



**KPS Consortium Berhad** (143816-V)

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(Company No. 143816-V) Incorporated in Malaysia

### **NOTICE OF ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN THAT the Twenty Ninth Annual General Meeting of the Company will be held at Klang Executive Club, Persiaran Bukit Raja 2, Bandar Baru Klang, 41150 Klang, Selangor Darul Ehsan on Saturday, 27 June 2015 at 11.00 am for the following purposes:-

### **AGENDA**

### AS ORDINARY BUSINESS

- 1. To receive the Audited Financial Statements for the financial year ended 31 December 2014 together with the Reports of the Directors and Auditors thereon. (Please refer to Note 1).
- 2. To re-elect the following Directors retiring in accordance with the Company's Articles of Association:-

Lim Choon Liat (Article 80) Ordinary Resolution 1

Tan Kong Ang (Article 80) Ordinary Resolution 2

3. To approve the payment of Directors' fees for the financial year ended 31 December 2014.

**Ordinary Resolution 3** 

4. To re-appoint Messrs SJ Grant Thornton as Auditors of the Company and to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to fix the Auditors' remuneration.

**Ordinary Resolution 4** 

### **AS SPECIAL BUSINESS**

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

5. AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

"THAT pursuant to Section 132D of the Companies Act, 1965, and subject to the approval from other relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company at the time of submission to the authority and that such authority shall continue in force until the conclusion of the next annual general meeting of the Company AND THAT the Directors be and are hereby also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation of the additional shares so issued."

**Ordinary Resolution 5** 

6. To transact any other business which may properly be transacted at an Annual General Meeting for which due notice shall have been given.

## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

By order of the Board

LIM SECK WAH (MAICSA 0799845)
M. CHANDRASEGARAN A/L S.MURUGASU (MAICSA 0781031)

Company Secretaries

Selangor Darul Ehsan

Dated this 29th day of May 2015

### NOTES:-

- 1. The Agenda No. 1 is meant for discussion only as the Company's Articles of Association provides that the audited financial statements are to be laid in the general meeting but does not require a formal approval of shareholders. Hence, is not put forward for voting.
- 2. For the purpose of determining a member who shall be entitled to attend, speak and vote at the Annual General Meeting, the Company shall be requesting the Record of Depositors as at 23 June 2015. Only a depositor whose name appears on the Record of Depositors as at 23 June 2015 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her stead.
- 3. A member shall be entitled to appoint more than one (1) proxy to attend and vote in his place. A proxy needs not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
- 4. Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- 5. i) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
  - Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- 6. If the appointer is a corporation, the proxy form must be executed under its Common Seal or under the hand of its attorney.
- 7. The instrument appointing a proxy and the power of attorney, if any, under which it is signed or a certified copy thereof must be deposited at the Company's registered office at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur not less than forty-eight (48) hours before the time set for holding the Meeting or any adjournment thereof.
- 8. Explanatory notes on the Special Business
  - 8.1 The proposed Ordinary Resolution 5 is primarily to give flexibility to the Board of Directors to issue and allot shares not more than 10% of the issued capital at any time in their absolute discretion and for such purposes as they consider would be in the interest of the Company without convening a general meeting. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next annual general meeting of the Company.

## **NOTICE OF ANNUAL GENERAL MEETING (CONT'D)**

The Company continues to consider opportunities to broaden its earnings potential. If any of the expansion/diversification proposals involves the issue of new shares, the Directors, under certain circumstance when the opportunity arises, would have to convene a general meeting to approve the issue of new shares even though the number involved may be less than 10% of the issued capital.

In order to avoid any delay and costs involved in convening a general meeting to approve such issue of shares, it is thus considered appropriate that the Directors be empowered to issue shares in the Company, up to any amount not exceeding in total 10% of the issued share capital of the Company at the time of submission to the authority, for such purposes. The renewed authority for allotment of shares will provide flexibility to the Company for the allotment of shares for the purpose of funding future investment, working capital and/or acquisitions.

No shares have been issued and allotted by the Company since obtaining the said authority from its shareholders at the last Annual General Meeting on 28 June 2014.



BOARD OF DIRECTORS Directors	Datuk Chua Hock Gee Executive Chairman  Lau Fook Meng Executive Director  Faun Chee Yarn Independent and Non-Executive Director  Tan Kong Ang Independent and Non-Executive Director  Lim Choon Liat Independent and Non-Executive Director
COMPANY SECRETARIES	Lim Seck Wah (MAICSA 0799845) M. Chandrasegaran a/l S.Murugasu (MAICSA 0781031)
AUDIT COMMITTEE Chairman Members	Faun Chee Yarn Tan Kong Ang Lim Choon Liat
NOMINATION COMMITTEE Chairman Members	Faun Chee Yarn Tan Kong Ang Lim Choon Liat
REMUNERATION COMMITTEE Chairman Members	Faun Chee Yarn Tan Kong Ang Lim Choon Liat
REGISTERED OFFICE	Level 15-2, Bangunan Faber Imperial Court Jalan Sultan Ismail 50250 Kuala Lumpur Telephone No: (603) 26924271 Fax No: (603) 27325388
PRINCIPAL PLACE OF BUSINESS	Lot 622, Jalan Lapis Dua, Kampung Sementa Batu 6, Jalan Kapar 42200 Klang Selangor Darul Ehsan Telephone No: (603) 32915566 Fax No: (603) 32914489

## **CORPORATE** INFORMATION (CONT'D)

REGISTRAR	Mega Corporate Services Sdn Bhd (187984 H) Level 15-2, Bangunan Faber Imperial Court Jalan Sultan Ismail 50250 Kuala Lumpur Telephone No: (603) 26924271 Fax No: (603) 27325388
AUDITORS	SJ Grant Thornton (AF:0737) (Member Firm of Grant Thornton International Ltd) Level 11, Bangunan Sheraton Imperial Court Jalan Sultan Ismail 50250 Kuala Lumpur Telephone No: (603) 26924022 Fax No: (603) 27325119 Website: www.gt.com.my
PRINCIPAL BANKERS	AmBank (Malaysia) Berhad Malayan Banking Berhad HSBC Bank Malaysia Berhad
SOLICITORS	Soo Thien Ming & Nashrah
STOCK EXCHANGE LISTING	Bursa Malaysia Securities Berhad, Main Market Stock code: 9121
WEBSITE	http://www.kpscb.com.my
E-MAIL ADDRESS	enquiry@kpscb.com.my

## PROFILE OF THE BOARD OF DIRECTORS

The Board of Directors of KPS Consortium Berhad ("KPSCB" or "the Company") comprising the Executive Chairman, one (1) Executive Director and three (3) Independent and Non-Executive Directors.

The Board meets quarterly and additional Board Meetings are held as and when required. The Board met four (4) times during the financial year ended 31 December 2014.

Particulars of the Directors are as follows:

**DATUK CHUA HOCK GEE**, Malaysian, age 54, was appointed as an Executive Director of KPSCB on 24 May 2014. He was re-designated to Executive Chairman with effective from 19 January 2015. He obtained Diploma in Electrical Engineering from a Polytechnic.

From 1982 to 1984, he worked as Production cum Engineering Superintendent in United Malaysia Timber Products Sdn Bhd in Kemaman, Terengganu. He was in charge of planning of raw material, manpower requirements and monitoring all the maintenance and up-keep factory machineries.

Between 1985 and 1991, he joined Lion Group Bhd as Senior Project Executive and as Project Coordinator at Mechanical (M&E) Department. He was involved in vast projects including aquaculture project in Puchong, Selangor Darul Ehsan; Kuala Sedili, Johor; Kota Belut and Tawau, Sabah. He was also responsible in planning and executing overall M&E renovation in Parkson Sg Wang and Keramunsing, Sabah. He later engaged in setting up preventive and maintenance system in ASM Steel Mill Sdn Bhd, Bukit Raja, Klang, Selangor Darul Ehsan.

From 1992 to 2004, he was appointed as an Executive Director of Syarikat CHG Plywood Sdn Bhd, Syarikat Cheng Hin Timber Industry, Syarikat Galas Setia and OSK Timber Concession Sdn Bhd. He was responsible in overall planning of the above companies operations which involved raw material, manufacturing and marketing. He was also assigned the development of new products and explore into a new market sector. He was also in charge in planning, searching and developing of alternative source of materials and mechanisation of process manufacturing.

From 2007 till to-date, he is an active member and directly involves in the Palm Plywood Project Phase 1 and 2 funded by Levy Fund of Ministry of Plantation Industries and Commodity. This project involved Malaysian Timber Industry Board (MTIB), Forest Research Institute Malaysia (FRIM), Malaysia Palm Oil Board (MPOB) and University Putra Malaysia (UPM).

From 2011 until present, he is a consultant for JES Development Ptd Ltd, Singapore involving in international timber products trading.

**LAU FOOK MENG,** Malaysian, age 63, was appointed as an Executive Director of KPSCB on 19 September 2002. He is a chartered accountant who has obtained his Fellowship from the Institute of Chartered Accountant of England & Wales. Upon graduation, he joined Asiatic Development Bhd in 1981 as an Accountant until 1983. In 1984, he joined Unico Holdings Bhd as the Group Accountant and left in 1992. From 1993 to 2002, he was the General Manager of Nichmurni Sdn Bhd.

**FAUN CHEE YARN,** Malaysian, age 55, was appointed as an Independent and Non-Executive Director of KPSCB on 1 November 2008. He is a Fellow Member of the Malaysian Institute of Accountants and certified member of the Financial Planning Association of Malaysia.

He has many years of experiences in private sector as an Auditor, Accountant, Finance Manager and General Manager in various sectors including software, insurance agency, recycling and vehicle fleet management. He was the Finance Manager of a renowned recycling company in Malaysia before re-designated as Financial Controller since 2009.

He is a Chairman of the Audit Committee, Nomination Committee and Remuneration Committee.

# PROFILE OF THE BOARD OF DIRECTORS (CONT'D)

**TAN KONG ANG,** Malaysian, age 55, was appointed as an Independent and Non-Executive Director of KPSCB on 26 May 2009. He has been a Member of Chartered Institute of Marketing UK for more than 20 years.

He is a professional manager with more than 26 years of working experiences in sales, marketing, purchasing, operation, administration and management. He possesses extensive working experiences in the textile industry, electrical and electronic, agencies house, wholesaler, retailer, distributor, oil and gas, hardware, building material, chemical, steel industry, financial products, life and general insurance organizations.

He is a member of the Audit Committee, Nomination Committee and Remuneration Committee.

**LIM CHOON LIAT,** Malaysian, age 54, was appointed as an Independent and Non-Executive Director of KPSCB on 26 May 2009. He obtained Bachelor of Science (Forestry) from Faculty of Forestry, University Pertanian Malaysia, Serdang, Selangor Darul Ehsan.

Between 1986 and 1991, he worked as a Technical Training Officer at Malaysian Timber Industry Board (MTIB), Ministry of Primary Industries. He organized technical training courses at national level for the Malaysian furniture industries/timber industrialist, in the area of furniture production technology, furniture finishing, furniture design, furniture marketing and technical aspects of timber i.e. preservation of timber, kiln drying of timber, identification of timber and grading of timber.

Between 1991 and 1995, he was appointed as the Executive Director in Furnicom Machinery Sdn Bhd, Camycom Sdn Bhd and Camycom Engineering Sdn Bhd.

From 1995 to present, he is the Managing Director of Bonaprimo Resources Sdn Bhd, a woodworking machinery business and consultancy services in the furniture industries. He is also an Associate Senior Consultant of Sage Forestry & Timber Consultants Sdn Bhd. He is involved in providing consultancy services for Pengurusan Danaharta, in assessing the assets of failed furniture companies with non-performing loans and in the study for MIDA on the Impact of AFTA and AIA on the wood/cane/bamboo-based Industry in Malaysia.

He is a member of the Audit Committee, Nomination Committee and Remuneration Committee.

### Note:

All the above-named Directors of the Company have no family relationship with any director or major shareholder of the Company; and have not been convicted of any criminal offences within the past ten (10) years (other than traffic offences, if any) and do not have any conflict of interest in the Company.



On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Accounts of the Group and of the Company for the financial year ended 31 December 2014.

### **Overview of Group Results**

### **Operating Results**

For the financial year ended 31 December 2014, Group's turnover was RM464.4 million (2013:RM492.6 million). We recorded a pre-tax profit of RM33 thousand as compared to RM15.1 million in the previous year.

At Company level, turnover was RM216 thousand due to management fees from subsidiaries.

### **Review of Operations**

The Group's performances are explained under the various activity reports below:

### **Paper Milling**

The Group's operations registered external revenue of RM15.6 million (2013:RM23.5 million) and profit after tax of RM3.4 million (2013:RM3.9 million).

### Paper Converting and Trading of Woodfree Paper

This division recorded turnover of RM117.6 million as compared to RM110.6 million previously. This division recorded a loss after tax of RM0.44 million as compared to a profit of RM0.899 million in the previous year 2013.

Profit margin was affected by higher cost of raw materials.

### Plywood and Building Materials Trading and Timber Manufacturing

The Plywood and Building Materials Division registered higher turnover of RM314 million (2013:RM344.7 million) and operating loss after tax of RM1.6 million compared with operating profit of RM12.3 million.

This division had provided RM2.7 million for doubtful debts and write-down of RM4.2 million for non-current assets held for trading. This write-down is in accordance with MFRS 5 whereby the non-current assets held for trading are measured at the lower of its carrying value and fair value less costs to distribute. Generally profit had been affected by lower sales and operating margins compared to previous year.

### Others - trading of paper products and general household products

Turnover for this division was RM17 million in the year 2014 compared with RM13.8 million for the previous year. This division made a profit after taxation of RM0.23 million compared with RM0.33 million in 2013.



### **Dividend**

The Board is unable to propose any dividend.

### **Outlook and Prospects**

The future outlook for most of the divisions is expected to register slightly higher revenue and profits due to completion of sale of land and building together with machineries in the first quarter of 2015.

### **Acknowledgement**

The last few years have proven the resilience of the Company and I would like to thank the shareholders for their unwavering support so far.

We owe a similar gratitude to our customers and business associates for their unwavered support throughout the difficult times of the last few years.

Finally and above all, on behalf of the Board, I wish to offer out heartfelt thanks to all our staff for their dedication and loyalty over the past year and their steadfastness and resilience in facing the new challenges.

**Datuk Chua Hock Gee Executive Chairman** 

## CORPORATE GOVERNANCE STATEMENT

The Board acknowledges that good governance provides a solid foundation for a company to achieve sustainable growth as well as engenders trust and infuses confidence among its shareholders and stakeholders. Strong business ethics, sound policies and procedures and effective internal control systems with proper checks and balances are the ingredients of good corporate governance.

As such, the Board of Directors of KPS Consortium Berhad ("the Company") ("the Board") remains committed towards governing, guiding and monitoring the direction of the Company with the objective of enhancing long term sustainable value creation aligned to the interests of shareholders and stakeholders. The Board strives and advocates good corporate governance and views this as a fundamental part of discharging its roles and responsibilities. Observance of good corporate governance is also critical to safeguard against unethical conduct, mismanagement and fraudulent activities. The Board continues to implement the eight (8) principles set out in the Malaysian Code on Corporate Governance 2012 ("the Code") to its particular circumstances, having regard to the recommendations stated under each principle.

This statement sets out the extent of how the Company and its group of companies ("the Group") have applied and complied with the principles and recommendations of the Code and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") ("MMLR").

### **Principle 1 - Establish Clear Roles and Responsibilities**

The Board recognises the key role it plays in charting the strategic direction of the Company and has assumed the following principal responsibilities in discharging its fiduciary and leadership functions:

- Reviewing and adopting a strategic plan for the Company, addressing the sustainability of the Group's business;
- · Overseeing the conduct of the Group's business and evaluating if its businesses are being properly managed;
- Identify principal business risks faced by the Group and ensuring the implementation of appropriate internal controls
  and mitigating measures to address such risks;
- Ensuring that all candidates appointed to senior management positions are of sufficient calibre, including the orderly succession of senior management personnel;
- · Overseeing the development and implementation of shareholder communications policy; and
- Reviewing the adequacy and integrity of the Group's internal control and management information systems.

To assist in the discharge of its stewardship role, the Board has established Board Committees, namely the Audit Committee, Nomination Committee and Remuneration Committee, to examine specific issues within their respective terms of reference as approved by the Board and report to the Board with their recommendations. The ultimate responsibility for decision making, however, lies with the Board.

### **Board Charter**

The Board has established the Board Charter to provide clarity and guidance on the duties and responsibilities of the Board, Board Committees and management. The Board Charter will be reviewed periodically to ensure their relevance and compliance.

The Board Charter addresses, among others, the following matters:-

- Objective
- The Board
- Executive Chairman and Managing Director
- Board Committees
- General Meetings
- Investor Relations and Shareholder Communication
- Relationship with other Stakeholders
- Company Secretary

The Board Charter, which serves as a referencing point for Board's activities enable Directors to carry out their stewardship role and discharge their fiduciary duties towards the Company, also seeks to include a formal schedule of matters reserved to the Board for deliberation and decision so that the control and direction of the Company are in its hands. The Charter is made publicly available on the Company's website at <a href="https://www.kpscb.com.mv">www.kpscb.com.mv</a>.

### Code of Conduct and Whistle-Blower Policy

The Board recognizes the importance of formalizing a Code of Conduct, setting out the standards of conduct expected from Directors and employees, to engender good corporate behavior. It will allow the whistle-blower the opportunity to raise concern outside the Management line. The Directors have always conducted themselves in an ethical manner while executing their duties and function.

### Sustainability of Business

The Board is mindful of the importance of business sustainability and, in conducting the Group's business, the impact on the environmental, social and governance aspects is taken into consideration.

### Supply of, and Access to, Information

The Board is supplied with relevant information and reports on financial, operational, corporate, regulatory, business development and audit matters, by way of Board reports or upon specific requests, for decisions to be made on an informed basis and effective discharge of Board's responsibilities.

Good practices have been observed for timely dissemination of meeting agenda, including the relevant Board and Board Committee papers to all Directors prior to the Board and Board Committee meetings, to give effect to Board decisions and to deal with matters arising from such meetings. The Executive Directors and/or other relevant Board members furnish comprehensive explanation on pertinent issues and recommendations by Management. The issues are then deliberated and discussed thoroughly by the Board prior to decision making.

In addition, the Board members are updated on the Company's activities and its operations on a regular basis. All Directors have accessed to all information of the Company on a timely basis in an appropriate manner and quality necessary to enable them to discharge their duties and responsibilities.

Directors have unrestricted access to the advice and services of the Company Secretary to enable them to discharge their duties respectively. The Board is regularly updated and advised by the Company Secretary who is qualified, experienced and competent on statutory and regulatory requirements, and the resultant implications of any changes therein to the Company and Directors in relation to their duties and responsibilities. The Company Secretary, who oversees adherence with board policies and procedures, briefs the Board on the proposed contents and timing of material announcements to be made to regulators. The Company Secretary ensures that meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained accordingly. The removal of Company Secretary, if any, is a matter for the Board, as a whole, to decide.

### **Principle 2 - Strengthen Composition of the Board**

During the financial year under review, the Board consisted of five (5) members, comprising one (1) Executive Chairman, one (1) Executive Director and three (3) Independent and Non-Executive Directors. This composition fulfills the requirements as set out under the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa"), which stipulate that at least two (2) Directors or one-third of the Board, whichever is higher, must be Independent. The profile of each Director is set out in this Annual Report. The Directors, with their differing backgrounds and specializations, collectively bring with them a wide range of experience and expertise in areas such as finance; accounting and audit; marketing and operations.

Nomination Committee - Selection and Assessment of Directors

A Nomination Committee has been established, with specific terms of reference, by the Board, comprising exclusively Independent Non-Executive Directors as follows:

- 1. Faun Chee Yarn Chairman (Independent Non-Executive Director)
- 2. Tan Kong Ang Member (Independent Non-Executive Director)
- 3. Lim Choon Liat Member (Independent Non-Executive Director)

The Nomination Committee is primarily responsible for recommending suitable appointments to the Board, taking into consideration the Board structure, size, composition and the required mix of expertise and experience which the Director should bring to the Board. It assesses the effectiveness of the Board as a whole, the Board Committees and the contribution of each Director, including Non-Executive Directors.

The final decision on the appointment of a candidate recommended by Nomination Committee rests with the whole Board. The Board is entitled to the services of the Company Secretary who would ensure that all appointments are properly made upon obtaining all necessary information from the Directors.

In accordance with the Articles of Association of the Company, at least one-third of the Directors shall retire by rotation at each Annual General Meeting and offer themselves for re-election at the Annual General Meeting ("AGM"). Directors who are appointed by the Board to fill casual vacancies or as additional directors during the financial year are subject to re-election by shareholders at the next AGM following their appointment. All Directors shall retire from office at least once in every three years, but shall be eligible for re-election.

During the financial year ended 31 December 2014, the Nomination Committee has assessed the balance composition of Board members based on merits, Directors' contribution and Board effectiveness. There is no policy on gender diversity.

The Nomination Committee concluded that each Board is competent and committed in discharging his duties and responsibilities. All assessments and evaluations carried out by the Nomination Committee were properly documented.

The Board through the Nomination Committee's annual appraisal believes that the current composition of the Board brings the required mix of skills and core competencies required for the Board to discharge its duties effectively.

There is no appointment of new Board member during the year.

Directors' Remuneration

A Remuneration Committee has been established by the Board, comprising a majority of Non-Executive Directors as follows:

- 1. Faun Chee Yarn Chairman (Independent Non-Executive Director)
- 2. Tan Kong Ang Member (Independent Non-Executive Director)
- 3. Lim Choon Liat Member (Independent Non-Executive Director)

The Remuneration Committee has been entrusted by the Board to determine that the levels of remuneration are sufficient to attract and retain Directors of quality required to manage the business of the Group. The Remuneration Committee is entrusted under its term of reference to assist the Board, amongst others, to recommend to the Board the remuneration of the Executive Directors. In the case of Non-Executive Directors, the level of remuneration shall reflect the experience and level of responsibilities undertaken by abstaining the Non-Executive Directors concerned from discussion on their individual remuneration. During the financial year under review, the Committee met once attended by all members.

Details of Directors' remuneration for the financial year ended 31 December 2014 are as follows:

	Executive Directors (RM)	Non-Executive Directors (RM)
Directors' fees	15,000	30,000.00
Salaries & other emoluments	235,200	-
Total	250,200	30,000.00

The number of Directors whose remuneration falls into the following bands is as follows:

Range of Remuneration (RM)	Executive	Non-Executive
50,000 and below	2	3
50,001 – 100,000	1	-
100,001 – 150,000	1	-

### Principle 3 - Reinforce Independence of the Board

The Company's Chairman is an Executive Director but majority of the Board are Independent Directors.

The Independent and Non-Executive Directors bring to bear objective and independent views, advice and judgment on interests, not only of the Group, but also of shareholders and stakeholders. Independent and Non-Executive Directors are essential for protecting the interests of shareholders and can make significant contributions to the Company's decision making by bringing in the quality of detached impartiality. In the opinion of the Board, the appointment of a Senior Independent and Non-Executive Director to whom any concerns should be conveyed is not necessary. The Board operates in an open environment in which opinions and information are freely exchanged and in these circumstances any concerns need not be focused on a single director as all members of the Board fulfill this role individually and collectively.

The Board recognises the importance of establishing criteria on independence to be used in the annual assessment of its Independent and Non-Executive Directors. Although the definition on independence according to the Listing Requirements of Bursa Malaysia Securities is used, the Board will take pertinent measures to formalize such independence criteria to, inter-alia, include the nine (9)-year tenure for Independent and Non-Executive Directors. Procedures on the extension for Independent and Non-Executive Directors to serve beyond the nine(9)-year limit will also formalized in line with the Recommendation of the MCCG 2012 even though at the date of this Statement, all the Company's Independent and Non-Executive Directors have not reached the nine (9)-year limit.

### **Principle 4 – Foster commitment of Directors**

The Board ordinarily meets at least four (4) times a year, scheduled well in advance before the end of the preceding financial year to facilitate the Directors in planning their meeting schedule for the year. Additional meetings are convened when urgent and important decisions need to be made between scheduled meetings. Board and Board Committee papers which are prepared by the Management, provide the relevant facts and analysis for the convenience of Directors. The meeting agenda, the relevant reports and Board papers are furnished to Directors and Board Committee members well before the meeting to allow the Directors have sufficient time to peruse for effective discussion and decision making during meetings. At the quarterly Board meetings, the Board reviews the business performance of the Group and discusses major operational and financial issues. The Chairman of the Audit Committee informs the Directors at each Board meetings of any salient matters noted by the Audit Committee and which require the Boards' attention or direction. All pertinent issues discussed at Board meetings in arriving at the decisions and conclusions are properly recorded by way of minutes of meetings.

### **Board Meetings**

There were four (4) Board meetings held during the financial year ended 31 December 2014, with details of Directors' attendance set out below:

	Name of Directors	Attendance
(a)	Datuk Chua Hock Gee	4/4
(b)	Mr Lau Fook Meng	4/4
(c)	Mr Faun Chee Yarn	4/4
(d)	Mr Tan Kong Ang	4/4
(e)	Mr Lim Choon Liat	4/4

It is the practice of the Company for Directors to devote sufficient time and efforts to carry out their responsibilities. All Board members are required to notify the Chairman before accepting any new directorships notwithstanding that the Listing Requirements of Bursa allow a Director to sit on the boards of 5 listed issuers. Such notification is expected to include an indication of time that will be spent on the new appointment.

Directors' Training – Continuing Education Programmes

The Board is mindful of the importance for its members to undergo continuous training to be apprised on changes to regulatory requirements and the impact such regulatory requirements have on the Group.

During the financial year, all Board Members have attended various training programmes as follows:

### Datuk Chua Hock Gee

Mandatory Accreditation Programme for Directors of Public Listed Companies (MAP)

### Mr. Lau Fook Meng

### Corporate Governance, Finance, Business Management and Tax

- Getting to Know GST Essentials MIA
- Preparing for the New Accounting Models and New/Amended MFRS

### Mr Faun Chee Yarn

### Corporate Governance, Finance, Business Management and Tax

- Key Competencies for Managers and Executives
- The Corporate Governance Guide (Towards Boardroom Excellence 2nd Edition) MIA
- Briefing Session on Corporate Governance Guide: Towards Boardroom Excellence (2nd Edition) –
   An Update Bursa Malaysia Berhad
- Getting Accounting Right for GST in Malaysia (Part 1) MIA
- Getting to Know GST Essentials MIA
- Getting Accounting Right for GST in Malaysia (Part 2) MIA
- Overview of ESG Index & ICB Bursa Malaysia Berhad
- 2015 Budget Seminar MIA

### Mr Tan Kong Ang

### Corporate Governance, Finance, Business Management and Tax

2015 Budget Proposals, GST & Income Tax - LHDNM

### **Mr Lim Choon Liat**

### Corporate Governance, Finance, Business Management and Tax

2015 Budget Proposals, GST & Income Tax - LHDNM

Throughout the year, Directors also received updates and briefings, particularly on regulatory, industry and legal developments, including information on significant changes in business and procedures instituted to mitigate such risks.

The External Auditors also briefed the Board members on any changes to the Malaysian Financial Reporting Standards that would affect the Group's financial statements during the financial year under review. The Directors continue to undergo relevant training programmers to further enhance their skills and knowledge in the discharge of their stewardship role.

### Principle 5 – Uphold integrity in financial reporting by Company

It is the Board's commitment to present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of each reporting period and financial year, primarily through the quarterly announcement of Group's results to Bursa, the annual financial statements of the Group and the Company as well as the Chairman's statement and review of the Group's operations in the Annual Report, where relevant. A statement by the Directors of their responsibilities in the preparation of financial statements is set out in the ensuing paragraph.

Statement of Directors' Responsibility for Preparing Financial Statements

The Board is responsible to ensure that the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group as at the end of the financial year and of the results and cash flow of the Group for the financial year then ended.

The Directors are satisfied that in preparing the financial statements of the Group for the year ended 31 December 2014, the Group has adopted suitable accounting policies and applied them consistently, prudently and reasonably. The Directors also consider that all applicable approved accounting standards have been followed in the preparation of the financial statements, subject to any material departures being disclosed and explained in the notes to the financial statements. The financial statements have been prepared on the going concern basis.

The Directors are responsible for ensuring that the Group keeps sufficient accounting records to disclose with reasonable accuracy, the financial position of the Group and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

### Audit Committee

In assisting the Board to discharge its duties on financial reporting, the Board has established an Audit Committee, comprising wholly Independent and Non-Executive Directors, with Mr Faun Chee Yarn as the Committee Chairman. The composition of the Audit Committee, including its roles and responsibilities, are set out in the Audit Committee Report of this Annual Report. One of the key responsibilities of the Audit Committee in its specific terms of reference is to ensure that the financial statement of the Group and Company comply with applicable financial reporting standards in Malaysia. Such financial statements comprise the quarterly financial report announced to Bursa and the annual statutory financial statements.

As the Board understands its role in upholding the integrity of financial reporting by the Company, it will take steps to revise the Audit Committee's terms of reference by formalizing a policy on the types of non-audit services permitted to be provided by the external auditors of the Company so as not to compromise their independence and objectivity, including the need for the Audit Committee's approval in writing before such services can be provided by the external auditors.

In assessing the independence of external auditors, the Audit Committee will in future require written assurance by the external auditors, confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the International Federation of Accountants and the Malaysian Institute of Accountants.



### Principle 6 - Recognise and manage risks of the Group

During the financial year under review, the Board has yet to establish a structured risk management framework to manage business risks, although Management has an informal process to identify and evaluate significant risks faced by the Group. This represents a departure from Recommendation 6.1 of the MCCG 2012 which stipulates the need for the Board to establish a sound framework to actively identify, assess and monitor key business risks faced by the Group to safeguard shareholder's investment and the Group's assets. The Board is aware of the importance of such a framework and will take measures to formalise one, which is expected to consider the risk appetite of various companies in the Group as well as the Group itself.

The internal audit function of the Group is outsourced to an independent professional firm, whose work is performed with impartially, proficiency and due professional care, and in accordance with the International Professional Practices Framework of the Institute of Internal Auditors, Incorporated, which sets out professional standards on internal audit. It undertakes regular reviews of the adequacy and effectiveness of the Group's system of internal controls and risk management process, as well as appropriateness and effectiveness of the corporate governance practices. The Internal Audit reports directly to the Audit Committee. Further details on the internal audit function can be seen in the Audit Committee Report and the Internal Control Statement in this Annual Report.

### Principle 7 - Ensure timely and high quality disclosure

The Board is aware of the need to establish corporate disclosure policies and procedures to enable comprehensive, accurate and timely disclosures relating to the Company and its subsidiaries to be made to the regulators, shareholders and stakeholders. On this basis, the Board is not only to comply with the disclosure requirements as stipulated in the Listing Requirements of Bursa, but also setting out the persons authorized and responsible to approve and disclose material information to regulators, shareholders and stakeholders.

### Principle 8 - Strengthen relationship between the Company and its shareholders

Shareholder participation at general meeting

The Annual General Meeting ("AGM"), which is the principal forum for shareholder dialogue, allows shareholders to review the Group's performance via the Company's Annual Report and pose questions to the Board for clarification. At the AGM, shareholders participate in deliberating resolutions being proposed or on the Group's operations in general. At the last AGM, a question & answer session was held where all shareholders were given the opportunity to raise questions with responses from the Board.

The Notice of AGM is circulated at least twenty one (21) days before the date of the meeting to enable shareholders to go through the Annual Report and papers supporting the resolutions proposed. Shareholders are invited to ask questions both about the resolutions being proposed before putting a resolution to vote as well as matters relating to the Group's operations in general. All the resolutions set out in the Notice of the last AGM were put to vote by shows of hands and duly passed. Going forward, the Board will adopt poll voting for related party transactions, if any, which require specific approvals, including the announcement of the detailed results showing the number of votes cast for and against each resolution.

Communication and engagement with shareholders

The Board recognizes the importance of being transparent and accountable to the Company's investors and, as such, has various channels to maintain communication with them. The various channels of communications are through the quarterly announcements on financial results to Bursa, relevant announcements and circulars, when necessary, the Annual and Extraordinary General Meetings and through the Group's website at where shareholders can access pertinent information concerning the Group.



## OTHER INFORMATION REQUIRED PURSUANT TO PART A, APPENDIX 9C OF THE BMSB LISTING REQUIREMENTS

In conformance with the Bursa Malaysia Securities Berhad Listing Requirements, the following information is provided:

### Utilisation of Proceeds

No proceeds were raised from any corporate proposal during the financial year.

### Share buybacks

During the financial year, there were no share buybacks by the Company.

### Options, Warrants and Convertible Securities

The Company has not issued any options, warrants or convertible securities during the financial year.

### American Depository Receipt ("ADR") / Global Depository Receipt ("GDR")

During the financial year, the Company did not sponsor any ADR or GDR programme.

### Sanctions and/or Penalties

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

### Non-Audit Fee

There was no non-audit fee payable to the external auditors by the Company and its subsidiaries for the financial year ended 31 December 2014.

### Variance from Profit Forecast or Unaudited Results Previously Made

There were no variances exceeding 10% from the unaudited results previously released by the Company.

### Profit Guarantee

During the financial year, there were no profit guarantees received by the Company.

### Material Contracts

There were no material contracts (not being contracts entered into in the ordinary course of business) subsisting as at or entered into since the end of the previous financial year, by the Company or its subsidiaries, which involved the interests of the Directors and major shareholders.

### Recurrent Related Party Transactions of a Revenue Nature

There were no recurrent related party transactions of a revenue nature during the year.

### Corporate Social Responsibility

The Group looks after the welfare of the employees such as providing lodging and food for the employees. The Group heeds save the environment by involving in recycling of papers for the production of jumbo toilet rolls and serviette. The factories preserve environment and nature by make good use of waste paper wood, oil palm waste (bio-slab) and sawdust.

The Group emphasizes on Environment, Health and Safety and provides safety measurements to the factory members.



#### 1. **Members**

The current members of the Committee and their respective designations are as follows:

- Mr Faun Chee Yarn Chairman/Independent and Non-Executive Director
- Mr Tan Kong Ang Member/Independent and Non-Executive Director
- Mr Lim Choon Liat Member/Independent and Non-Executive Director

The Audit Committee consists of three (3) members all of whom are Independent Non-Executive Directors. The Company has complied with Paragraph 15.09(1)(b) of Bursa Malaysia Securities Berhad's Listing Requirements, which requires the Audit Committee members must be non-executive directors, with a majority of them being independent directors.

### 2. **Terms of Reference**

The terms of reference of the Audit Committee had been revised to conform to the Main Market Listing Requirements.

### Composition

The Audit Committee shall be appointed from among their members and should consist of no fewer than three (3) members and must be all Non-Executive Directors of whom the majority must be Independent Directors.

At least one (1) member of the Committee:-

- must be a member of the Malaysian Institute of Accountants ("MIA"); or i)
- if he is not a member of the MIA, he must have at least 3 years' working experience and:
  - he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1968;
  - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967
  - fulfils such other requirements as prescribed or approved by the Exchange.

No alternate director shall be appointed as a member of the Committee.

The Chairman of the Committee shall be an Independent and Non-Executive Director appointed by the Board.

In the event of any vacancy in the Audit Committee resulting in the number of members being reduced to below three, the Company must fill the vacancy within three (3) months.

The terms of office and performance of the Audit Committee and each of its members shall be reviewed by the Board at least once every three (3) years.



### 3. Audit Committee Meetings Attendance

The Audit Committee had conducted four (4) meetings for the financial year ending 31 December 2014. Details of attendance of the Audit Committee members during this financial period are set out as below:

Name of Committee Member	No. of meetings attended/ held during member's tenure
Mr Faun Chee Yarn	4/4
Mr Tan Kong Ang	4/4
Mr Lim Choon Liat	4/4

### **Attendance At Meetings**

The Committee shall meet at least four (4) times a year and such additional meetings as the Chairman shall decide in order to fulfill its duties. In addition, the Chairman may call a meeting of the Audit Committee if a request is made by any committee member, any Executive Director, or the external auditors.

In order to form a quorum, the majority of members present must be independent directors.

### Frequency Of Meetings

Meetings shall be held not less than four (4) times a year to review the quarterly results and year-end financial statements. Other meetings may be held as and when required.

### 4. Activities Of The Audit Committee

The principal activities undertaken by the Audit Committee during the financial year were summarized as follows:

- (a) Reviewed the quarterly financial results and announcements for the financial quarters prior to the Board of Directors for consideration and approval;
- (b) Reviewed the audited financial statements for the financial year ended 31 December 2014;
- (c) Reviewed the external auditors' reports for the financial year ended 31 December 2014 in relation to audit and accounting issues arising from the audit;
- (d) Reviewed the external auditors' audit plan for the year ended 31 December 2014;
- (e) Considered the nomination of external auditors for recommendation to the Board for reappointment;
- (f) Reviewed the internal audit plan, findings, reports and management implementation of audit recommendations;
- (g) Reviewed the disclosure Statements on Corporate Governance, Audit Committee Report and the Statement on Risk Management and Internal Control and recommended to the Board for adoption;

## AUDIT COMMITTEE (CONT'D)

### 5. Internal Audit Function

The internal audit function is essential in assisting the Audit Committee in reviewing the state of the system of internal control maintained by the management.

The Company outsourced its internal audit function to an internal audit consulting company. The audit team members are independent of the activities audited by them. The internal auditors review and assess the Group's system of internal control and report to the Committee functionally.

The Committee approves the annual internal audit plan before the commencement of the internal audit reviews for each financial year. During the financial year, the internal auditors conducted reviews on the operations of the Group and presented their reports to the Audit Committee. Areas of weakness were identified and communicated to the Audit Committee and management for improvement.

### 6. Authority

The Committee is authorised by the Board:-

- (i) To investigate any matter within its terms of reference;
- (ii) To have the resources which required to perform its duties;
- (iii) To have full and unrestricted access to any information pertaining to the Company;
- (iv) To have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
- (v) To obtain independent professional or other advice; and
- (vi) To convene meetings with the external auditors, the internal auditors or both excluding the attendance of other directors and employees, whenever deemed necessary.

### 7. Functions

The functions of the Committee are as follows:-

- (a) The Committee shall review, appraise and report to the Board on:
  - the discussion with the external auditors, prior to the commencement of audit, the audit plan which states the nature and scope of the audit and to ensure co-ordination of audit where more than one audit firm is involved;
  - the review with the external auditors, his evaluation of the system of internal controls, his management letter and management's response;
  - the discussion of problems and reservations arising from the external audits, the audit report and any matters the external auditors may wish to discuss;
  - the assistance given by the employees of the Group to the external and internal auditors;
  - any related party transaction and conflict of interest situation that may arise within the Group or Company, including any transaction, procedure or course of conduct that raises questions of management integrity.
- (b) To review where appropriate whether there is a reason to believe that the Group's external auditors is not suitable for re-appointment;

## AUDIT COMMITTEE (CONT'D)

- (c) To consider any question of resignation or dismissal of the external auditors;
- (d) To review quarterly reporting and year end financial statements of the Group before submission to the Board, focusing particularly on:-
  - · changes in or implementation of major accounting policy;
  - significant adjustments arising from the audit;
  - the going concern assumption; and
  - compliance with accounting standards and other legal requirements.
- (e) To review the following in respect of internal audit function:-
  - adequacy of the scope, functions, competency and resources of the Internal Audit Department and that it has the necessary authority to carry out its work;
  - · internal audit programmes;
  - the major findings of internal audit investigations and management's responses, and ensure that appropriate actions are taken on the recommendations of the Internal Audit Department;
  - appraisal or assessments of the performance of the senior staff of the Internal Audit Department;
  - approval of any appointment or termination of senior staff member of the Internal Audit Department;
  - resignations of senior internal audit staff member and providing the resigning staff member an opportunity to submit his/her reason for resignation;
- (f) To consider the major findings of internal audit investigations and management's response;
- (g) To recommend the nomination and appointment of external auditors as well as the audit fee;
- (h) To promptly report any matters resulting in breach of the Bursa Securities Listing Requirements to the Board. Where the Committee is of the opinion that such matter reported by it to the Board has not been satisfactorily resolved, the Committee shall promptly report such matter to Bursa Securities; and
- (i) Any other function that may be mutually agreed upon by the Committee and the Board, which would be beneficial to the Company and ensure the effective discharge of the Committee's duties and responsibilities.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors ("the Board") is pleased to present its Statement on Risk Management and Internal Control for the financial year ended 31 December 2014. This Statement is prepared pursuant to paragraph 15.26(b) of the Main Market Listing Requirements and guided by the "Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers" issued by the publication of Bursa on the issuance of internal control statement.

### **BOARD RESPONSIBILITY**

The Board of Directors affirms its responsibility in maintaining a sound system of internal control and risk management procedures within the Group and constantly reviewing its adequacy and integrity. The Board also recognizes that reviewing of the Group's system of risk management and internal controls is a concerted and continuing process and the objective of risk management and systems of internal control is to manage rather than eliminate risk of failure to achieve business objectives. It shall be noted that all risk management and internal controls can only provide reasonable and not absolute assurance against material misstatement or loss. Nonetheless, in striving for continuous improvement, the Board will put in place appropriate action plans, when necessary, to further enhance the Group's systems of risk management and internal control.

### **RISK MANAGEMENT AND INTERNAL CONTROL**

Functionally, the Group's risk management processes involve identifying, evaluating and managing significant risks in the organization. It is the responsibilities of all Executive Directors and the management team to identify and manage in order to mitigate the business risks.

The internal control system is established to ensure there is a check and balance to facilitate the Audit Committee to discharge their duties and responsibilities. A good internal control system in place is to safeguard the interest of minority shareholders and stakeholders. The present key elements of the Group's system of internal controls are:

- The Group management review of the financial results and forecasts for business units and formulation of action plans for operational and financial performance improvement;
- Board's reviews and discussions with the management on significant financial and operating performances of the Group;
- Audit Committee reviews and consultation with the management on the integrity of the financial results, annual report and audited financial statements;
- Audit findings and reports on the review of the system of internal control from the Internal Auditors; and
- Management assurance that the Group's risk management and internal control systems have been in place and operating adequately at all time.

### **INTERNAL AUDIT**

The Group has engaged an independent professional services firm to carry out the internal audit function. The objective of the internal audit function is to review the adequacy and integrity of the internal control systems of key business units.

The Audit Committee reviews and approves the annual internal audit plan before the Internal Auditors carry out their functions. All audit findings are reported to the Audit Committee and areas of improvement and audit recommendations identified are communicated to the management for further action.

During the financial year, the Internal Auditors conducted internal control reviews on certain key operating functions and procedures and recommended actions plans for management improvement. The audit reports containing audit findings and recommendations together with management's responses thereto were circulated to all members of the Audit Committee. Areas of improvement identified were communicated to the management for further action. All audit reports were reviewed by the Audit Committee and discussed at Audit Committee Meetings. Follow-up reviews are performed to ascertain the extent of management's implementation of the recommended corrective action for improvements.

The cost incurred for the internal audit function in respect of the financial year ended 31 December 2014 was RM60,000.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

### **MANAGEMENT RESPONSIBILITIES AND ASSURANCE**

In accordance to the Bursa's Guidelines, management is responsible to the Board for identifying risks relevant to the business of the Group's objectives and strategies implementing, maintaining sound systems of risk management and internal control and monitoring and reporting to the Board of significant control deficiencies and changes in risks that could significantly affect the Group achievement of its objective and performance.

Before producing this Statement, the Board has received assurance from the Executive Director that, to the best of their knowledge that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects.

### CONCLUSION

There is no significant breakdown or weaknesses in the system of internal control of the Group that have resulted material losses incurred by the Group for the financial year ended 31 December 2014. The Board believes that the current review framework and the systems of risk management and internal control are reasonable for the present level of operations. Nonetheless, the Group will continue to take the necessary measures to ensure that the systems of risk management and internal control are functioning effectively in line with the evolving business development in the Group.

The Board of Directors has approved this statement for issuance.

### **REPORTS AND FINANCIAL STATEMENTS 31 DECEMBER 2014**

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## DIRECTORS' REPORT

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

### **PRINCIPAL ACTIVITIES**

The principal activity of the Company is investment holding.

The principal activities of the subsidiary companies and associate company are disclosed in Note 7 and 8 to the financial statements respectively.

There have been no significant changes in the nature of these activities of the Company, its subsidiary companies and associate company during the financial year.

### **RESULTS**

	Group RM	Company RM
ss for the financial year	(896,295)	(1,198,872)
ributable to: wners of the Company	(898,916)	(1,198,872)
on-controlling interests	2,621	(1,198,872)
	(896,295)	

### **DIVIDENDS**

There were no dividend proposed, declared or paid by the Company since the end of the previous financial year.

### **RESERVES AND PROVISIONS**

There were no material transfers to or from reserves or provisions during the financial year.

### **DIRECTORS**

The Directors in office since the date of the last report are:-

Lau Fook Meng
Faun Chee Yarn
Tan Kong Ang
Lim Choon Liat
Datuk Chua Hock Gee (appointed on 24.5.2014)
Koh Poh Seng (resigned on 25.8.2014)

In accordance with Article 80 of the Company's Articles of Association, Lim Choon Liat and Tan Kong Ang will retire from the Board of Directors at the forthcoming Annual General Meeting and being eligible offers themselves for re-election.



### **DIRECTORS' INTEREST**

According to the Register of Directors' shareholdings, there is no Director who is in office at the end of the financial year held any interest in the shares of the Company and its related corporations.

### **DIRECTORS' BENEFITS**

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects 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.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the notes to 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 those disclosed in the notes to the financial statements.

### **ISSUE OF SHARES AND DEBENTURES**

There was no issuance of new shares or debentures during the financial year.

### OTHER STATUTORY INFORMATION

Before the statements of financial position and statements of profit or loss and other comprehensive income of the Group and of the Company were made out, the Directors took reasonable steps:-

- (a) to ascertain that 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 all known bad debts had been written off and adequate provision had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

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

- (a) which would render the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.