OTHER STATUTORY INFORMATION (CONT'D)

At the date of this report, there does not exist:-

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

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

In the opinion of the Directors:-

(a) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;

(b) the results of operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(c) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of operations of the Group and of the Company for the current financial year in which this report is made.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND EVENT AFTER THE REPORTING DATE

The significant events during the financial year and event after the reporting date are disclosed in Note 33 to the financial statements.

AUDITORS

The Auditors, Messrs SJ Grant Thornton, have expressed their willingness to continue in office.

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

…………………………………	)	
DATUK CHUA HOCK GEE	)	
	)	DIRECTORS
…………………………………	)	
LAU FOOK MENG	)	

Kuala Lumpur
29 April 2015

STATEMENT BY DIRECTORS and STATUTORY DECLARATION

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 32 to 105 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2014 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the supplementary information set out on page 106 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.

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

....
DATUK CHUA HOCK GEE

....
LAU FOOK MENG

Kuala Lumpur
29 April 2015

STATUTORY DECLARATION

I, Lau Fook Meng, being the Director primarily responsible for the financial management of KPS Consortium Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 32 to 105 and the supplementary information set out on page 106 are 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 in)
the Federal Territory this day of)
29 April 2015)

....
LAU FOOK MENG

Before me:

PESURUHJAYA SUMPAH
W.490
S.ARULSAMY
MALAYSIA

Commissioner for Oaths

16 - Tingkat Bawah Jalan Pudu,
55100 Kuala Lumpur.

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the financial statements of KPS Consortium 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 32 to 105.

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 gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 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 subsidiary companies have been properly kept in accordance with the provisions of the Act.

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

(c) Our audit reports on the accounts of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174 (3) of the Act.

Other Reporting Responsibilities

The supplementary information set out on page 106 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

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

SJ GRANT THORNTON
(NO. AF: 0737)
CHARTERED ACCOUNTANTS

DATO' N. K. JASANI
(NO: 708/03/16(J/PH))
CHARTERED ACCOUNTANT

Kuala Lumpur
29 April 2015

STATEMENTS OF FINANCIAL POSITION
As at 31 December 2014

	Note	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	41,296,860	52,304,622	-	-
Prepaid land lease payments	5	1,980,260	2,052,490	-	-
Investment properties	6	8,280,000	8,071,390	-	-
Investment in subsidiary companies	7	-	-	127,703,012	128,827,579
Investment in an associate company	8	1	1	1	1
Goodwill on consolidation	9	43,151,039	43,151,039	-	-
Deferred tax assets	10	1,950,000	1,452,000	-	-
Total non-current assets		96,658,160	107,031,542	127,703,013	128,827,580
Current assets					
Inventories	11	53,619,903	56,790,063	-	-
Trade receivables	12	109,911,039	106,976,734	-	-
Other receivables	13	21,039,911	25,287,521	11	30,734
Amount due from subsidiary companies	7	-	-	23,749,545	19,039,098
Tax recoverable		1,156,675	111,599	14,674	11,290
Deposits with licensed banks	14	6,936,965	1,460,216	-	-
Cash and bank balances		20,708,028	17,712,147	427,331	118,946
		213,372,521	208,338,280	24,191,561	19,200,068
Non-current assets classified as held for sale	15	8,358,905	500,000	-	-
Total current assets		221,731,426	208,838,280	24,191,561	19,200,068
TOTAL ASSETS		318,389,586	315,869,822	151,894,574	148,027,648
EQUITY AND LIABILITIES					
EQUITY					
Share capital	16	147,827,158	147,827,158	147,827,158	147,827,158
Share premium	17	5,400,842	5,400,842	5,400,842	5,400,842
Retained earnings	17	49,283,981	50,183,792	(7,826,534)	(6,627,662)
		202,511,981	203,411,792	145,401,466	146,600,338
Non-controlling interests	7	48,536	45,009	-	-
Total equity		202,560,517	203,456,801	145,401,466	146,600,338
LIABILITIES					
Non-current liabilities					
Finance lease liabilities	18	555,008	761,353	-	-
Deferred tax liabilities	10	114,550	770,550	-	-
Borrowings	19	7,566,067	9,295,138	-	-
Total non-current liabilities		8,235,625	10,827,041	-	-
Current liabilities					
Trade payables	20	23,132,272	18,739,086	-	-
Other payables	21	10,679,773	3,765,496	153,803	137,972
Amount due to subsidiary companies	7	-	-	6,339,305	1,289,338
Borrowings	19	73,652,216	78,814,289	-	-
Tax payable		129,183	267,109	-	-
Total current liabilities		107,593,444	101,585,980	6,493,108	1,427,310
Total liabilities		115,829,069	112,413,021	6,493,108	1,427,310
TOTAL EQUITY AND LIABILITIES		318,389,586	315,869,822	151,894,574	148,027,648

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2014

		Group		Company	
	Note	2014 RM	2013 RM	2014 RM	2013 RM
Revenue	22	464,374,985	492,649,442	216,000	216,000
Cost of sales		(437,403,390)	(459,466,493)	-	-
Gross profit		26,971,595	33,182,949	216,000	216,000
Other income		3,532,786	5,107,905	1,680	596,033
Selling and distribution expenses		(9,223,434)	(9,983,027)	-	-
Administrative expenses		(6,539,644)	(6,126,696)	(238,987)	(192,306)
Other expenses		(10,736,379)	(2,180,514)	(1,152,015)	(8,788)
Operating profit/(loss)		4,004,924	20,000,617	(1,173,322)	610,939
Finance costs		(3,972,272)	(4,927,775)	-	-
Profit/(Loss) before tax	23	32,652	15,072,842	(1,173,322)	610,939
Tax expense	24	(928,947)	(3,167,595)	(25,550)	(33,004)
(Loss)/Profit for the financial year		(896,295)	11,905,247	(1,198,872)	577,935
Other comprehensive loss, net of tax		(895)	-	-	-
Total comprehensive (loss)/income for the financial year		(897,190)	11,905,247	(1,198,872)	577,935
(Loss)/Profit for the financial year attributable to:-					
Owners of the Company		(898,916)	11,637,771	(1,198,872)	577,935
Non-controlling interests		2,621	267,476	-	-
		(896,295)	11,905,247	(1,198,872)	577,935
Total comprehensive (loss)/income attributable to:-					
Owners of the Company		(899,811)	11,637,771	(1,198,872)	577,935
Non-controlling interests		2,621	267,476	-	-
		(897,190)	11,905,247	(1,198,872)	577,935
Earnings per share attributable to owners of the Company (sen)	25				
- Basic		(0.61)	7.87		
- Diluted		(0.61)	7.87		

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

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2014

	<---------------- Attributable to owners of the Company			---------------->		
	Share capital RM	Non-distributable Share premium RM	Distributable Retained earnings/ (Accumulated losses) RM	Total RM	Non-controlling interests RM	Total equity RM
Group						
Balance at 1 January 2013	147,827,158	5,400,842	38,546,021	191,774,021	(222,467)	191,551,554
Total comprehensive income for the financial year	-	-	11,637,771	11,637,771	267,476	11,905,247
Balance at 31 December 2013	147,827,158	5,400,842	50,183,792	203,411,792	45,009	203,456,801
Transaction with owners :						
Change in stake	-	-	-	-	906	906
Total transaction with owners	-	-	-	-	906	906
Loss for the financial year	-	-	(898,916)	(898,916)	2,621	(896,295)
Other comprehensive loss for the financial year	-	-	(895)	(895)	-	(895)
Total comprehensive loss for the financial year	-	-	(899,811)	(899,811)	2,621	(897,190)
Balance at 31 December 2014	147,827,158	5,400,842	49,283,981	202,511,981	48,536	202,560,517
Company						
Balance at 1 January 2013	147,827,158	5,400,842	(7,205,597)	146,022,403	-	146,022,403
Total comprehensive loss for the financial year	-	-	577,935	577,935	-	577,935
Balance at 31 December 2013	147,827,158	5,400,842	(6,627,662)	146,600,338	-	146,600,338
Total comprehensive loss for the financial year	-	-	(1,198,872)	(1,198,872)	-	(1,198,872)
Balance at 31 December 2014	147,827,158	5,400,842	(7,826,534)	145,401,466	-	145,401,466

STATEMENTS OF CASH FLOWS
For the Financial Year Ended 31 December 2014

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
OPERATING ACTIVITIES				
Profit/(Loss) before tax	32,652	15,072,842	(1,173,322)	610,939
Adjustments for:-				
Amortisation of prepaid land lease payments	72,230	72,230	-	-
Inventories				
- written down	647,930	594,677	-	-
- written off	18,770	8,348	-	-
- written back	(496,404)	(150,354)	-	-
Bad debts written off				
- trade receivables	287,214	1,711	-	-
- other receivables	14,999	-	14,999	-
- subsidiary company	-	-	1,660	-
Impairment loss on property, plant and equipment	5,755,076	-	-	-
Depreciation of property, plant and equipment	3,206,875	3,234,261	-	-
Loss on disposal of				
- property, plant and equipment	10,930	35,800	-	-
- subsidiary company	-	-	433,531	-
Fair value (gain)/loss on investment properties	(208,610)	341,408	-	-
Interest expenses	3,320,131	4,232,623	-	-
Property, plant and equipment written off	25,141	-	-	-
Impairment on				
- trade receivables	1,406,421	1,479,284	-	-
- other receivables	2,796,544	-	-	-
- amount due from subsidiary companies	-	-	10,800	3,656,974
- investment in subsidiary companies	-	-	691,025	-
Interest income	(382,828)	(109,616)	-	-
Reversal of impairment on				
- trade receivables	(1,117,254)	(1,095,201)	-	-
- amount due from subsidiary companies	-	-	(1,660)	(3,648,186)
- investment in subsidiary companies	-	-	-	(556,033)
Operating profit/(loss) before working capital changes	15,389,817	23,718,013	(22,967)	63,694
Changes in working capital:-				
Inventories	2,999,864	(65,556)	-	-
Receivables	(1,754,666)	(10,490,033)	15,724	(13,070)
Payables	12,013,172	(2,461,994)	15,831	7,571
Bankers' acceptance	(4,630,602)	346,695	-	-
Cash generated from operations	24,017,585	11,047,125	8,588	58,195
Interest paid	(2,623,607)	(3,425,442)	-	-
Tax refund	226,450	171,860	9,166	-
Tax paid	(3,492,399)	(1,963,207)	(38,100)	(40,426)
Net cash from/(used in) operating activities	18,128,029	5,830,336	(20,346)	17,769

	Note	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
INVESTING ACTIVITIES					
Interest received		62,875	109,616	-	-
Purchase of property, plant and equipment	A	(5,397,067)	(799,453)	-	-
Placement of fixed deposit with licensed banks		(5,476,749)	688,761	-	-
Proceeds from disposal of property, plant and equipment		27,500	165,160	-	-
Proceeds from disposal of asset held for sales		500,000	318,000	-	-
Proceeds from change in stake		11	-	11	-
Net cash (used in)/from investing activities		(10,283,430)	482,084	11	-
FINANCING ACTIVITIES					
Subsidiary companies		-	-	328,720	(68,891)
Associate company		-	2,200,000	-	-
Interest paid		(696,353)	(807,181)	-	-
Drawndown of term loan		-	5,000,000	-	-
Refinance of property, plant and equipment		-	575,415	-	-
Repayment of term loan		(1,696,355)	(1,581,773)	-	-
Payment of finance lease creditors		(1,891,823)	(1,816,241)	-	-
Net cash (used in)/from financing activities		(4,284,531)	3,570,220	328,720	(68,891)
CASH AND CASH EQUIVALENTS					
Net increase/(decrease)		3,560,068	9,882,640	308,385	(51,122)
Brought forward		17,147,960	7,265,320	118,946	170,068
Carried forward	B	20,708,028	17,147,960	427,331	118,946

STATEMENTS OF CASH FLOWS
For the Financial Year Ended 31 December 2014 (CONT'D)

NOTES TO THE STATEMENTS OF CASH FLOWS

A. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Total purchase	6,376,665	2,010,278	-	-
Purchase through finance lease arrangement	(979,598)	(1,210,825)	-	-
Cash payment	5,397,067	799,453	-	-

B. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statements of cash flows comprise the following items:-

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Cash and bank balances	20,708,028	17,712,147	427,331	118,946
Fixed deposits with licensed banks	6,936,965	1,460,216	-	-
Bank overdraft (Note 19)	-	(564,187)	-	-
	27,644,993	18,608,176	427,331	118,946
Less: Fixed deposits pledged as security for banking facilities granted to the subsidiary companies	(6,936,965)	(1,460,216)	-	-
	20,708,028	17,147,960	427,331	118,946

As disclosed in Note 14 to the financial statements, the fixed deposits have been pledged to licensed banks for banking facilities granted to certain subsidiary companies and hence, are not available for general use.

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

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of the Bursa Malaysia Securities Berhad. The registered office of the Company is located at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur and the principal place of business is located at Lot 622, Jalan Lapis Dua, Kampung Sementa, Batu 6, Jalan Kapar, 42200 Klang, Selangor Darul Ehsan.

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.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 29 April 2015.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Statement of Compliance

The financial statements of the Group and of the Company are prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 1965 in Malaysia.

2.2 Basis of Measurement

The financial statements of the Group and of the Company are prepared under the historical cost convention, except for certain properties are measured at fair values at the end of each reporting period as indicated in the summary of significant accounting policies.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group and the Company take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/ or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of MFRS 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 2 or value in use in MFRS 136.

In addition, for financial reporting purposes, fair value measurement are categorised into Level 1, 2 or 3 based on the degree to which it inputs to the fair value measurement are observable and the significance of the inputs to the fair value measurement, in its entirely, which are described below:-

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

- Level 2 inputs are inputs, other than quoted prices within Level 1, that are observable for the asset or liability either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the assets or liability.

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

2.3 Functional and Presentation Currency

The financial statements are presented in Ringgit Malaysia ("RM") which is the Company's functional currency and all values are rounded to the nearest RM except when otherwise stated.

2.4 Malaysian Financial Reporting Standards ("MFRSs")

2.4.1 **Adoption of New or Revised MFRSs, Amendments/Improvements to MFRSs and IC Interpretations ("IC Int")**

The accounting policies adopted by the Group and by the Company are consistent with those of the prior financial year except for the new and revised MFRSs and IC Interpretations approved by Malaysian Accounting Standards Board ("MASB") and applicable for current financial year. Application of the new and revised MFRSs and interpretations has no material impact on the financial statements of the Group and of the Company.

Several other amendments are effective for the first time in the financial year ended 31 December 2014. However, they do not impact the annual financial statements of the Group and of the Company.

The nature and impact of the new standards and amendments are described below:-

Investment Entities (Amendments to MFRS 10, MFRS 12 and MFRS 127)

These amendments provided an exception to the consolidation requirement for entities meeting the definition of an investment entity under MFRS 10 and the exception is applicable retrospectively, subject to certain transitional relief. The exception to consolidation requires investment entities to account for subsidiary companies at fair value through profit or loss.

The amendments have no impact on the Group because none of the entities in the Group qualifies as an investment entity under MFRS 10.

Amendments to MFRS 132 Offsetting Financial Assets and Financial Liabilities

The amendments clarified the meaning of 'currently has a legally enforceable right of set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and the amendments is applicable retrospectively.

The amendments affected disclosures in the financial statements only and do not have material impact on the financial statements of the Group and of the Company.

Amendments to MFRS 136 Recoverable Amount Disclosures For Non-financial Assets

The amendments clarified that the disclosure requirements in MFRS 136 that are applicable to value in use are also applicable to fair value less costs of disposal when there has been a material impairment loss or impairment reversal in the period.

The amendments affected disclosures in the financial statements only and do not have material impact on the financial statements of the Group and of the Company.

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

2.4 Malaysian Financial Reporting Standards (MFRSs) (cont'd)

2.4.2 Standards Issued But Not Yet Effective

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the Malaysian Accounting Standards Board ("MASB") that are not yet effective, and have not been early adopted by the Group and the Company. Information on those expected to be relevant to the Group's and the Company's financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the Group's and the Company's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, amendments and interpretations to exiting standard not either adopted or listed below are not expected to have a material impact on the Group's and the Company's financial statements.

Amendments to MFRS 3 Business Combinations

The amendments clarified that when contingent consideration meets the definition of financial instrument, its classification as a liability or equity is determined by reference to MFRS 132 Financial Instruments: Presentation that is classified as an asset and liability shall be subsequently measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss.

Amendments to MFRS 8 Operating Segments

The amendments require entities to disclose those factors that are used to identify the entity's reportable segments when operating segments have been aggregated. The amendment further clarified that a reconciliation of the total of the reportable segments' assets to the entity's assets should be disclosed if that amount is regularly provided to the chief operating decision maker.

MFRS 9 Financial Instruments

MFRS 9 is issued during the financial year, which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous version of MFRS 9. The new standard introduces extensive requirements and guidance for classification and measurement of financial assets and financial liabilities which fall under the scope of MFRS 9, new "expected credit loss model" under the impairment of financial assets and greater flexibility has been allowed in hedge accounting transactions.

The Group and the Company are currently examining the financial impact of adopting MFRS 9.

Amendments to MFRS 13 Fair Value Measurement

The amendments specified the scope of the exception that permits an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis if the entity manages that group of financial assets and financial liabilities on the basis of its net exposure to either market risk or credit risk (referred to as portfolio exception). It clarifies that the portfolio exception applies to all contracts within the scope of MRFS 139 Financial Instruments: Recognition and Measurement and MFRS 9 Financial Instruments, regardless of whether they meet the definitions of financial assets or liabilities as defined in MFRS 132 Financial Instruments: Presentation.

The adoption of this amendment has no effect on the Group's and Company's financial statements as the portfolio exception does not apply to the Group and the Company.

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

2.4 Malaysian Financial Reporting Standards (MFRSs) (cont'd)

2.4.2 Standards Issued But Not Yet Effective (cont'd)

Amendments to MFRS 116 Property, plant and equipment and MFRS 138 Intangible Assets

The amendments clarified the accounting for accumulated depreciation/amortisation when an asset is revalued. The determination of accumulated depreciation does not depend on the selection of the valuation technique. It clarifies that the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset and accumulated depreciation/amortisation is calculated as the difference between the gross carrying amount and the carrying amount of the asset after taking into account for accumulated impairment losses.

The adoption of this amendment will have no effect on the Group's and the Company's financial position and results.

Amendments to MFRS 124 Related Party Disclosures

The amendments extend the definition of "related party" to include an entity, or any member of a group of which it is a part that provides key management personnel services to the reporting entity or to the parent of the reporting entity. Separate disclosure of transactions for the provisions of key management personnel services is required.

The adoption of this amendment has no effect on the Group's and the Company's current financial statements as the Group and the Company do not have personnel services provided by the management service entity.

Amendments to MFRS 140 Investment Property

The amendment clarified that judgement is required to determine whether the acquisition of investment property is the acquisition of an asset, or group of assets or a business combination in the scope of MFRS 3; and that this judgement is not based on paragraph 7-15 of MFRS 140 but is instead based on the guidance in MFRS 3.

2.5 Significant Accounting Estimates and Judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's and of the Company's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimates.

Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

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

2.5 Significant Accounting Estimates and Judgements (cont'd)

2.5.1 Key Sources of Estimation Uncertainty

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

<u>Impairment of Goodwill</u>

The Group determines whether goodwill is impaired at least once annually. This requires the estimation of the value in use of the case-generating units to which goodwill are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Further details of the carrying values, key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in the assumptions are disclosed in Note 9 to the financial statements.

<u>Income Taxes/Deferred Tax Liabilities</u>

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

<u>Deferred Tax Assets</u>

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which all the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

During the financial year, a subsidiary of the Group has recognised RM6,145,000 of unutilised tax losses on 31 December 2014 as management considered that it is probable that taxable profits will be available against which the losses can be utilised.

The carrying value of deferred tax assets of the Group at 31 December 2014 was RM1,950,000 (2013: RM1,452,000) as disclosed in Note 10 to the financial statements. If the taxable profits of the subsidiary differ by 5% due to the change in estimates of the subsidiary's future results from operating activities, the Group's deferred tax assets will vary by RM97,500.

<u>Fair Value Measurement and Valuation Processes</u>

Some of the Group's assets and liabilities are measured at fair value for financial reporting. Significant judgement is involved in determining the appropriate valuation techniques and inputs for fair value measurements where active market quotes are not available.

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

2.5 Significant Accounting Estimates and Judgements (cont'd)

2.5.1 Key Sources of Estimation Uncertainty (cont'd)

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below (cont'd):-

Fair Value Measurement and Valuation Processes (cont'd)

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in measuring the assets and liabilities. Where Level 1 inputs are not available, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting date. For the valuation of land and buildings, the Group engages third party qualified values to perform the valuation.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in the Notes 6.

2.5.2 Judgements Made in Applying Accounting Policies

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

Deferred Tax Assets

Deferred tax assets are recognised for all deductible temporary differences, unutilised tax losses, unutilised capital allowances, unutilised reinvestment allowances and unutilised tax credits to the extent that it is probable that taxable profit will be available against which all deductible temporary differences, unutilised tax losses and unutilised capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with future tax planning strategies.

Leases

In applying the classification of leases in MFRS 117, management considers some of its leases of motor vehicles and leasehold land as finance lease arrangements. The lease transaction is not always conclusive, and management uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership, whether the lease term is for the major part of the economic life of the asset even if title is not transferred and others in accordance with MFRS 117 Leases.

Classification Between Investment Properties and Owner-Occupied Properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

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

2.5 Significant Accounting Estimates and Judgements (cont'd)

2.5.2 Judgements Made in Applying Accounting Policies (cont'd)

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements (cont'd).

Classification Between Investment Properties and Owner-Occupied Properties (cont'd)

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. The Group accounts for the portions separately, if the portions could not be sold separately (or leased out separately under a finance lease). If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

3. SIGNIFICANT ACCOUNTING POLICIES

The Group and the Company apply the significant accounting policies, as summarized below, consistently throughout all periods presented in the financial statements, unless otherwise stated.

3.1 Consolidation

Basis of Consolidation

The Group's financial statements consolidate the audited financial statements of the Company and all of its subsidiary companies, which have been prepared in accordance with the Group's accounting policies. Amounts reported in the financial statements of subsidiary companies have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. The financial statements of the Company and its subsidiary companies are all drawn up to the same reporting period.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Subsidiary companies are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Changes in the Company owners' ownership interest in a subsidiary company that do not result in a loss of control are accounted for as equity transactions. 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 company. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received (for all the acquisition took place after 1 January 2011).

All the subsidiary companies within the Group are acquired before 1 January 2011. Thus, the cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If business combinations 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.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree, if any, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree net identifiable assets.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of the non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statements of financial position. The accounting policy for goodwill is set out in Note 3.3. For 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.

3.2 Subsidiary Companies

Subsidiary companies are entities, including structured entities, controlled by the Group or the Company. Control exists when the Group or the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. Besides, the Group or the Company considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investment in subsidiary companies is stated at cost less any impairment losses in the Company's statement of financial position, unless the investment is held for sale or distribution. The cost of investments includes transaction costs. Where an indication of impairment exists, the carrying amount of the subsidiary companies is assessed and written down immediately to their recoverable amount.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Subsidiary Companies (cont'd)

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

3.3 Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary company at the date of acquisition.

Goodwill arising on the acquisition of subsidiary companies is presented separately in the statements of financial position.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying values may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually and, whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including goodwill, with the recoverable amount of the unit. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

An impairment loss recognised for goodwill shall not be reversed in subsequent period.

Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operations within that unit is disposed off, the goodwill associated with the operations disposed off is included in the carrying amount of the operations when determining the gain or loss on disposal off the operations. Goodwill disposed of in these circumstances is measured based on the relative values of the operations disposed of and portion of the cash-generating unit retained.

As part of its transition to MFRS framework, the Group elected not to restate those business combinations that occurred before the date of transition to MFRS. Goodwill arising from acquisitions before 1 January 2011 has been carried forward from the previous FRS framework as at the date of transition.

3.4 Loss of Control

Upon the loss of control of a subsidiary company, the Group derecognises the assets and liabilities of the subsidiary company, any non-controlling interests and the other components of the equity related to the subsidiary company. Any surplus or deficit arising on the loss of control is recognised in profit or loss.

If the Group retains any interest in the previous subsidiary company, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Non-controlling Interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary company not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the financial year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary company are allocated to the non-controlling interests even if that results in a deficit balance.

3.6 Eliminations on consolidation

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated on consolidation.

3.7 Associate Companies

Associate companies are entities in which the Group has significant influence, but no control, over their financial and operating policies.

The Group's investments in associate companies are accounted for using the equity method. Under the equity method, investment in an associate company is carried in the statements of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate company since the acquisition date. Goodwill relating to the associate company is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The share of the result of an associate company by the Group is reflected in profit or loss. This is the profit attributable to equity holders of the associate company and therefore is the profit after tax and non-controlling interests in the subsidiary companies of the associate company. When the Group's share of losses exceeds its interest in an associate company, the carrying amount of that interest including any long-term investment is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate company.

Where there has been a change recognised directly in the equity of an associate company, the Group recognises its share of any changes and discloses this, when applicable, in the statements of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate company are eliminated to the extent of the interest in the associate company.

The financial statements of the associate companies are prepared as of the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies of the associate companies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investments in its associate companies. The Group determines at each end of the reporting period whether there is any objective evidence that the investments in the associate companies are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate companies and their carrying value, then recognise the amount in the "share of profit of an equity-accounted associate company" in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Associate Companies (cont'd)

Upon loss of significant influence over an associate companies, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate company upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in profit or loss.

In the Company's separate financial statements, investments in associate companies are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

3.8 Property, Plant and Equipment

All property, plant and equipment are measured at cost less accumulated depreciation and less any impairment losses. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bring the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is recognised on the straight line method in order to write off the cost of each asset over its estimated useful life. Freehold land with an infinite life is not depreciated. Other property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Buildings	2% - 5%
Plant and machineries	6% - 10%
Motor vehicles	10% - 20%
Furniture, fittings and office equipment	10% - 33.3%

Capital work-in-progress consists of plant and machinery under installation for intended use as production facilities. The amount is stated at cost and includes capitalisation of interest incurred on borrowings related to property, plant and equipment under installation until the property, plant and equipment are ready for their intended use. Assets under installation are not depreciated until it is completed and ready for their intended use.

The residual values, useful lives and depreciation method are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable, at least annually 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.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

<u>Finance Lease</u>

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss.Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

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

Leasehold land which in substance is a finance lease is classified as a property, plant and equipment.

<u>Operating Lease</u>

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statements of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid land lease payments.

The Group's prepaid land lease payments are amortised on a straight line basis over the lease term within 22 years to 52 years.

3.10 Investment Properties

Investment properties consist of land and buildings held for capital appreciation or rental purpose and not occupied or only an insignificant portion is occupied for use in the operations of the Group.

Investment properties are initially measured at cost. The cost of investment properties includes expenditure that is directly attributable to the acquisition of the assets. Subsequent to initial recognition, investment properties are stated at fair value and are revalued annually, which is determined by the Directors by reference to market evidence of transaction prices for similar properties and valuation performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Gain or losses arising from changes in the fair value of investment properties are included in the profit or loss in the financial year in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Investment Properties (cont'd)

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

3.11 Non-current Assets Held for Sale

Non-current assets comprising assets are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale.

Classification of the asset as held for sale occurs only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary and the sale must be highly probable. Management must be committed to a plan to sell the assets which are expected to qualify for recognition as a completed sale within one year from the date of classification. Action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or the plan will be withdrawn.

Immediately before classification as held for sale, the assets, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less costs to sell. Any differences are recognised in profit or loss.

Property, plant and equipment once classified as held for sale are not amortised or depreciated.

3.12 Inventories

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

Inventories are determined by using the weighted average method. The costs of raw materials and goods-in-transit comprise costs of purchase plus the cost of bringing the inventories to their present condition and location. The cost of work-in-progress and finished goods comprises raw materials, direct labour, other direct costs and appropriate proportions of production overheads.

Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion. Write-down to net realisable value and inventory losses are recognised as an expense when it occurred and any reversal is recognised in profit or loss in the period in which it occurs.

3.13 Financial Instruments

3.13.1 **Initial Recognition and Measurement**

Financial assets and financial liabilities are recognised when the Group and the Company become a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets and financial liabilities are measured subsequently as described below.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Financial Instruments (cont'd)

3.13.2 Financial Assets - Categorisation and Subsequent Measurement

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

a) financial assets at fair value through profit or loss;
b) held-to-maturity investments;
c) loans and receivables; and
d) available-for-sale financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each end of the reporting period. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets.

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

At the reporting date, the Group and the Company have not designated any financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets. The Group and the Company carry only loans and receivables on their statements of financial position.

<u>Loans and receivables</u>

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process. The Group's and the Company's cash and cash equivalents, trade and most of other receivables, and amount due from subsidiary companies fall into this category of financial instruments.

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

3.13.3 Financial Liabilities - Categorisation and Subsequent Measurement

After the initial recognition, financial liability is classified as financial liability at fair value through profit or loss, other financial liabilities measured at amortised cost using the effective interest method or financial guarantee contracts.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Financial Instruments (cont'd)

3.13.3 Financial Liabilities - Categorisation and Subsequent Measurement (cont'd)

At the reporting date, the Group and the Company have not designated any financial liabilities at fair value through profit or loss. The Group and the Company carry only other financial liabilities on their statements of financial position.

<u>Other financial liabilities measured at amortised cost</u>

The Group's and the Company's other financial liabilities include borrowings, trade and other payables, finance lease liabilities and amount due to subsidiary companies.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

<u>Financial guarantee contracts</u>

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specific debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

3.13.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.14 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, bank balances, deposits pledged to licensed financial institutions, bank overdraft and short term demand deposits which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdraft is shown in current liabilities in the statements of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Impairment of Assets

3.15.1 Non-financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows 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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of three years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the third year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the profit or loss in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at the end of each reporting period, and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Impairment of Assets (cont'd)

3.15.2 Financial Assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable date indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortised Cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continue to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of a provision account and the amount of the loss is recognised in the profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the profit or loss. Loans together with the associated provision are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent financial year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the provision account. If a future write-off is later recovered, the recovery is credited to finance costs in the profit or loss.

3.16 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets during the period of time that is necessary to complete and prepare the asset for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Revenue Recognition

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

Sale of goods

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

Dividend income

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

Rental income

Rental income from investment properties is recognised on an accrual basis unless collectability is in doubt.

Interest income

Interest income is recognised on time proportion basis, taking into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group.

Management fee

Management fee is recognised when services are rendered.

All significant intercompany revenues are eliminated on consolidation.

3.18 Tax Expense

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

3.18.1 Current Tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the financial year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Current tax is recognised in the statements of financial position as a liability (or an asset) to the extent that it is unpaid (or refundable).

3.18.2 Deferred Tax

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.18 Tax Expense (cont'd)

3.18.2 Deferred Tax (cont'd)

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date, except for investment properties carried at fair value model. Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 3.10 to the financial statements, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

3.19 Employee Benefits Expense

<u>Short term employee benefits</u>

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

<u>Defined contribution plans</u>

Defined contribution plans are post-employment benefit plans under which the Group and the Company pay fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years.

Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, the companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

3.20 Foreign Currency Translation

The Group's consolidated financial statements are presented in RM, which is also the Company's function currency.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.20 Foreign Currency Translation (cont'd)

Foreign Currency Translation and Balances

Transactions in foreign currencies are initially recorded at the functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the profit or loss with the exception of all monetary items that forms part of a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising in translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference (translation differences on items whose gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss respectively).

3.21 Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. Additional disclosures on each of these segments are show in Note 32 to the financial statements.

3.22 Equity, Reserves and Distribution to Owners

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Ordinary shares are equity instruments.

Share capital represents the nominal value of shares that have been issued.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Retained earnings or accumulated loss include all current and prior period retained profits or accumulated loss.

Interim dividends are simultaneously proposed and declared, because the articles of association of the Company grants the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

Final dividends proposed by the Directors are not accounted for in shareholder's equity as an appropriation of retained profits, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.22 Equity, Reserves and Distribution to Owners (cont'd)

The distribution of non-cash assets to owners is recognised as dividend payable when the dividend was approved by shareholders. The dividend payable is measured at the fair value of the shares to be distributed. At the end of the financial year and on the settlement date, the Company reviews the carrying amount of the dividend payable, with any changes in the fair value of the dividend payable are recognised in equity. When the Company settles the dividend payable, the difference between the carrying amount of the dividend distributed and the carrying amount of the dividend payable is recognised as a separate line item in profit or loss.

All transactions with owners of the Company are recorded separately within equity.

3.23 Provisions

Provisions are recognised when there is a present legal or constructive obligation that can be estimated reliably, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

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

3.24 Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs such that outflow is probable and can be measured reliably, they will then be recognised as a provision.

3.25 Related Parties

A related party is a person or entity that is related to the Group and the Company. A related party transaction is a transfer of resources, services or obligations between the Group and the Company and its related party, regardless of whether a price is charged.

(i) A person or a close member of that person's family is related to the Group and the Company if that person:-

(a) Has control or joint control over the Group and the Company;
(b) Has significant influence over the Group and the Company; or
(c) Is a member of the key management personnel of the ultimate holding company or the Group or the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.25 Related Parties (cont'd)

(ii) An entity is related to the Group and the Company if any of the following conditions applies:-

(a) The entity and the Company are members of the same group.
(b) The entity is an associate or joint venture of the Group or the Company.
(c) Both the Group or the Company and the entity are joint ventures of the same third party.
(d) The Group or the Company is a joint venture of a third entity and the entity is an associate of the same third entity.
(e) The entity is a post-employment benefit plan for the benefits of employees of either the Group and the Company for an entity related to the Group and the Company.
(f) The entity is controlled or jointly-controlled by a person identified in (i) above.
(g) A person identified in (i)(a) above has significant influence over the entity or is a member of the key management personnel of the entity or the ultimate holding company of the entity.

A related party transaction is a transfer of resources, services or obligations between the Group and its related party, regardless of whether a price is charged.

3.26 Earnings per Ordinary Share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company based on the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company based on the weighted average number of shares outstanding, for the effects of all dilutive potential ordinary shares during the period.

4. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RM	Plant and machineries RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Capital work-in-progress RM	Total RM
Group						
Cost						
At 1.1.2013	48,179,776	33,729,776	5,470,981	3,333,325	1,729,977	92,443,835
Additions	-	623,081	1,198,708	123,636	64,853	2,010,278
Disposals	-	(1,088)	(718,767)	(359,070)	-	(1,078,925)
Written off	-	-	-	(135,173)	-	(135,173)
Reclassification	-	1,794,830	-	-	(1,794,830)	-
At 31.12.2013	48,179,776	36,146,599	5,950,922	2,962,718	-	93,240,015
Additions	4,607,801	1,131,533	577,486	59,845	-	6,376,665
Disposals	-	(306,490)	(186,192)	(3,020)	-	(495,702)
Written off	-	(171,610)	-	(219,193)	-	(390,803)
Transferred to assets held for sales (Note 15)	(10,080,644)	(10,599,648)	-	(52,647)	-	(20,732,939)
At 31.12.2014	42,706,933	26,200,384	6,342,216	2,747,703	-	77,997,236
Accumulated depreciation						
At 1.1.2013	10,791,560	21,227,928	3,926,656	2,768,126	-	38,714,270
Charge for the financial year	828,490	1,716,661	548,328	140,782	-	3,234,261
Disposals	-	(1,088)	(521,352)	(355,525)	-	(877,965)
Written off	-	-	-	(135,173)	-	(135,173)
Reclassification	-	27,752	(6,301)	(21,451)	-	-
At 31.12.2013	11,620,050	22,971,253	3,947,331	2,396,759	-	40,935,393
Charge for the financial year	789,880	1,630,985	645,339	140,671	-	3,206,875
Disposals	-	(295,679)	(159,828)	(1,765)	-	(457,272)
Written off	-	(147,155)	-	(218,507)	-	(365,662)
Transferred to assets held for sales (Note 15)	(3,233,266)	(3,357,977)	-	(27,715)	-	(6,618,958)
At 31.12.2014	9,176,664	20,801,427	4,432,842	2,289,443	-	36,700,376
Accumulated Impairment loss						
At 1.1.2013 / 31.12.2013	-	-	-	-	-	-
Charge for the financial year	1,513,405	4 ,241,671	-	-	-	5,755,076
Transferred to assets held for sales (Note 15)	(1,513,405)	(4 ,241,671)	-	-	-	(5,755,076)
At 31.12.2014	-	-	-	-	-	-
Net carrying amount						
At 31.12.2014	33,530,269	5,398,957	1,909,374	458,260	-	41,296,860
At 31.12.2013	36,559,726	13,175,346	2,003,591	565,959	-	52,304,622