) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group and the Company range from 30 to 60 days (2013: 30 to 60 days)
- (b) The currency exposure profile of payables are as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Ringgit Malaysia	8,663	12,491	228	52
Euro	154	165	-	-
US Dollar	5,527	376	-	-
Singapore Dollar	2	-	-	-
	<u>14,346</u>	<u>13,032</u>	<u>228</u>	<u>52</u>

- (c) Included in other payables of the Group are credit purchase of property, plant and equipment amounting to RM293,000 (2013: RM160,000).
- (d) Information on financial risks of trade and other payables is disclosed in Note 33 to the financial statements.

20. COMMITMENTS

- (a) Operating lease commitments

The Group has entered into non-cancellable lease arrangements, resulting in future rental commitments which can, subject to certain terms in the agreements, be revised based on prevailing market rates. The Group has aggregate future minimum lease commitment as at the end of each reporting period as follows:

	Group	
	2014 RM'000	2013 RM'000
Not later than one (1) year	125	318
Later than one (1) year and not later than five (5) years	<u>30</u>	<u>155</u>
	<u>155</u>	<u>473</u>

20. COMMITMENTS (continued)

(b) Capital commitments

	Group	
	2014	2013
	RM'000	RM'000
Capital expenditure in respect of purchase of property, plant and equipment:		
Contracted but not provided for	<u>3,029</u>	<u>23</u>

21. CONTINGENT LIABILITIES

	Company	
	2014	2013
	RM'000	RM'000
Corporate guarantees given to banks for credit facilities granted to a subsidiary – secured (Note 17)	<u>9,502</u>	<u>38,612</u>

The Directors have assessed the financial guarantee contracts and concluded that the guarantees are unlikely to be called upon by the banks. This is because the guarantees are collateralised by fixed charges over certain properties, plant and machinery of the Group (Note 17). Accordingly, the fair value of the above corporate guarantees is negligible.

22. REVENUE

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Sales of goods	311,410	302,910	-	-
Dividend income from a subsidiary	<u>-</u>	<u>-</u>	<u>22,447</u>	<u>5,003</u>
	<u>311,410</u>	<u>302,910</u>	<u>22,447</u>	<u>5,003</u>

23. COST OF SALES

Cost of sales comprises of cost of goods sold and its associated expenses.

24. FINANCE COSTS

	Group	
	2014	2013
	RM'000	RM'000
Interest expense on:		
- bank overdrafts	15	31
- term loans	1,224	1,513
- bankers' acceptances	129	958
- hire purchase creditors	234	292
	<u>1,602</u>	<u>2,794</u>

25. PROFIT BEFORE TAX

		Group		Company	
	Note	2014	2013	2014	2013
		RM'000	RM'000	RM'000	RM'000
Profit before tax is stated after charging:					
Amortisation of prepaid lease payments for land	8	369	370	-	-
Auditors' remuneration					
- current year		100	100	30	30
- under provision in prior years		8	8	8	5
- others		-	1	-	1
Depreciation of property, plant and equipment	7	6,963	6,820	-	-
Directors' remuneration paid and payable to the Directors of the Company:					
Fees:					
- payable by the Company		191	-	191	-
Emoluments other than fees:					
- payable by the Company		-	110	-	110
- payable by a subsidiary		2,712	2,511	-	-
Impairment loss on trade Receivables	13	-	940	-	-
Loss on disposal of property, plant and equipment		40	-	-	-
Rental of machineries		80	86	-	-
Rental of premises		324	288	-	-
<i>And crediting:</i>					
Gain on disposal of property, plant and equipment		-	18	-	-
Interest income		272	76	8	76
Realised foreign exchange gain		996	112	-	-
Unrealised foreign exchange gain		332	453	-	-
		<u>332</u>	<u>453</u>	<u>-</u>	<u>-</u>

26. TAX EXPENSE

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Current tax				
Current tax expense based on profit for the financial year	7,603	4,816	2	21
(Over)/Under provision in prior years	(934)	222	73	-
	6,669	5,038	75	21
Deferred tax (Note 11):				
Relating to origination and reversal of temporary differences	828	627	-	-
Under provision in prior years	554	139	-	-
	1,382	766	-	-
	8,051	5,804	75	21

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

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit before tax	26,265	16,120	22,016	4,714
Taxation at Malaysian statutory tax rate of 25% (2013: 25%)	6,566	4,030	5,504	1,179
Tax effects in respect of:				
Non-allowable expenses	1,865	1,417	110	93
Non-taxable income	-	(4)	(5,612)	(1,251)
	8,431	5,443	2	21
(Over)/Under provision of income expense in prior years	(934)	222	73	-
Under provision of deferred tax in prior years	554	139	-	-
Tax expense recognised in profit or loss	8,051	5,804	75	21

27. EARNINGS PER SHARE

(a) Basic earnings per ordinary share

Basic earnings per ordinary share for the financial year is calculated by dividing profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2014	2013
	RM'000	RM'000
Profit attributable to owners of the parent	<u>18,214</u>	<u>10,316</u>
Weighted average number of ordinary shares outstanding ('000)	<u>393,600</u>	<u>393,600</u>
Basic earnings per ordinary share (sen)	<u>4.6</u>	<u>2.6</u>

(b) Diluted earnings per ordinary share equals basic earnings per ordinary share as there are no potentially dilute shares.

28. DIVIDENDS

	Group and Company			
	2014		2013	
	Gross dividend per share sen	Amount of dividend RM'000	Gross dividend per share Sen	Amount of dividend RM'000
Interim single tier dividend	1.4	5,510	-	-
Interim tax exempt dividend	<u>-</u>	<u>-</u>	<u>1.2</u>	<u>4,723</u>

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

29. EMPLOYEE BENEFITS

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Salaries, wages, allowances and bonuses	15,471	11,388	-	30
Contributions to defined contribution plan	922	613	-	-
Social security contributions	71	73	-	-
Other employee benefits	<u>282</u>	<u>110</u>	<u>-</u>	<u>-</u>
	<u>16,746</u>	<u>12,184</u>	<u>-</u>	<u>30</u>

29. EMPLOYEE BENEFITS (continued)

Included in the employee benefits of the Group and of the Company are Executive Directors' remuneration amounting to RM2,353,000 (2013: RM2,169,000) and RM nil (2013: RM30,000) respectively.

30. RELATED PARTY TRANSACTIONS

(a) Identities of related parties

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

The Company has related party relationships with its subsidiaries and a joint venture.

The Group also has related party relationships with the following:

Seong Chan Sauce & Foodstuff Sdn. Bhd.	A company of which Fang Chew Ham and Fong Chu King @ Tong Chu King, who are Directors of the Company, have financial interests.
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(b) Significant related party transactions

In addition to the transactions and balances detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Sale of products				
- Seong Chan Sauce & Foodstuff Sdn. Bhd.	832	1,018	-	-
- Three-A (Qinhuangdao) Food Industries Co. Ltd.	329	-	-	-
(Advances to)/Repayments by subsidiaries	<u>-</u>	<u>-</u>	<u>(18,309)</u>	<u>4,808</u>

The related party transactions described above were carried out on negotiated terms and conditions in the ordinary course of business between the related party and the Company.

(c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director (whether executive or otherwise) of the Group and the Company.

30. RELATED PARTY TRANSACTIONS (continued)

(c) Compensation of key management personnel (continued)

The remuneration of Directors and other key management personnel during the financial year was as follows:

	Group	
	2014	2013
	RM'000	RM'000
Short-term employee benefits	3,501	3,416
Contributions to defined contribution plan	274	333
	3,775	3,749
	3,775	3,749

31. SEGMENTS INFORMATION

(a) Segmental information

Segment analysis has not been prepared as the business of the Group is focused only in manufacturing and trading of food and beverage ingredients.

The Group does not have any non-current assets that are located in countries other than Malaysia.

The chief operating decision maker reviews the business performance of the Group as a whole and management monitors the operating results of its business for the purpose of making decisions on resources allocation and performance assessment.

(b) Geographical information

For the purpose of disclosing geographical information, revenue is based on the geographical location of customers from which the sales transactions originated. The foreign customers are predominantly based in Singapore, Hong Kong, China, South Korea, Indonesia, Philippines, Vietnam, Australia and United States of America.

	Group	
	2014	2013
	RM'000	RM'000
Revenue:		
Malaysia	221,319	215,279
Singapore	24,902	17,516
Foreign countries	65,189	70,115
	311,410	302,910
	311,410	302,910

The assets and liabilities of the Group and of the Company are solely located in Malaysia other than investment in a joint venture of the Group amounting to RM3,536,000 (2013: RM9,347,000) which is located in the People's Republic of China.

32. FINANCIAL INSTRUMENTS

(a) Capital management

The primary objective of the capital management of the Group is to ensure that entities of the Group would be able to continue as going concerns whilst maximising return to shareholders through the optimisation of the debt and equity ratios. The overall strategy of the Group remains unchanged from that in the previous financial year.

The Group manages its capital structure and makes adjustments to it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2014 and 31 December 2013.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, loans and borrowings, trade and other payables, less cash and bank balances. Capital represents equity attributable to the owners of the parent.

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Borrowings	12,483	42,696	-	-
Trade and other payables	14,346	13,032	228	52
Total liabilities	26,829	55,728	228	52
Less: Cash and bank balances	(17,058)	(16,720)	(5,687)	(6,646)
Net debt	9,771	39,008	(5,459)	(6,594)
Total capital	231,825	219,031	167,403	150,972
Net debt	9,771	39,008	(5,459)	(6,594)
Equity	241,596	258,039	161,944	144,378
Gearing ratio (%)	4	15	*	*

* Gearing ratio is not presented as the Company is in net cash position as at 31 December 2014 and 31 December 2013

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Malaysia Securities, the Group is required to maintain a consolidated shareholders' equity equal to or not less than the twenty-five percent (25%) of the issued and paid-up capital and such shareholders' equity is not less than RM40,000,000. The Group has complied with this requirement for the financial year ended 31 December 2014.

The Group is not subject to any other externally imposed capital requirements.

32. FINANCIAL INSTRUMENTS (continued)

(b) Financial instruments

Group	2014 RM'000	2013 RM'000
Financial assets		
Loans and receivables – trade and other receivables	66,275	74,483
Cash and bank balances	<u>17,058</u>	<u>16,720</u>
	<u><u>83,333</u></u>	<u><u>91,203</u></u>
Financial liabilities		
<i>Other financial liabilities</i>		
Borrowings	12,483	42,696
Dividend payable	5,510	4,723
Trade and other payables	<u>14,346</u>	<u>13,032</u>
	<u><u>32,339</u></u>	<u><u>60,451</u></u>
Company		
Financial assets		
Loans and receivables - trade and other receivables	4,218	6,676
Cash and bank balances	<u>5,687</u>	<u>6,646</u>
	<u><u>9,905</u></u>	<u><u>13,322</u></u>
Financial liabilities		
<i>Other financial liabilities</i>		
Dividend payable	5,510	4,723
Trade and other payables	<u>228</u>	<u>52</u>
	<u><u>5,738</u></u>	<u><u>4,775</u></u>

32. FINANCIAL INSTRUMENTS (continued)

(c) Methods and assumptions used to estimate fair value

The fair values of financial assets and financial liabilities are determined as follows:

- (i) Financial instruments that are not carried at fair value and whose carrying amounts are a reasonable approximation of fair value

The carrying amounts of financial assets and liabilities, such as trade and other receivables, trade and other payables and borrowings, are reasonable approximation of fair value, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

The carrying amounts of the current position of loans and borrowings are reasonable approximation of fair values due to the insignificant impact of discounting.

- (ii) Obligations under hire purchase creditors

The fair values of these financial instruments are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowings or leasing arrangements at the end of each reporting period.

(d) Fair value hierarchy

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

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

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. In respect of the hire purchase and lease creditors, the market rate of interest is determined by reference to similar borrowing arrangements.

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

32. FINANCIAL INSTRUMENTS (continued)

(d) Fair value hierarchy (continued)

The following table set out the financial instruments not carried at fair value for which fair value is disclosed together with their carrying amount shown in the statement of financial position:

At 31 December 2014	Note	Carrying amount RM'000	Fair value RM'000
Financial liability			
Hire purchase creditors – Level 2	18	<u>2,981</u>	<u>2,905</u>
At 31 December 2013			
Financial liability			
Hire purchase creditors – Level 2	18	<u>4,010</u>	<u>3,905</u>

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial risk management objective of the Group is to optimise value creation for shareholders whilst minimising the potential adverse impact arising from credit risk, liquidity and cash flows risk, interest rate risk and foreign currency risk.

The Group operates within an established risk management framework and clearly defined guidelines that are regularly reviewed by the Board of Directors and does not trade in derivative financial instruments. Financial risk management is carried out through risk review programmes, internal control systems, insurance programmes and adherence to the Group financial risk management policies. The Group is exposed mainly to credit risk, liquidity and cash flow risk, interest rate risk, and foreign currency risk. Information on the management of the related exposures is detailed below:

(a) Credit risk

Cash deposits and trade receivables may give rise to credit risk which requires the loss to be recognised if a counter party fails to perform as contracted. It is the policy of the Group to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

The primary exposure of the Group to credit risk arises through its trade receivables. The trading terms of the Group with its customers are mainly on credit, except for certain new customers, where deposits in advance are normally required. The credit period is generally for a period of 30 days, extending up to 150 days for major customers. Each customer has a maximum credit limit and the Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management.

In respect of the cash and bank balances placed with financial institutions in Malaysia, the Directors believe that the possibility of non-performance by the financial institutions is remote on the basis of their financial strength.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Credit risk (continued)

Exposure to credit risk

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

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country of its trade receivables on an ongoing basis. The credit risk concentration profile of the trade receivables of the Group at the end of each reporting date are as follows:

	2014		Group		2013	
	RM'000	% of total	RM'000	% of total	RM'000	% of total
By country:						
Malaysia	52,600	80%	60,491	82%	60,491	82%
Singapore	1,456	2%	1,324	2%	1,324	2%
Other countries	11,787	18%	12,316	16%	12,316	16%
	<u>65,843</u>	<u>100%</u>	<u>74,131</u>	<u>100%</u>	<u>74,131</u>	<u>100%</u>

At the end of each reporting period, approximately 52% (2013: 54%) of the trade receivables of the Group were due from ten (10) major customers.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 13 to the financial statements.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 13 to the financial statements.

(b) Liquidity and cash flow risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to the shortage of funds.

The Group actively manages its debts maturity profile, operating cash flows and availability of funding so as to ensure that all operating, investing and financing needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and prudently balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity and cash flow risk (continued)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the liabilities of the Group and of the Company at the end of each reporting period based on contractual undiscounted repayment obligations.

As at 31 December 2014	On demand or within one year RM'000	Two to five years RM'000	Over five years RM'000	Total RM'000
Group				
Financial liabilities				
Dividend payable	5,510	-	-	5,510
Trade and other payables	14,346	-	-	14,346
Term loans	2,572	6,292	2,791	11,655
Hire purchase creditors	1,151	2,241	-	3,392
	<hr/>			
Total undiscounted financial liabilities	23,579	8,533	2,791	34,903
	<hr/> <hr/>			
Company				
Financial liabilities				
Dividend payable	5,510	-	-	5,510
Trade and other payables	228	-	-	228
	<hr/>			
Total undiscounted financial liabilities	5,738	-	-	5,738
	<hr/> <hr/>			

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity and cash flow risk (continued)

As at 31 December 2013	On demand or within one year RM'000	Two to five years RM'000	Over five years RM'000	Total RM'000
Group				
Financial liabilities				
Dividend payable	4,723	-	-	4,723
Trade and other payables	13,032	-	-	13,032
Bank overdrafts	74	-	-	74
Bankers' acceptances	17,154	-	-	17,154
Term loans	5,905	15,572	4,432	25,909
Hire purchase creditors	1,263	3,224	154	4,641
Total undiscounted financial liabilities	42,151	18,796	4,586	65,533
Company				
Financial liabilities				
Dividend payable	4,723	-	-	4,723
Trade and other payables	52	-	-	52
Total undiscounted financial liabilities	4,775	-	-	4,775

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments of the Group and of the Company would fluctuate because of changes in market interest rates.

The primary interest rate risk of the Group relates to interest-bearing borrowings from financial institutions. The borrowings of the Group are exposed to a risk of changes in their fair values due to changes in interest rates. The floating rate borrowings of the Group are exposed to a risk of change in cash flows due to changes in interest rates. The Group does not use derivative financial instruments to hedge this risk.

The exposure of interest rate in the Group is not material and hence, sensitivity analysis is not presented.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Interest rate risk (continued)

The following table sets out the carrying amounts, the weighted average effective interest rates (“WAEIR”) as at the end of each reporting period and the remaining maturities of the financial instruments of the Group that are exposed to interest rate risk:

Group	WAEIR Note	%	Within 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	More than 5 years RM'000	Total RM'000
As at 31 December 2014									
<u>Fixed rate</u>									
Hire purchase creditors	18	5.81	977	636	591	623	154	-	2,981
<u>Floating rates</u>									
Term loans	17	6.66	2,015	1,200	1,270	1,350	1,224	2,443	9,502
As at 31 December 2013									
<u>Fixed rates</u>									
Bankers' acceptances	17	3.53	17,154	-	-	-	-	-	17,154
Hire purchase creditors	18	5.80	1,029	980	637	590	621	153	4,010
<u>Floating rates</u>									
Term loans	17	6.46	4,635	3,796	2,933	3,059	3,145	3,890	21,458

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Foreign currency risk

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

A joint venture operating in PRC has assets and liabilities together with expected cash flows from anticipated transactions denominated in foreign currencies that give rise to foreign exchange exposures. The net investment of the Group in PRC is not hedged as currency positions in RMB is considered to be long-term in nature.

The Group is exposed to foreign currency risk as a result of the foreign currency denominated transactions entered into by the Group during the course of business. The foreign currencies primarily involved are the US Dollar, Singapore Dollar and European Dollar. In addition, the Group does not use foreign exchange derivative instruments to hedge its transaction risk.

The Group also holds cash and bank balances denominated in foreign currencies for working capital purposes. At the end of each reporting period, such foreign currencies balances amount to RM534,000 (2013: RM728,000) for the Group.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity analysis of the Group to a reasonably possible change in the USD, SGD and EURO exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

Profit after tax	Group	
	2014 RM'000	2013 RM'000
USD/RM		
- strengthen 3% (2013: 3%)	198	357
- weakened 3% (2013: 3%)	(198)	(357)
SGD/RM		
- strengthen 3% (2013: 3%)	33	30
- weakened 3% (2013: 3%)	(33)	(30)
EURO/RM		
- strengthen 3% (2013: 3%)	(3)	(4)
- weakened 3% (2013: 3%)	3	4

34. SUPPLEMENTARY INFORMATION - BREAKDOWN OF RETAINED EARNINGS INTO REALISED AND UNREALISED

The following breakdown of the retained earnings of the Group and of the Company as at 31 December 2014 and 2013 into realised and unrealised earnings is prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Total retained earnings of the Company and its subsidiaries				
- Realised	85,052	71,732	18,316	1,885
- Unrealised	13,801	12,690	-	-
	<u>98,853</u>	<u>84,422</u>	<u>18,316</u>	<u>1,885</u>
Total share of accumulated losses from joint venture				
- Realised	(5,901)	(4,658)	-	-
- Unrealised	-	383	-	-
	<u>92,952</u>	<u>80,147</u>	<u>18,316</u>	<u>1,885</u>
Less: Consolidation adjustments	<u>(11,923)</u>	<u>(11,822)</u>	<u>-</u>	<u>-</u>
Retained earnings as per financial statements	<u><u>81,029</u></u>	<u><u>68,325</u></u>	<u><u>18,316</u></u>	<u><u>1,885</u></u>