
# OPENING DOORS TO OPPORTUNITIES

MANN SENG METAL INTERNATIONAL LIMITED
ANNUAL REPORT 2010

# CORPORATE PROFILE

Reaching new heights with strategic investments in our production facilities.


Mann Seng Metal International Limited (MSM) and its subsidiaries (collectively, "Group") are an integrated metal engineering group of companies which are principally involved in the business of OEM contract manufacturing and provision of standard and customised kitchen appliances, equipment, and related services (e.g. design, consultancy and installation). As an integrated metal engineering group of companies, we possess design, product development, prototyping, tool and die fabrication, and production and assembly capabilities to cater to the needs of our customers in our two major business lines.

Our Group's global base of customers spans the oil & gas, semiconductor, healthcare, food and beverage and hospitality industries. By harnessing our wide range of metal engineering capabilities, our Group is able to offer one-stop solutions from design, product development, prototyping, tool and die fabrication, to assembly services for stainless steel and metal products according to each customer's needs and specifications.

Over the years, our Group has established a firm track record and reputation for product service, quality, reliability and commitment with relevant expertise as well as production and assembly capabilities, and MSM today had built a solid customer base and oversees a strong portfolio of in-house brands for our kitchen solutions business.

Our Group, currently operates three specialized manufacturing facilities in Malaysia for the fabrication of metal products for OEM contract manufacturing, robotic welding processes, and the fabrication of standard and customized kitchen equipment products as a comprehensive one-stop solutions and quality service provider.

Oil & Gas

Kitchen Equipment & Furniture Fabrication

Precision Metal Engineering

OEM Contract Manufacturing

Design & Build of Cleanroom

## COVER RATIONALE

**OPENING DOORS TO OPPORTUNITIES...**

Our Group, has chosen the **mo'delux** Combi Oven as its cover this year to reflect our technical strength and product quality commitment in the kitchen appliances, equipment and related services segment, so as to further expand our opportunities and market reach.

The "Opening of Doors" in this context showcases the Group's various ability and willingness to offer its customers and partner's opportunities in all areas, be it in production efficiency or expansion or improvement of our products profile. These collaborations have seen the company venturing into new grounds with many more opportunities forthcoming.

Our **mo'delux** combi oven's many cooking abilities such as roasting, grilling, steaming, baking, braising, poaching and blanching in a single structure also mirrors the Group's many capabilities and expertise in metal product fabrication such as laser cut, turret punch, robotic welding, bending, machining, milling, surface treatment and many others.

And like the assurance that the quality in every cooking process is guaranteed and maintained with the **mo'delux** Combi oven, the Group continues its commitment to ensure its customers, partners, shareholders and staff the best in their services, products and services offered.

mo'delux

Self Cooking Centre

Model: MD-SCC-101

# CONTENTS

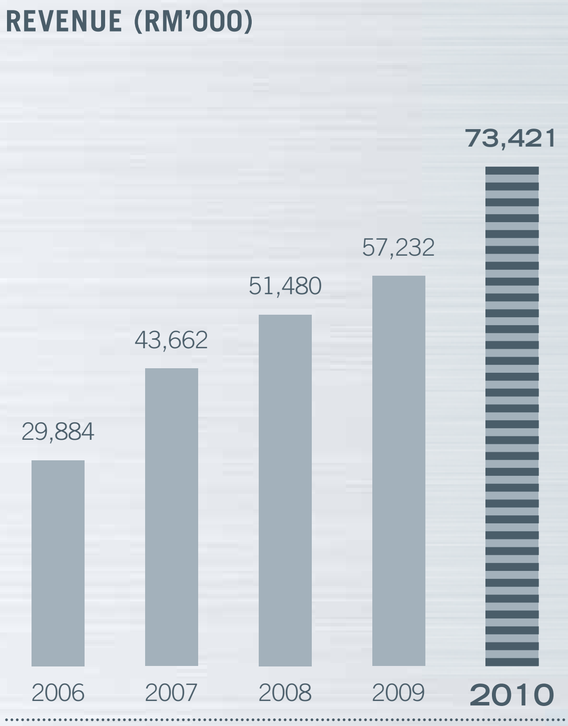


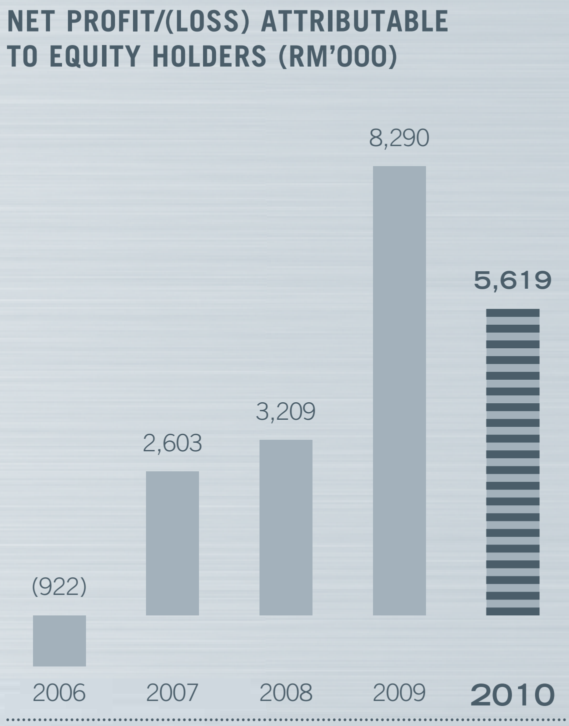

*This document has been prepared by the Company and its contents have been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch ("Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST"), this being the SGX-ST Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this document.*

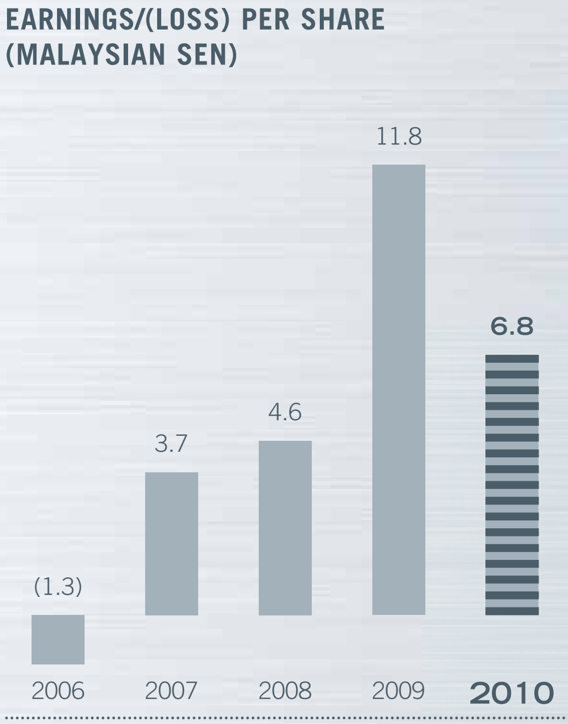
*The document has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this document including the correctness of any of the statements or opinions made or reports contained in this document.*

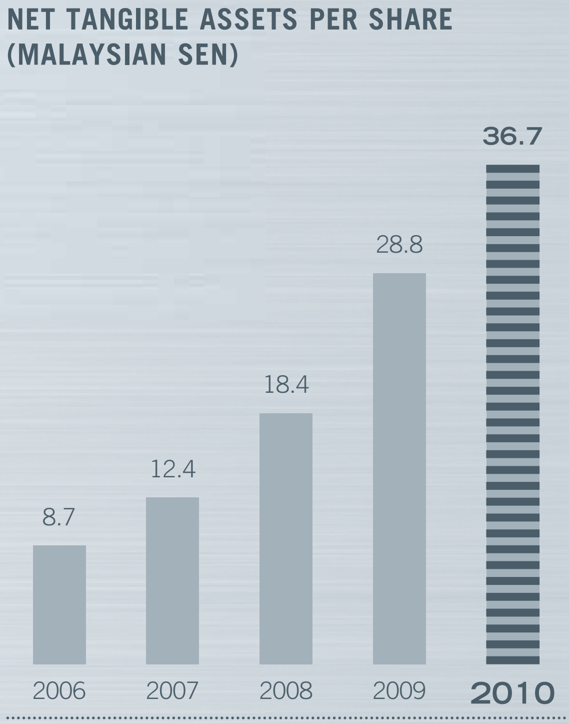
*The contact person for the Sponsor is Mr Tony Toh, Senior Vice President, Corporate Finance. The contact particulars are 50 Raffles Place #09-01 Singapore Land Tower Singapore 048623, Telephone: +65 6337 5115.*

# FINANCIAL SUMMARY



# MESSAGE FROM THE CHAIRMAN

**The recovery of the global economy had provided us opportunities in securing new customers and projects, leading to higher revenues in FY2010 for the Group.**

**Chan Kee Sieng**
**Executive Chairman**

**Dear Shareholders,**

On behalf of the Board of Directors of Mann Seng Metal International Limited (MSM), I am pleased to present to you our annual report for the financial year ended 31 December 2010.

Our listing on the Singapore Exchange (Catalist) on 7 May 2010 had garnered strong support from investors, with all 20 million new shares successfully placed out. With the listing proceeds raised, we were able to expand our existing factories production capacity and acquire new efficient machineries. Please see page 20 for how the listing proceeds have been used todate.

In the expansion of the marketing activities for our kitchen appliances, equipment and related services segment, we have opened two new marketing outlets in Malaysia, in Kapar, Klang and Sungei Besi, Balakong.

We incorporated Marc Conleth Industries Sdn Bhd in Malaysia, holding all of its share capital. Marc Conleth Industries will serve our oil and gas customers in the original equipment manufacturing segment. Subsequent to the financial year end, we also incorporated P.T. Mulia Sinergi Metalindo in Jakarta, Indonesia (holding 99% of its equity), which holds the distribution and selling rights of our kitchen appliances, equipment and its related services in Jakarta.

We have expanded our product lineup in our kitchen appliances, equipment and related services segment with the introduction of our own original equipment manufactured combi oven and commercial refrigerators under the "Mo'delux" brand. The combi oven is an all purpose cooking oven which can carry out multi ways of consistency cooking such as frying, steaming, roasting, grill, etc. and also comes with a self cleaning function. Our refrigerators are also designed to be energy efficient, which we expect will result in cost savings, in addition to being environmental friendly.

We will continue to focus on operation excellence and also plan to explore opportunities in strategic investments or other alliances and acquisitions.

We are pleased to announce a final dividend of 0.50 Singapore cents per share for FY2010 in view of our performance achieved in the year.

**FINANCIAL PERFORMANCE**

For the year ended 31 December 2010, the Group had recorded approximately RM73.4 million in revenue, which represented an increase of approximately 28.3% from the RM57.2 million registered in the preceding year. In all, our revenue is derived from the original equipment manufacturing (OEM) segment, which contributed approximately RM46.9 million or 63.9%, and the kitchen appliances, equipment and related services segment, which contributed approximately RM26.5 million or 36.1%.

Our cost of sales had increased in FY2010 due to the increase in raw materials cost on the onset of the recovery of the global economy. As a result, our gross profit margin had reduced from 37.8% in FY2009 to 31.5% in FY2010.

Our net profit reduced from approximately RM8.3 million in FY2009 to approximately RM5.6 million in FY2010 or 32.5%. The reduction was mainly due to the increase in administration expenses attributable from increase in staff costs, professional

# MESSAGE FROM THE CHAIRMAN

fees and penalty charges from refinancing of existing banking facilities, regulatory professional fees, executive and independent directors and increase in depreciation of acquisition of property, plant and equipments.

Earnings per share reduced from 11.8 Malaysian sen in FY2009 to 6.8 Malaysian sen in FY2010.

**REVIEW OF OPERATIONS**

The recovery of the global economy had provided us opportunities in securing new customers and projects, leading to higher revenues in FY2010 for the Group.

Our manpower resources especially hired for our production activities were affected during the year, with many of our longer serving foreign workers being unsuccessful in renewing their work permits on account of governmental policies changes during the year. This caused the Group to rely heavily on outsourced subcontractors to fulfill the manpower shortages.

The Group is currently contemplating the acquisition of new machineries to semi-automate the production process, so as to reduce our reliance on foreign labour.

The acquisition of the new two-storey production factory will serve to cater for the expansion of our customers in the oil and gas industry and for the arrival of the semi-auto machineries.

**OUTLOOK**

Overall, the Group believes that there continues to be uncertainties surrounding the pace of global economic recovery and growth in the next 12 months. Nonetheless, the Group has faith that, there will be room for growth even within this volatile economic climate.

Over the past years, the Group has adopted a number of key strategic developments that will help to improve financial and operating performance over the next 12 months. The Group will also seek viable investments and acquisitions to enhance our revenue stream as well as selectively explore strategic opportunities and expand our product line to broaden our sales and marketing reach, both locally and abroad.

**ACKNOWLEDGEMENTS**

On behalf of the Board, I once again would like to thank all our customers, suppliers and business associates for their endeavoring support throughout the past years. I would also like to express my gratitude to the staff and management of MSM for their dedications and efforts, which have been instrumental in our growth.

I would like to express my thanks again to all the shareholders of MSM for entrusting your faith in us.

**Chan Kee Sieng**
*Executive Chairman*

# BOARD OF DIRECTORS

## CHAN KEE SIENG
*Executive Chairman* *Age 59*

Mr Chan is one of the co-founders of our Group and has over four decades of experience in the OEM contract manufacturing and kitchen equipment industries.

Throughout the years of his career, Mr Chan had garnered extensive industry knowledge and wide business contacts from working as an engineering technician to setting up family companies such as Ban Seng Trading Co. dealing in trading and supply of cooking oil and gas, and eventually Chan Brother Trading Co., a steel trading company, before setting up the flagship subsidiary of MSM Group.

He was appointed as a Director of the Company on 30 October 2009 and is presently responsible for charting our Group's business direction as well as corporate and strategic developments of our Group.

Mr Chan also holds directorships in Triumphant Hope Sdn Bhd, Eminent Food Industries Sdn Bhd, Mann Seng Sdn Bhd, MSM Palm Oil Engineering Sdn Bhd and Widewin Strategy Sdn Bhd.

Mr Chan is the father of the Executive Director and Chief Executive Officer, Chan Wen Chau, elder brother to the Executive Director, Chan Kit Moi and uncle to Executive Director and Chief Operating Officer, Chan Wen Yaw.

## CHAN KIT MOI
*Executive Director* *Age 58*

Mr Chan is one of the co-founders of our Group and possesses 40 years' experience in the OEM contract manufacturing and kitchen equipment industries. Prior to co-founding the Company, Mr Chan joined Ban Seng Trading Co. and Chan Brother Trading Co. as a director, where he was in charge of strategic planning and controls, operations, inventory and administration. He was appointed as a Director of the Company on 30 October 2009.

Mr Chan is presently involved in the corporate planning and business development of our Group. He holds directorships in Triumphant Hope Sdn Bhd, Eminent Food Industries Sdn Bhd and Mann Seng Sdn Bhd.

## CHAN WEN CHAU
*Executive Director & CEO* *Age 36*

Mr Chan has been spearheading the expansion and growth of our Group and is responsible for our Group's overall business and strategic development, corporate planning, operations and management. He possesses more than 10 years of extensive experience in the OEM contract manufacturing and kitchen equipment industries and has been closely involved in all levels of operation of our Group. Mr Chan was appointed as a Director of the Company on 8 October 2009.

Mr Chan holds directorships in Triumphant Hope Sdn Bhd, Widewin Strategy Sdn Bhd and Wican Berhad.

Mr Chan holds a Bachelor of Engineering (Mechanical Engineering) from the University of Portsmouth in the United Kingdom.

## CHAN WEN YAW
*Executive Director & COO* *Age 36*

Mr Chan was appointed as a Director of the Company on 30 October 2009, and possesses more than 10 years of technical and management experience in the OEM contract manufacturing and kitchen equipment industries. He is presently responsible for our Group's overall strategic planning, operations and administration, and has previously been involved in the product design, sales and administration and business development of our Group.

Mr Chan holds directorships in Triumphant Hope Sdn Bhd and Wican Berhad.

He holds a Bachelor of Engineering (Mechanical Engineering) from the University of Portsmouth in the United Kingdom.

## YONG WAI KIN
*Executive Director & CFO* *Age 42*

Mr Yong, who is not related to any family member of the Directors and staff, joined our Group in August 2009 and was appointed as a Director of the Company on 30 October 2009. He is responsible for the management of our Group's accounts, cash flow, corporate finance, financial reporting,

# BOARD OF DIRECTORS

risk management evaluation, audit, tax compliance and administration.

Possessing over 20 years of experience in accounting, finance and administration, Mr Yong has held various finance and accounting positions in the past. Prior to joining our Group, Mr Yong had accumulated experience in senior management positions in a Bursa Malaysia-listed company, and last held the position of General Manager in Finance of Topaz Evergreen Sdn Bhd. He is also presently a Director of Bueno Fine Spirits (Malaysia) Sdn Bhd.

Mr Yong is a member of the Malaysian Institute of Accountants and is an associate member of the Association of Chartered Certified Accountants. He holds a Diploma in Accounting from the London Chamber of Commerce.

## BRIAN WONG WYE PONG

*Independent Director* *Age 37*

Mr Wong, who is not related to any family member of the Directors or staff, was appointed as an Independent Director of the Company on 26 November 2009. He has more than 15 years of experience in tax, finance, internal and external audits, risk management and corporate finance.

Mr Wong is currently a partner in PKF Malaysia, an accounting firm in Malaysia. He is a fellow with CPA Australia, a chartered accountant with the Malaysian Institute of Accountants, and a member of the Kampuchea Institute of Certified Public Accountants and Auditors.

Presently a director on the board of Privasia Technology Bhd, Mr Wong has previously served as the Audit Committee Chairman and director of two other Bursa Malaysia-listed companies.

Mr Wong is also a director of other Malaysian companies, including PKF Sdn Bhd, PKF Advisory Sdn Bhd, PKF Covenant Sdn Bhd, PKF Tax Services Sdn Bhd and Covenant Limited.

Mr Wong holds a Bachelor of Commerce from the University of Western Australia.

## LEOW WEE KIA CLEMENT

*Independent Director* *Age 36*

Mr Leow, who is not related to any family member of the Directors and staff, was appointed as an Independent Director of the Company on 30 October 2009, and possesses over 10 years of corporate finance experience primarily in initial public offerings, mergers & acquisitions as well as advisory transactions.

Mr Leow is presently a partner and Head of Corporate Finance at Partners Capital (Singapore) Pte Ltd, and serves as an advisor to Kenmoore Mezzanine Investments Limited, a Singapore-based private equity fund. Prior to this, Mr Leow has held senior positions in corporate finance and banking in Singapore.

Mr Leow holds a Bachelor of Science in Applied Economics from Cornell University, and a Postgraduate Diploma in Financial Strategy from Oxford University. He is a member of Hertford College, and is currently reading for his Master of Business Administration degree at the said Business School in Oxford University. Mr Leow is also a member of the Singapore Institute of Directors and has completed the Governance Leadership Program at Harvard University.

## WONG KOK SEONG

*Independent Director* *Age 41*

Mr Wong, who is not related to any family member of the Directors and staff, was appointed as an Independent Director of the Company on 24 November 2009 and has more than 15 years of experience in external and internal auditing, financial accounting, management consultancy, taxation, due diligence and project implementation.

Mr Wong is a member of the Malaysian Institute of Accountants and a Fellow of the Association of Chartered Certified Accountants. He is the managing partner of THL Wong & Co., an accounting firm in Malaysia, and is currently serving on the boards of Bursa Malaysia-listed Bio Osmo Berhad, as Independent Director and Audit Committee Chairman, and is also a director in T H Law Consultants Sdn Bhd.

He holds a Masters in Business Administration from the Open University, United Kingdom.

# KEY MANAGEMENT

## CHAN YUN TYNG *Age 35*

Ms Chan is the General Manager of Toyomi (M) Sdn Bhd (MSM Toyomi), and is responsible for sales, marketing and business development for our Group, as well as the overall management of MSM Toyomi. She joined MSM Toyomi in 1996 and has over 10 years of sales experience in the OEM contract manufacturing industry.

Ms Chan is the daughter of Executive Chairman, Chan Kee Sieng, sister to Executive Director and Chief Executive Officer, Chan Wen Chau, niece to Executive Director, Chan Kit Moi and cousin to Executive Director and Chief Operating Officer, Chan Wen Yaw.

Ms Chan holds an Advanced Diploma in Business Administration from the Association of Business Executives and a Master of Arts in International Business from the University of Wolverhampton, United Kingdom.

## CHAN CHOI HAR *Age 45*

Ms Chan, who is not related to any Director and staff, is the General Manager of MSM Marketing Sdn Bhd (MSM Marketing) and is responsible for the sales, marketing and securing of new customers for our Group, and also the management of MSM Marketing. She joined our Group in 1987 and has achieved more than 10 years of sales experience in the OEM contract manufacturing and kitchen equipment industries.

Ms Chan holds a Certificate in Human Resource Management from the Centre of Advanced Management Studies and Entrepreneurial Training (Amset), and a Certificate in Business Studies from Advance Tutorial Centre, Malaysia.

## ONG SENG JOO *Age 37*

Mr Ong, who is not related to any Director and staff, joined our Group as General Manager of OMS Technology Sdn Bhd (MSM OMS) in November 2008. He is responsible for the management of day-to-day operations, sales and marketing of MSM OMS.

He possesses extensive experience in the designing and building of cleanrooms, biotech facilities, animal research facilities, as well as strong expertise in project and site management, and sales and marketing.

Mr Ong holds a Certificate in Technology (Mechanical Engineering) from Tunku Abdul Rahman College, Malaysia.

## KATTY LAI WUI LOON *Age 36*

Ms Lai, who is not related to any Director and staff, is the General Manager of MSM Equipment Manufacturer Sdn Bhd (MSM Equipment) and oversees the daily purchasing, operations, quality control and assurance, as well as overall management, of MSM Equipment. She joined our Group in 2006 and brought with her extensive experience in product and business development, and sales and marketing.

Ms Lai is presently a director in Two KD Sdn Bhd. She holds a Diploma in Hotel and Catering Management from Kolej Damansara Utama, Malaysia.

## TANG CHENG HOOI *Age 38*

Mr Tang, who is not related to any Director and staff, joined our Group in 1994 and has been the General Manager of MSM Metal Industries Sdn Bhd (MSM Metal) since 2007. He possesses more than 15 years of experience in sheet metal engineering in the OEM contract manufacturing industry and is presently responsible for managing and overseeing the operational aspects of our Group's production facilities and the management of MSM Metal.

Mr Tang holds an Engineering Diploma in Electronic Engineering from the Federal Institute of Technology, Malaysia, and a Certificate of Electrical Engineering from the City & Guilds of London Institute.

## MAH SIEW PENG *Age 38*

Ms Mah, who is not related to any Director and staff, is our Group's Finance & Administration Manager since 2007, and is presently managing our Group's financial, administration and human resource matters. She joined our Group in 1997 and has more than 10 years of experience in company administration.

Ms Mah holds a Certificate in Practical Book-Keeping and Certificate in English for Commerce from Systematic Business Training Centre, Malaysia.

## TUNG WAI LOON *Age 33*

Mr Tung, who is not related to any Director and staff, joined our Group in 1998 and is presently the Factory Manager since 2007. He is responsible for the factory operations of MSM Equipment. Mr Tung possesses more than 10 years of factory and general management experience in the OEM contract manufacturing industry.

Mr Tung holds a Diploma in Electrical and Electronic Engineering from Institute Teknologi Pertama, Malaysia, a Certificate in Programmable Logic Controller and a Certificate in Laser and Holography, both from Master Academy, Malaysia.

# CORPORATE INFORMATION

**BOARD OF DIRECTORS**
Chan Kee Sieng *(Executive Chairman)*
Chan Kit Moi *(Executive Director)*
Chan Wen Chau *(Executive Director and Chief Executive Officer)*
Chan Wen Yaw *(Executive Director and Chief Operating Officer)*
Yong Wai Kin *(Executive Director and Chief Financial Officer)*
Brian Wong Wye Pong *(Independent Director)*
Leow Wee Kia Clement *(Independent Director)*
Wong Kok Seong *(Independent Director)*

**AUDIT COMMITTEE**
Brian Wong Wye Pong (Chairman)
Leow Wee Kia Clement
Wong Kok Seong

**NOMINATING COMMITTEE**
Leow Wee Kia Clement (Chairman)
Brian Wong Wye Pong
Wong Kok Seong

**REMUNERATION COMMITTEE**
Leow Wee Kia Clement (Chairman)
Brian Wong Wye Pong
Wong Kok Seong

**COMPANY'S SPONSOR**
CIMB Bank Berhad, Singapore Branch
50 Raffles Place #09-01
Singapore Land Tower Singapore 048623
Tel: +65 6337 5115
Contact Person: Tony Toh

**COMPANY SECRETARY**
Elaine Beh Pur-Lin

**REGISTERED OFFICE**
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Tel No: +65 6323 8383
Fax No: +65 6323 8282
Email: contact@cnplaw.com

**INDEPENDENT AUDITOR**
Nexia TS Public Accounting Corporation
5 Shenton Way #16-00 UIC Building Singapore 068808
Director-in-charge: Henry SK Tan
(Appointment with effect from financial year ended 31 December 2010)
FCPA Singapore, ACA

**SHARE REGISTRAR**
Tricor Barbinder Share Registration Services
8 Cross Street #11-00 PWC Building Singapore 048424
Tel No: +65 6236 3333
Fax No: +65 6236 4399

# REPORT ON CORPORATE GOVERNANCE

Mann Seng Metal International Limited (the "***Company***") was admitted to the Official List of the SGX-Catalist on 7 May 2010.

The board of directors of the Company (the "***Board***") believes in having high standards of corporate governance and is committed to ensuring that effective self-regulatory corporate practices exist to protect the interests of its shareholders and maximise long-term shareholder value.

As required by the Rules of Catalist of the Singapore Exchange Securities Trading Limited ("***SGX-ST***"), the following report describes the Company's corporate governance practices with specific reference to the principles and guidelines set out in the Code of Corporate Governance 2005 (the "***Code***"). The Company confirms that there has been no deviation from the Code during the year under review.

**Principle 1: The Board's Conduct of Affairs**

The Company is headed by an effective Board to lead and control the Company. The Board has the overall responsibility for corporate governance, strategic direction and investments of the Company. Each individual Director is obliged to act in good faith and exercise independent judgment in the best interests of shareholders of the Company at all times.

The Board's principal functions include:

- Determining, reviewing and approving the corporate strategies and directions of the Group, annual budgets, major investments, divestments and funding proposals;

- Overseeing the business and affairs of the Group, establishing with the management, the strategies and financial objectives to be implemented by the management, and monitoring the performance of the management; and

- Reviewing the Group's financial performance, risk management processes and systems, human resource requirements and corporate governance practices.

To assist the Board in the discharge of its function, the Audit Committee, the Nominating Committee and the Remuneration Committee have been constituted with clear written terms of reference. Matters which are delegated to Board Committees for more detailed appraisals are reported to and monitored by the Board.

The Board conducted regular scheduled meetings. In FY2010, the Board conducted two regular scheduled meetings. Ad-hoc meetings are convened when circumstances required. Directors are free to discuss and voice their concerns on any matter raised at the Board meetings. Telephonic and videoconferencing meetings of the Board are allowed under the Company's Articles of Association. All Directors are provided with the agenda and a set of the Board papers prior to the Board meeting. These are issued in advance to give the Directors sufficient time to better understand the matters to be discussed and to obtain further clarifications or explanations at the Board meeting where necessary. The Company and the Board acknowledges that an unimpeded flow of relevant information in a timely manner is crucial for the Board to be effective in discharging its duties and responsibilities.

# REPORT ON CORPORATE GOVERNANCE

The Board has identified, without limitation, the following matters that require its approval:

- Declaration of dividends and other returns to shareholders of the Company;
- Major corporate policies on key areas of operation;
- Major funding proposals or bank borrowings;
- Corporate or financial restructuring and share issuances;
- Mergers and acquisitions;
- Material acquisitions and disposals;
- Approval of transactions involving interested person transactions; and
- Appointments of new Directors.

Upon appointment of each Director, he will be given appropriate briefings by the management on the business activities of the Group, its strategic directions and the Company's corporate governance policies and practices.

Directors will be updated regularly on accounting and regulatory changes, and are encouraged to attend workshops and seminars to enhance their skills and knowledge.

The attendance of the Directors at meetings of the Board and Board Committees held in FY2010 are as follows:

| | Board | | Audit Committee | | Nominating Committee | | Remuneration Committee | |
|---|---|---|---|---|---|---|---|---|
| **Directors** | **No. of meetings held while being a member** | **No. of meetings attended** | **No. of meetings held while being a member** | **No. of meetings attended** | **No. of meetings held while being a member** | **No. of meetings attended** | **No. of meetings held while being a member** | **No. of meetings attended** |
| Chan Kee Sieng* | 2 | 2 | 2 | 2 | 1 | 1 | 1 | 1 |
| Chan Kit Moi* | 2 | 2 | 2 | 2 | 1 | 1 | 1 | 1 |
| Chan Wen Chau* | 2 | 2 | 2 | 2 | 1 | 1 | 1 | 1 |
| Chan Wen Yaw* | 2 | 2 | 2 | 2 | 1 | 1 | 1 | 1 |
| Yong Wai Kin* | 2 | 2 | 2 | 2 | 1 | 1 | 1 | 1 |
| Brian Wong Wye Pong | 2 | 2 | 2 | 2 | 1 | 1 | 1 | 1 |
| Leow Wee Kia Clement | 2 | 2 | 2 | 2 | 1 | 1 | 1 | 1 |
| Wong Kok Seong | 2 | 2 | 2 | 2 | 1 | 1 | 1 | 1 |

* Executive Directors were present at all committee meetings by invitation.

**Principle 2: Board Composition and Balance**

The Board currently comprises 5 Executive Directors and 3 Independent Directors.

The Board members as of the date of this report are:

| | |
|---|---|
| Chan Kee Sieng | Executive Chairman |
| Chan Kit Moi | Executive Director |
| Chan Wen Chau | Executive Director and Chief Executive Officer |
| Chan Wen Yaw | Executive Director and Chief Operating Officer |
| Yong Wai Kin | Executive Director and Chief Financial Officer |
| Brian Wong Wye Pong | Independent Director |
| Leow Wee Kia Clement | Independent Director |
| Wong Kok Seong | Independent Director. |

The Board is of the view that its current size and composition are appropriate and provide sufficient diversity of expertise to lead and govern the Company effectively, considering the scope and nature of its operations.

The Company has in place a Nominating Committee which determines the independence of each Director annually based on the definition of independence as set out in the Code.

The Independent Directors will assist to develop strategy and goals for the Group and regularly assess the performance of the management.

A brief profile of each Director is set out on pages 4 and 5 in the Annual Report. The Directors, as a group, provide core competencies, such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer based experience or knowledge, required for the Board to be effective.

**Principle 3: Chairman and Chief Executive Officer**

The roles of Chairman and Chief Executive Officer are separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making.

Chan Kee Sieng is the Executive Chairman of the Company and one of its co-founders. He leads the Board and is responsible for the management of the Group. The Executive Chairman is in charge of charting the business direction as well as corporate planning and strategic developments of the Group. The Executive Chairman encourages Board's interaction with the management, facilitates effective contribution of non-Executive Directors, encourages constructive relationships among the Directors and promotes high standards of corporate governance. In addition, the Executive Chairman ensures that the Directors receive accurate, timely and clear information and there is effective communication with shareholders of the Company.

Chan Wen Chau, the Chief Executive Officer and Executive Director of the Company, is the son of Chan Kee Sieng. He is responsible for the overall business and strategic development, corporate planning, operations and management of the Group.

# REPORT ON CORPORATE GOVERNANCE

**Principles 4: Board Membership**

The Nominating Committee's primary roles are to create a formal and transparent process for the appointments and re-nominations of members of the Board and to assess the effectiveness of the Board as a whole and the contribution of individual Directors to the effectiveness of the Board as well as to affirm annually the independence of the Directors.

The Nominating Committee meets at least once a year. The Nominating Committee comprises the following members, all of whom, including the Chairman, are independent:

| | |
|---|---|
| Leow Wee Kia Clement | Chairman of the Nominating Committee |
| Brian Wong Wye Pong | Member of Nominating Committee |
| Wong Kok Seong | Member of Nominating Committee |

For new appointments to the Board, the Nominating Committee will consider the Company's current Board size and its composition and decide if the candidate's background, expertise and knowledge will complement the skills and competencies of the existing Directors on the Board. The candidate must be a person of integrity and must be able to commit sufficient time and attention to the affairs of the Company, especially if he is serving on multiple Boards.

If a vacancy arises under any circumstances, or where it is considered that the Board would benefit from the services of a new director, the Nominating Committee, in consultation with the Board, will determine the selection criteria and select the appropriate candidates for the position.

The Nominating Committee is charged with the responsibility of re-nomination having regard to the director's contribution and performance (eg attendance, preparedness, participation and candour) including, if applicable, as an independent director. All Directors submit themselves for re-nomination and re-election at regular intervals at least once every 3 years. One-third of the Directors will retire at the Company's annual general meeting each year.

Annually, the Nominating Committee is required to determine the "independence" status of the Directors. Each member of the Nominating Committee shall abstain from voting on any resolutions in respect of the assessment of his performance or re-nomination as a Director.

**Principle 5: Board Performance**

The Board and the Nominating Committee strive to ensure that Directors on the Board possess the experience, knowledge and skills critical to the Group's business so as to enable the Board to make sound and well-considered decisions.

The Nominating Committee has implemented a process for evaluating the effectiveness of the Board as a whole and the contribution by each individual Director to the effectiveness of the Board and set objective performance criteria for such evaluation. Each member of the Nominating Committee shall abstain from voting on any resolutions in respect of the assessment of his performance or re-nomination as a Director. Evaluations of individual Directors aim to assess whether that individual continues to contribute effectively and demonstrate commitment to the role (including commitment of time for board and committee meetings, and any other duties). The Chairman acts on the results of the performance evaluation, and where appropriate, propose new members be appointed to the Board or seek the resignation of directors, in consultation with the Nominating Committee.

**Principle 6: Access to information**

The Board is provided with complete, accurate, and adequate information in a timely manner to enable it to fulfill its responsibilities. Such information include background or explanatory information relating to matters to be brought before the Board, copies of disclosure documents, budgets, forecasts and monthly internal financial statements. In respect of budgets, any material variance between the projections and actual results will be disclosed and explained. Such information is provided to the Directors to enable them to keep abreast of the Group's operational and financial performance and position and to facilitate more-informed decision-making. Board members also have separate and independent access to the senior management and the company secretary at all times. Board members may, at the Company's expense, also obtain independent professional advice as and when necessary in furtherance of their duties.

A company secretary will attend all Board Meetings to ensure that Board procedures are followed and that applicable rules and regulations, including the requirements of the Companies Act (Chapter 50) of Singapore and the Rules of Catalist are complied with. Under the direction of the Chairman, the company secretary's other responsibilities include ensuring good information flows within the Board and its committees and between senior management and non-Executive Directors, as well as facilitating orientation and assisting with professional development as required. The appointment and the removal of the company secretary should be a matter for the Board as a whole.

**Principle 7: Procedures for Developing Remuneration Policies**

The Remuneration Committee comprises the following members, all of whom, including the Chairman, are independent:

| | |
|---|---|
| Leow Wee Kia Clement | Chairman of the Remuneration Committee |
| Brian Wong Wye Pong | Member of the Remuneration Committee |
| Wong Kok Seong | Member of the Remuneration Committee |

The Remuneration Committee shall perform the following functions:

- recommend to the Board a framework of remuneration for the Directors and Executive Officers, and determine specific remuneration packages for each Executive Director, with the recommendations of the Remuneration Committee submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind shall be covered by the Remuneration Committee; and

- perform an annual review of the remuneration of employees related to the Directors and Substantial Shareholders to ensure that their remuneration packages are in line with the staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. They will also review and approve any bonuses, pay increases and/or promotions for these employees.

Each member of the Remuneration Committee shall abstain from voting on any resolutions in respect of his remuneration package or that of employees related to him.

**Principle 8: Level and Mix of Remuneration**

As part of its review, the Remuneration Committee ensures that remuneration packages are comparable within the industry and with similar companies. The Remuneration Committee considers the Group's relative performance and the contributions and responsibilities of the individual Directors.

*Policy in respect of Executive Directors and other Executive Officers*

Executive Directors do not receive directors' fees. Executive Directors are paid a basic salary pursuant to their respective service agreements, each of which are for a fixed appointment period of 3 years. The notice period of each Executive Director is fixed at a period of 6 months. Each Executive Director may, in lieu of the 6 months' notice or part thereof, pay an amount equivalent to 6 months' of his last drawn salary.

The Group advocates a performance-based remuneration system that is highly flexible and responsive to the market, the Group's and the individual employee's performance. The total remuneration mix comprises annual fixed cash and annual performance incentive. The annual fixed cash component comprises the annual basic salary plus any other fixed allowances. The annual performance incentive is tied to the Group's and the individual's employee's performance.

*Policy in respect of Non`-Executive Directors' remuneration*

Non-Executive Directors do not have service agreements with the Company. They are compensated based on fixed directors' fees, which are determined by the Board based on their contribution, taking into consideration factors such as effort, time spent and responsibilities of the Non-Executive Directors. The members of the Audit Committee are paid a higher fee than the members of the other Board committees because of the heavier responsibilities and more frequent meetings required of them. The Chairman of each Board committee is also paid a higher fee compared with members of the Board committee in view of the higher responsibility carried by that office. The directors' fees are subject to approval by the shareholders at each AGM. Non-Executive Directors do not receive any other remuneration from the Company.

**Principle 9: Disclosure of Remuneration**

The level and mix of remuneration of the Company's Directors and Executive Officers for the financial year ended 31 December 2010 are as follows:

| Remuneration band and Name of Director/ Executive Officers | Base/Fixed salary | Bonus | Directors' fees | Benefits-in-kind | Total |
|---|---|---|---|---|---|
| **Below S$250,000** | | | | | |
| **Directors** | | | | | |
| Chan Kee Sieng | 76% | 6% | – | 18% | 100% |
| Chan Kit Moi | 75% | 5% | – | 20% | 100% |
| Chan Wen Chau | 69% | 7% | – | 24% | 100% |
| Chan Wen Yaw | 74% | 6% | – | 20% | 100% |
| Yong Wai Kin | 95% | 5% | – | – | 100% |
| Brian Wong Wye Pong | – | – | 100% | – | 100% |
| Leow Wee Kia Clement | – | – | 100% | – | 100% |
| Wong Kok Seong | – | – | 100% | – | 100% |
| **Executive Officers** | | | | | |
| Chan Yun Tyng[1] | 100% | – | – | – | 100% |
| Chan Choi Har | 91% | 9% | – | – | 100% |
| Ong Seng Joo | 84% | 16% | – | – | 100% |
| Katty Lai Wui Loon | 88% | 12% | – | – | 100% |
| Tang Cheng Hooi | 88% | 12% | – | – | 100% |
| Mah Siew Peng | 90% | 10% | – | – | 100% |
| Tung Wai Loon | 88% | 12% | – | – | 100% |

**Note:**

(1) Chan Yun Tyng is the daughter of Chan Kee Sieng and the sibling of Chan Wen Chau.

No employee of the Group who is an immediate family member of any Director or the Chief Executive Officer had received remuneration exceeding S$150,000 during the financial year ended 31 December 2010. "Immediate family member" means the spouse, child, adopted child, stepchild, brother, sister and parent.

The Company does not currently have an employee share schemes in place.

**Principle 10: Accountability**

The Board is responsible for providing a balanced and understandable assessment of the Company's performance, position and prospects. Financial reports and other price sensitive information are disseminated to shareholders through announcements via SGXNET to SGX-ST and press releases. The Group makes announcement of its financial results in accordance with the requirements of the Rules of Catalist. Management provides the Board with management accounts on a monthly basis. Such reports keep the Board informed of, on a balanced and understandable basis, the Group's performance, position and prospects and enable the Board to discharge of its duties efficiently.

**Principle 11: Audit Committee**

The Audit Committee currently comprises the following members, all of whom are Independent Non-Executive Directors:

| | |
|---|---|
| Brian Wong Wye Pong | Chairman of the Audit Committee |
| Leow Wee Kia Clement | Member of the Audit Committee |
| Wong Kok Seong | Member of the Audit Committee |

All members of the Audit Committee have accounting and related financial management expertise and experience.

The Audit Committee has explicit authority to investigate any matter within its terms of reference, full access to and cooperation of the management, full discretion to invite any persons including a Director or an employee of the Group to attend its meeting, and reasonable resources to enable it to discharge its functions properly.

The Audit Committee assists the Board in discharging its responsibility to safeguard the assets of the Company, maintain adequate accounting records, and develop and maintain effective systems of internal control, with the overall objective of ensuring that the management creates and maintains an effective control environment in the Group. The Audit Committee will provide a channel of communication between the Board, the management and the independent auditor on matters relating to audit.

The Audit Committee holds meetings periodically and has been entrusted with the following functions:

- Review the scope and results of the audit and its cost effectiveness;

- Review the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance;

- Make recommendations to the Board on the appointment, re-appointment and removal of the independent auditor, and approving the remuneration and terms of engagement of the independent auditor;

- Review with the independent auditor the audit plan, audit report and their evaluation of the system of internal accounting controls, their letter to management and the management's response;

- Review the half yearly and annual, and quarterly, if applicable, financial statements and results announcements before submission to the Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the Rules of Catalist and any other relevant statutory or regulatory requirements;

- Review the internal control procedures and ensure co-ordination between the independent auditor and the management, and review the assistance given by the management to the independent auditor, and discuss problems and concerns, if any, arising from audits, and any matters which the independent auditor may wish to discuss (in the absence of the management, where necessary);

- Review and discuss with the independent auditor any suspected fraud or irregularities, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the management's response;

- Consider and recommend the appointment or re-appointment of the independent auditor and matters relating to the resignation or dismissal of the independent auditor;

- Review interested person transactions (if any) falling within the scope of Chapter 9 of the Rules of Catalist;

- Review potential conflicts of interest (if any);

- Review with the internal auditors the internal audit plans and their evaluation of the adequacy of the internal controls and accounting system before submission of the results of such review to the Board for approval prior to the incorporation of such results in the annual report;

- Review and establish procedures for receipt, retention and treatment of complaints received by the Group regarding, inter alia, criminal offences involving the Group or its employees, questionable accounting, auditing, business, safety or other matters that impact negatively on the Group;

- Review key financial risk areas, with a view to providing an independent oversight on the Group's financial reporting, the outcome of such review to be disclosed in the annual reports or, where the findings are material, announced immediately via SGXNET;

- On a half-yearly basis, review the Group's compliance with relevant government regulations and licensing requirements;

- Undertake such other reviews and projects as may be requested by the Board, and report to the Board its findings from time to time on matters arising and requiring the attention of the Audit Committee; and

- Generally undertake such other functions and duties as may be required by statute or by the Rules of Catalist, or by such amendments as may be made thereto from time to time.

The Audit Committee meets with the independent auditor and with internal auditors, at least once annually, and more frequently, when required, with at least one of the meetings conducted without the presence of management. The Audit Committee reviews the independence and objectivity of independent auditor annually. The Audit Committee has recommended and the Board has approved the nomination for re-appointment of Nexia TS Public Accounting Corporation as the Company's auditors at the forthcoming AGM.

The Audit Committee shall review the external auditors' non-audit services to determine whether the nature and extent of such services has prejudiced the independence and objectivity of the external auditors. The Audit Committee constantly bears in mind the need to maintain a balance between the independent and objectivity of the external auditors and the work carried out by the external auditors based on value for money consideration. During the year under review, there were no non-audit services performed by the external auditors to the Company.

The Group has appointed different auditors for its overseas subsidiaries and/or significant associated company. The Board and the AC have reviewed the appointment of different auditors for its subsidiaries and/or significant associated company and were satisfied that the appointment of different auditors would not compromise the standard and effectiveness of the audit of the Group.

The Audit Committee shall also commission and review the findings of internal investigations into matters where there are any suspected frauds or irregularities, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the operating results and/or financial position of the Group. In the event that a member of the Audit Committee is interested in any matter being considered by the Audit Committee, he will abstain from reviewing that particular transaction or voting on that particular resolution.

The Audit Committee will review arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The objective of the Audit Committee is to ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow-up actions.

**Principle 12: internal Controls**

The Audit Committee will review, at least annually, the reports submitted by the independent and internal auditors relating to the effectiveness of the Group's significant internal controls, including financial, operational and compliance controls, risk management, and risks of fraud and irregularities. The Audit Committee will also review the effectiveness of the actions taken by the management on the recommendations made by the independent and internal auditors in this respect.

In reviewing the effectiveness of the internal controls, including financial, operational and compliance controls and risk management, the Board is satisfied that they were adequate to meet the needs of the Company in its current business environment.

**Principle 13: internal Audit**

The Group has outsourced its internal audit function to Wensen Consulting Asia (S) Pte Ltd, a suitably appointed qualified firm of accountants which meets the standard required for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The internal auditor function is independent and it reports directly to the Audit Committee on audit matters and to the Chief Executive Officer on administrative matters. The internal auditor assists the Board in monitoring and managing risks and internal controls of the Group.

The Audit Committee also review and approve the internal auditor's plan of each financial year to ensure that the scope of the internal auditor's plan is adequate and covers the reviewing of the significant internal controls of the Group, including financial, operational and compliance controls. The internal auditor shall report their audit findings and recommendation to the Audit Committee.

The Audit Committee had reviewed the adequacy of the internal audit function and is satisfied that the team is adequately resourced and has appropriate standing within the Company.

**Principle 14 and 15: Communication with Shareholders**

The Board believes in regular, timely and effective communication with shareholders. Shareholders are kept informed of all important developments concerning the Group through timely dissemination of information via SGXNET announcements, press releases, annual reports and various other announcements made whenever necessary. The Company also maintains a website at http://www.msmmgroup.com at which shareholders can access information about the Group.

**Dealings in Securities**

The Company observes closely the best practices on dealings in securities **("*Securities Dealings Best Practices*")** in compliance with Rule 1204(18) of the Rules of Catalist. The Securities Dealings Best Practices provide guidance to the Directors and employees of the Group with regard to dealing in the Company's shares.

The Company issues circulars or electronics mails to its Directors, Executive Officers and employees that they must not trade in the share of the Company 1 month before the release of the half year and year-end results. Directors, Executive Officers and employees are discouraged from dealing in the Company's shares on short term considerations.

**Interested Person Transactions**

The Company has established procedures to ensure that all transactions with interested person transactions are reported on in a timely manner to the Audit Committee and that the transactions are carried out on normal commercial terms and shall not be prejudicial to the interests of the Company and its minority shareholders. When a potential conflict of interest arises, the Director concerned takes no part in discussions nor exercises any influence over other members of the Board.

# REPORT ON CORPORATE GOVERNANCE

In compliance with Rule 907 of the SGX-ST's Listing Manual (Section B: Rules of Catalist), the aggregate value of recurrent interested persons transactions of revenue or trading nature conducted during the financial year ended 31 December 2010 were as follows:–

| Name of interested person | Aggregate value of all interested person transactions during the financial year under review (including transactions less than SGD100,000 and excluding transactions conducted under shareholders' mandate pursuant to Rule 920) | Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (including transactions less than SGD100,000) |
|---|---|---|
| | 01-01-2010 to 31-12-2010 RM'000 | 01-01-2010 to 31-12-2010 RM'000 |
| Company associated to Executive Chairman Chan Kee Sieng, Controlling Shareholder Chan Kat Yin and Executive Director Chan Kit Moi:– | | |
| – Eminent Food Industries Sdn Bhd | 2 | – |
| Company associated to Executive Chairman Chan Kee Sieng, Controlling Shareholder Chan Kat Yin, Executive Director Chan Kit Moi and Executive Director and Chief Executive Officer Chan Wen Chau:– | | |
| – Globalink Metal Sdn Bhd | 482 | – |
| Company associated to Executive Chairman Chan Kee Sieng and Executive Director and Chief Executive Officer Chan Wen Chau:– | | |
| – Welch (M) Sdn Bhd | 1,091 | – |
| Rental paid to Executive Chairman Chan Kee Sieng, Controlling Shareholder Chan Kat Yin and Executive Director Chan Kit Moi | 60 | – |
| Total | 1,635 | – |

**Material Contracts**

There were no material contracts entered into by the Company or any of its subsidiaries companies involving the interest of any Director or controlling shareholder of the Company.

**Risk Management and Processes**

The Company regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as respond appropriately to control and mitigate these risks. The Company reviews all significant control policies and procedures and highlights all significant matters to the Audit Committee and Board.

**Catalist Sponsor**

The Continuing Sponsor of the Company is CIMB Bank Berhad, Singapore Branch. In compliance with Rule 1204(20) of the Rules of Catalist, there was no non-sponsor fee paid to the Sponsor by the Company for FY2010.

**Use of Proceeds**

The Company refers to the net IPO proceeds amounting to approximately S$3.76 million raised from the initial public offering of its shares in May 2010. The total amount of net IPO proceeds utilised as at the date of this Annual Report amounted to approximately S$2.1 million as follows:

| Intended use of proceeds | | Amount allocated (S$'000) | Amount utilised (S$'000) | Balance available (S$'000) |
|---|---|---|---|---|
| (i) | Expansion of MSM Metal factory 2 | 1,000 | (1,000) | – |
| (ii) | Improvement of production facilities and acquisition of equipments | 500 | (454) | 46 |
| (iii) | Expansion of sales and marketing activities | 1,000 | (195) | 805 |
| (iv) | Research and development activities | 350 | – | 350 |
| (v) | General working capital | 910 | (500) | 410 |
| | Total | 3,760 | (2,149) | 1,611 |

# DIRECTORS' REPORT
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2010 and the balance sheet of the Company as at 31 December 2010.

**Directors**

The directors of the Company in office at the date of this report are as follows:

Chan Kee Sieng
Chan Kit Moi
Chan Wen Chau
Chan Wen Yaw
Yong Wai Kin
Brian Wong Wye Pong
Leow Wee Kia Clement
Wong Kok Seong

**Arrangements to Enable Directors to Acquire Shares and Debentures**

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the 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.

**Directors' Interests in Shares or Debentures**

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

| | Holdings registered in name of director or nominee | | Holdings in which director is deemed to have an interest | |
|---|---|---|---|---|
| | At 31.12.2010 | At 1.1.2010 or date of appointment, if later | At 31.12.2010 | At 1.1.2010 or date of appointment, if later |
| **Company** | | | | |
| (No. of ordinary shares) | | | | |
| Chan Kee Sieng | 85,000 | – | 61,564,747 | – |
| Chan Kit Moi | 130,000 | – | 61,564,747 | – |
| Chan Wen Chau | 2,785,186 | 1 | – | – |
| Chan Wen Yaw | 1,082,435 | – | – | – |
| Yong Wai Kin | 1,400,006 | – | – | – |
| **Holding corporation – Triumphant Hope Sdn Bhd** | | | | |
| (No. of ordinary shares) | | | | |
| Chan Kee Sieng | 100 | 100 | – | – |
| Chan Kit Moi | 100 | 100 | – | – |

**Directors' Interests in Shares or Debentures** (Continued)

Triumphant Hope Sdn. Bhd. became the holding corporation of the Company during the financial year.

The directors' interests in the ordinary shares of the Company as at 21 January 2011 were the same as those as at 31 December 2010.

**Directors' Contractual Benefits**

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the accompanying financial statements and in this report.

**Share Options**

There were no options granted during the financial year to subscribe for unissued shares of the Company or its subsidiaries.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

There were no unissued shares of the Company under option at the end of the financial year.

**Audit Committee**

The members of the Audit Committee at the end of financial year were as follows:

Brian Wong Wye Pong (Chairman)
Leow Wee Kia Clement
Wong Kok Seong

All members of the Audit Committee were independent and non-executive directors.

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act and the Code of Corporate Governance. In performing those functions, the Committee carried out the following:

- Review the scope and results of internal audit procedures with the internal auditor;
- Review the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- Review the assistance given by the Company's management to the independent auditor;
- Review the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2010 before their submission to the Board of Directors, as well as the independent auditor's report on the balance sheet of the Company and the consolidated financial statements of the Group;

**Audit Committee** (Continued)

- Review the half yearly and annual financial statements and results announcement before submission to the Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the Rules of Catalist and any other relevant statutory or regulatory requirements;

- Review transactions falling within the scope of Chapter 9 of the SGX-ST Listing Manual Section B: Rules of Catalist ("Catalist Rules");

- Review the independence and objectivity of the independent auditor; and

- Make recommendations to the Board on the appointment, re-appointment and removal of independent auditor, and approve the remuneration and terms of engagement of the independent auditor.

The Audit Committee has recommended to the Board that the independent auditor, Nexia TS Public Accounting Corporation, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

**Independent Auditor**

The independent auditor, Nexia TS Public Accounting Corporation, has expressed its willingness to accept re-appointment.

On behalf of the directors

Chan Kee Sieng
*Director*

Chan Wen Yaw
*Director*

31 March 2011

# STATEMENT BY DIRECTORS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

In the opinion of the directors,

(i) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 27 to 71 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended, and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The directors have, on the date of this statement, authorised these financial statements for issue.

On behalf of the directors

Chan Kee Sieng
*Director*

Chan Wen Yaw
*Director*

31 March 2011

# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF MANN SENG METAL INTERNATIONAL LIMITED

**Report on the Financial Statements**

We have audited the accompanying financial statements of Mann Seng Metal International Limited (the "Company") and its subsidiaries (the "Group") set out on pages 27 to 71, which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2010, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act Cap. 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting control sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition, that transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. 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 the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

# INDEPENDENT AUDITOR'S REPORT
## TO THE MEMBERS OF MANN SENG METAL INTERNATIONAL LIMITED

*Opinion*

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2010, and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

**Report on Other Legal and Regulatory Requirements**

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

**Nexia TS Public Accounting Corporation**
**Public Accountants and Certified Public Accountants**

**Director-in-charge: Henry SK Tan**
**Appointed since the financial year ended 31 December 2010**

Singapore
31 March 2011

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

| | Note | Group 2010 RM'000 | Group 2009 RM'000 |
|---|---|---|---|
| Revenue | 4 | **73,421** | 57,232 |
| Cost of sales | | **(50,295)** | (35,591) |
| Gross profit | | **23,126** | 21,641 |
| Other income – net | 5 | **860** | 1,488 |
| Expenses | | | |
| – Selling and distribution | | **(6,306)** | (6,095) |
| – Administrative | | **(8,583)** | (5,436) |
| – Finance | 8 | **(1,496)** | (1,459) |
| Profit before income tax | | **7,601** | 10,139 |
| Income tax expense | 9 | **(1,982)** | (1,849) |
| **Total comprehensive income attributable to equity holders of the Company, representing net profit** | | **5,619** | 8,290 |
| **Earnings per share attributable to equity holders of the Company** | | | |
| (RM cents per share) | | | |
| – Basic and diluted | 10 | **6.76** | 11.84 |

*The accompanying notes form an integral part of these financial statements.*

# BALANCE SHEETS
## AS AT 31 DECEMBER 2010

| | Note | Group 2010 RM'000 | Group 2009 RM'000 | Company 2010 RM'000 | Company 2009 RM'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Current Assets** | | | | | |
| Cash and cash equivalents | 11 | **10,635** | 2,184 | * | * |
| Trade and other receivables | 12 | **19,399** | 17,359 | **7,630** | – |
| Inventories | 13 | **20,640** | 14,243 | – | – |
| Other current assets | 14 | **1,344** | 1,252 | – | – |
| | | **52,018** | 35,038 | **7,630** | * |
| **Non-Current Assets** | | | | | |
| Property, plant and equipment | 15 | **22,704** | 19,869 | – | – |
| Deposits for purchase of property, plant and equipment | | **929** | 50 | – | – |
| Investment properties | 16 | **3,499** | 3,557 | – | – |
| Investments in subsidiaries | 17 | – | – | **18,653** | – |
| | | **27,132** | 23,476 | **18,653** | – |
| **Total Assets** | | **79,150** | 58,514 | **26,283** | * |
| **LIABILITIES** | | | | | |
| **Current Liabilities** | | | | | |
| Trade and other payables | 18 | **12,254** | 11,810 | **108** | 4 |
| Borrowings | 19 | **16,765** | 11,123 | – | – |
| Current income tax liabilities | | **2,486** | 2,556 | – | – |
| | | **31,505** | 25,489 | **108** | 4 |
| **Non-Current Liabilities** | | | | | |
| Borrowings | 19 | **14,373** | 12,744 | – | – |
| Deferred income tax liabilities | 21 | **275** | 138 | – | – |
| | | **14,648** | 12,882 | – | – |
| **Total Liabilities** | | **46,153** | 38,371 | **108** | 4 |
| **Net Assets/(Liabilities)** | | **32,997** | 20,143 | **26,175** | (4) |
| **Capital and reserves attributable to equity holders of the Company** | | | | | |
| Share capital | 22 | **26,862** | 5,605 | **26,862** | * |
| Share premium | | – | 10 | – | – |
| Retained earnings/(accumulated losses) | | **6,135** | 14,528 | **(687)** | (4) |
| **Total Equity** | | **32,997** | 20,143 | **26,175** | (4) |

* Denotes below RM1,000.

*The accompanying notes form an integral part of these financial statements.*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

| | Note | Share Capital RM'000 | Share Premium RM'000 | Retained Earnings RM'000 | Total Equity RM'000 |
|---|---|---|---|---|---|
| **2010** | | | | | |
| **Beginning of financial year** | | **5,605** | **10** | **14,528** | **20,143** |
| Adjustment arising from Restructuring Exercise | 1.2 | **(5,605)** | **(10)** | **(12,538)** | **(18,153)** |
| Share–swap pursuant to Restructuring Exercise | 1.2 | **18,153** | **–** | **–** | **18,153** |
| Shares issued pursuant to the IPO | 22 | **11,411** | **–** | **–** | **11,411** |
| Share issue expenses | 22 | **(2,702)** | **–** | **–** | **(2,702)** |
| Dividends paid | 23 | **–** | **–** | **(1,474)** | **(1,474)** |
| Total comprehensive income for the financial year | | **–** | **–** | **5,619** | **5,619** |
| **End of financial year** | | **26,862** | **–** | **6,135** | **32,997** |
| **2009** | | | | | |
| **Beginning of financial year** | | 5,405 | 10 | 7,468 | 12,883 |
| Issue of shares | | 200 | – | – | 200 |
| Dividend paid | 23 | – | – | (1,230) | (1,230) |
| Total comprehensive income for the financial year | | – | – | 8,290 | 8,290 |
| **End of financial year** | | 5,605 | 10 | 14,528 | 20,143 |

*The accompanying notes form an integral part of these financial statements.*

# CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

| | Note | Group 2010 RM'000 | Group 2009 RM'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net profit | | **5,619** | 8,290 |
| Adjustments for | | | |
| – Income tax expense | | **1,982** | 1,849 |
| – Depreciation of property, plant and equipment | | **3,543** | 2,949 |
| – Depreciation and amortisation of investment properties | | **58** | 58 |
| – Gain on disposal of investment property | | **–** | (1,246) |
| – (Gain)/loss on disposal of property, plant and equipment | | **(292)** | 4 |
| – Interest income | | **(52)** | (8) |
| – Interest expense | | **1,496** | 1,459 |
| | | **12,354** | 13,355 |
| Change in working capital | | | |
| – Trade and other receivables | | **(2,040)** | (1,684) |
| – Inventories | | **(6,724)** | (4,229) |
| – Other current assets | | **(92)** | (422) |
| – Trade and other payables | | **444** | 728 |
| – Bills payable | | **4,663** | (2,598) |
| Cash generated from operations | | **8,605** | 5,150 |
| Interest paid | | **(293)** | (187) |
| Interest received | | **52** | 8 |
| Income tax paid | | **(1,915)** | (604) |
| **Net cash generated from operating activities** | | **6,449** | 4,367 |
| **Cash flows from investing activities** | | | |
| Additions to property, plant and equipment | | **(4,764)** | (2,083) |
| Proceeds from disposals of property, plant and equipment | | **412** | 2 |
| Proceeds from disposal of investment property | | **–** | 3,052 |
| **Net cash (used in)/generated from investing activities** | | **(4,352)** | 971 |
| **Cash flows from financing activities** | | | |
| Decrease/(increase) in short-term bank deposits pledged | | **94** | (628) |
| Proceeds from issuance of share capital | | **8,709** | 200 |
| Proceeds from bank borrowings | | **2,691** | 2,275 |
| Repayment of bank borrowings | | **(1,490)** | (3,024) |
| Repayments of finance lease liabilities | | **(2,468)** | (2,056) |
| Interest paid | | **(1,203)** | (1,272) |
| Dividends paid | | **(1,474)** | (1,230) |
| **Net cash generated from/(used in) financing activities** | | **4,859** | (5,735) |
| Net increase/(decrease) in cash and cash equivalents | | **6,956** | (397) |
| **Cash and cash equivalents at beginning of financial year** | | **(2,631)** | (2,234) |
| **Cash and cash equivalents at end of financial year** | 11 | **4,325** | (2,631) |

*The accompanying notes form an integral part of these financial statements.*

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Mann Seng Metal International Limited on 31 March 2011.

## 1 General Information

### 1.1 Corporate Information

Mann Seng Metal International Limited (the "Company") is listed on the Singapore Exchange and incorporated and domiciled in Singapore. Its registered office is at 36 Carpenter Street, Singapore 059915. The principal place of business of the subsidiaries is located at Lot 1909, Jalan KPB 5, Kawasan Perindustrian Kampung Baru Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 17.

The Company's holding corporation is Triumphant Hope Sdn. Bhd., incorporated in Malaysia.

On 7 May 2010, the Company was admitted to the official list of Singapore Exchange Securities Trading Limited.

### 1.2 Restructuring Exercise

The following was undertaken in the Restructuring Exercise in preparation for the admission of the Company to the Official List of the SGX-ST:

*(a) Incorporation of the Company*

The Company was incorporated on 8 October 2009 in Singapore in accordance with the Act as a private limited company with an issued and paid-up share capital of S$1, comprising one ordinary share, which was allotted and issued to Chan Wen Chau.

On 6 April 2010, the Company was converted into a public limited company.

1 **General Information** (Continued)

1.2 **Restructuring Exercise** (Continued)

*(b) Acquisition of the following subsidiaries:*

**MSM Metal Industries Sdn Bhd ("MSM Metal")**
**MSM Equipment Manufacturer Sdn Bhd ("MSM Equipment")**
**MSM Marketing Sdn Bhd ("MSM Marketing")**
**Toyomi (M) Sdn Bhd ("MSM Toyomi")**
**FIC Refrigeration (M) Sdn Bhd ("MSM FIC")**
**OMS Technology Sdn Bhd ("MSM OMS")**

Pursuant to an equity transfer agreement dated 17 March 2010 (the "Equity Transfer Agreement") between Mann Seng Metal International Pte. Ltd. and the Executive Chairman Chan Kee Sieng, Executive Director Chan Kit Moi and Controlling Shareholder Chan Kat Yin, Chan Wen Chau, Chan Wen Yaw, Chan Wen Yee, Ong Seng Joo, Yong Wai Kin, Hoh Chui Loon. Mann Seng Metal International Pte. Ltd. acquired the entire equity interest of the subsidiaries above from the Executive Chairman, Chan Kee Sieng, Executive Director Chan Kit Moi, Controlling Shareholder Chan Kat Yin, Chan Wen Chau, Chan Wen Yaw, Chan Wen Yee, Ong Seng Joo, Yong Wai Kin, Hoh Chui Loon, for an aggregate consideration of approximately S$7.6 million. The purchase consideration was arrived at after taking into account the audited combined shareholders' equity of the subsidiaries above as at 30 September 2009 as agreed upon on a willing seller willing buyer basis.

The purchase consideration was satisfied by the allotment and issue of an aggregate 69,999,999 shares, credited as fully paid up, by the Company to the following persons:

| **Name** | **Number of Consideration Shares** | **Shareholding Proportion in Company after issue of Consideration Shares** |
|---|---|---|
| Triumphant Hope Sdn Bhd | 61,564,747 | 87.95% |
| Chan Wen Chau | 2,785,185 | 3.98% |
| Chan Wen Yaw | 1,082,435 | 1.55% |
| Chan Wen Yee | 883,810 | 1.26% |
| Ong Seng Joo | 883,810 | 1.26% |
| Yong Wai Kin | 1,400,006 | 2.00% |
| Hoh Chui Loon | 1,400,006 | 2.00% |
| **Total Consideration Shares** | **69,999,999** | **100.00%** |

**2 Summary of Significant Accounting Policies**

**2.1 Basis of Preparation**

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

***Interpretations and amendments to published standards effective in 2010***

On 1 January 2010, the Group adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Group's and Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years except as disclosed below:–

(a) FRS 103 (revised) *Business Combinations* (effective for annual periods beginning on or after 1 July 2009)

FRS 103 (revised) continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the profit or loss. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The revised standard does not have an impact on the accounting policies and measurement bases adopted by the Group.

(b) FRS 27 (revised) *Consolidated and Separate Financial Statements* (effective for annual periods beginning on or after 1 July 2009)

The revisions to FRS 27 principally change the accounting for transactions with non-controlling interests.

No adjustments were necessary to any of the amounts previously recognised in the financial statements as there was no non-controlling interest. Accordingly, these changes do not have any impact on the financial statements for the current financial year.

## 2 Summary of Significant Accounting Policies (Continued)

### 2.1 Basis of Preparation (Continued)

***Interpretations and amendments to published standards effective in 2010*** *(Continued)*

(c) Amendment to FRS 7 *Cash Flow Statements* (effective for annual periods beginning on or after 1 January 2010)

Under the amendment, only expenditures that result in a recognised asset in the balance sheet can be classified as investing activities in the statement of cash flows. Previously, such expenditures could be classified as investing activities in the statement of cash flows.

This change has been applied retrospectively. It had no material effect on the amounts presented in the statement of cash flows for the current or prior year.

### 2.2 Group Accounting

***(a) Subsidiaries***

Subsidiaries are entities over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Please refer to the paragraph "Investments in subsidiaries" for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

***(b) Basis of Consolidation***

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

The financial statements of the Group for the financial years ended 31 December 2010 and 2009 have been prepared under the "pooling-of-interest" method as the Restructuring Exercise completed as described in Note 1.2 is a legal reorganisation of entities under common control. Under this method, the Company has been treated as the holding corporation of all its subsidiaries under common control for the financial years presented rather than from the date of completion of the Restructuring Exercise. Accordingly, the consolidated results of the Group for the financial years ended 31 December 2010 and 2009 include the results of the Company and subsidiaries under common control for the entire periods.

2 **Summary of Significant Accounting Policies** (Continued)

2.2 **Group Accounting** (Continued)

***(b) Basis of Consolidation*** *(Continued)*

Pursuant to this:

- Assets and liabilities are consolidated at their existing carrying amounts;
- No amount is recognised for goodwill; and
- The Group's share capital represents the subsidiaries' paid-up share capital for the financial year ended 31 December 2009.

Consolidation of the subsidiaries in Malaysia is based on the subsidiaries' financial statements prepared in accordance with FRS. Profits reflected in the financial statements prepared in accordance with FRS may differ from those reflected in Malaysia statutory financial statements of the subsidiaries, prepared for Malaysia reporting purposes. In accordance with those laws and regulations, profits available for distribution by Malaysia subsidiaries are based on the amounts stated in their respective statutory financial statements.

Acquisition of businesses

The acquisition of subsidiaries not under common control of the Company's shareholders is consolidated using the acquisition method of accounting.

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interests in the subsidiary.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interests in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as "goodwill".

**2 Summary of Significant Accounting Policies** (Continued)

**2.2 Group Accounting** (Continued)

***(b) Basis of Consolidation*** *(Continued)*

Disposal of subsidiaries or businesses

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained interest in the entity is remeasured at fair value, the difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiaries" for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

**2.3 Investments in Subsidiaries**

Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of the investments in subsidiaries, the difference between the disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

**2.4 Revenue Recognition**

Sales comprise the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Sales are presented, net of value-added tax, rebates and discounts, and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, when it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

**(a) Sale of goods**

Revenue from sale of goods is recognised when the Group has delivered the products to its customers and the customers have accepted the products.

**(b) Interest income**

Interest income is recognised using the effective interest method.

**(c) Rental income**

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term.

**2 Summary of Significant Accounting Policies** (Continued)

**2.5 Property, Plant and Equipment**

**(a) Measurement**

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

**(b) Depreciation**

Freehold land and construction-in-progress are not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

| | Useful lives |
|---|---|
| Leasehold land | 99 years |
| Buildings | 10 to 50 years |
| Plant and machinery | 5 years |
| Renovation and signboard | 10 years |
| Motor vehicles | 5 years |
| Computer | 5 years |
| Office equipment, fixtures, furniture and fittings | 10 years |
| Showroom equipment | 3 years |

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

**(c) Subsequent expenditure**

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when 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. All other repair and maintenance expenses are recognised in profit or loss when incurred.

**(d) Disposal**

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within “other income – net”.

**2 Summary of Significant Accounting Policies** (Continued)

**2.6 Investment Properties**

Investment properties, comprising freehold and leasehold land and office buildings, are held for long term rental yield.

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

Depreciation and amortisation are calculated using a straight-line method to allocate the cost of the property over the estimated useful lives as follows:

| | Useful lives |
|---|---|
| Leasehold land | over the lease period |
| Building | 50 years |

The cost of maintenance, repairs and minor improvements is charged to profit or loss when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

**2.7 Impairment of Non-financial Assets**
*Property, plant and equipment*
*Investments in subsidiaries*
*Investment properties*

Property, plant and equipment, investments in subsidiaries and investment properties are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss.

**2 Summary of Significant Accounting Policies** (Continued)

**2.8 Cash and Cash Equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash at bank and on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are presented as current borrowings on the balance sheet.

**2.9 Loans and Receivables**
*Cash and cash equivalents*
*Trade and other receivables*

Cash and cash equivalents and trade and other receivables are initially recognised at their fair values plus transaction costs and subsequently carried at amortised cost using the effective interest method, less accumulated impairment losses. Loans and receivables include cash and cash equivalents, trade and other receivables and other current assets.

The Company assesses at each balance sheet date whether there is objective evidence that these financial assets are impaired and recognises an allowance for impairment when such evidence exists. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

These assets are presented as current assets except for those that are expected to be realised later than 12 months after the balance sheet date, which are presented as non-current assets.

**2.10 Inventories**

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity).

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

**2.11 Trade and Other Payables**

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

**2.12 Borrowings**

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

**2 Summary of Significant Accounting Policies** (Continued)

**2.13 Borrowing Costs**

Borrowings costs are recognised in the profit or loss using the effective interest method.

**2.14 Income Taxes**

Current income tax for current and prior period is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss.

**2.15 Employee Compensation**

**Defined contribution plans**

Defined contributions plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Employees Provident Fund, on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

**2 Summary of Significant Accounting Policies** (Continued)

**2.16 Leases**

***(a) When the Group is the lessee:***

The Group leases motor vehicles and certain plant and machinery under finance leases from non-related parties and warehouse and office buildings under operating lease from directors and non-related parties.

(i) Lessee – Finance leases

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases. The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised in the balance sheets as property, plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present values of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

(ii) Lessee – Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial year in which termination takes place.

***(b) When the Group is the lessor:***

The Group leases investment properties under operating lease to related and non-related parties.

(i) Lessor – Operating leases

Leases of investment properties where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in the profit or loss over the lease term on the same basis as the lease income.

2 **Summary of Significant Accounting Policies** (Continued)

## 2.17 Currency Translation

### (a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Malaysian Ringgit.

### (b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss.

## 2.18 Provisions for Other Liabilities and Charges

Provisions for other liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

## 2.19 Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital amount.

## 2.20 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

## 2.21 Dividends

Dividends are recognised when the dividends are approved for payment.

## 2.22 Fair Value Estimation

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

### 3 Critical Accounting Estimates, Assumptions and Judgements

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

**Impairment of loans and receivables**

Management reviews its loans and receivables for objective evidence of impairment at least annually. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management makes judgements as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in. Where there is objective evidence of impairment, management makes judgements as to whether an impairment loss should be recorded as an expense.

### 4 Revenue

| | Group | |
|---|---|---|
| | **2010** | **2009** |
| | **RM'000** | **RM'000** |
| Sale of OEM contract manufacturing products | **46,954** | 34,654 |
| Sale of kitchen appliances, equipment and related services | **26,467** | 22,578 |
| | **73,421** | 57,232 |

### 5 Other Income – Net

| | Group | |
|---|---|---|
| | **2010** | **2009** |
| | **RM'000** | **RM'000** |
| Gain on disposal of investment property | – | 1,246 |
| Rental income from investment properties (Note 16) | **77** | 77 |
| Rental income | **98** | 116 |
| Sales of scrap | **317** | 32 |
| Interest income | **52** | 8 |
| Gain/(loss) on disposal of property, plant and equipment | **292** | (4) |
| Net foreign exchange loss | **(60)** | (116) |
| Other | **84** | 129 |
| | **860** | 1,488 |

## 6 Expenses by Nature

| | Group 2010 RM'000 | Group 2009 RM'000 |
|---|---|---|
| Purchases of inventories | **43,170** | 27,929 |
| Depreciation and amortisation of investment properties (Note 16) | **58** | 58 |
| Depreciation of property, plant and equipment (Note 15) | **3,543** | 2,949 |
| Advertisements | **77** | 159 |
| Allowance for impairment of trade receivables | **277** | 1,257 |
| Bank charges | **454** | 68 |
| Commission | **675** | 501 |
| Directors' fees | **132** | – |
| Employee compensation (Note 7) | **12,019** | 10,485 |
| Exhibitions | **103** | 172 |
| Entertainments | **119** | 98 |
| Freight and forwarding | **346** | 178 |
| Fuel and gas | **854** | 562 |
| Insurance | **460** | 413 |
| Inventory written off | **145** | 210 |
| IPO expenses | **331** | – |
| Professional fees | **844** | 269 |
| Rental expenses on operating leases | **513** | 302 |
| Subcontractors' cost | **2,320** | 1,488 |
| Telephone | **193** | 157 |
| Travelling and transportation | **2,645** | 1,592 |
| Utilities, water and electricity | **1,243** | 1,180 |
| Upkeep, repair and maintenance | **811** | 1,062 |
| Changes in inventories | **(6,613)** | (4,439) |
| Other | **465** | 472 |
| Total cost of sales, selling and distribution, and administrative expenses | **65,184** | 47,122 |

## 7 Employee Compensation

| | Group 2010 RM'000 | Group 2009 RM'000 |
|---|---|---|
| Salaries, wages and bonuses | **10,886** | 9,536 |
| Employer's contribution to defined contribution plans | **706** | 583 |
| Other short-term benefits | **427** | 366 |
| | **12,019** | 10,485 |

## 8 Finance Expenses

| | Group | |
|---|---|---|
| | 2010 | 2009 |
| | RM'000 | RM'000 |
| Interest expense | | |
| – Bank borrowings | **617** | 765 |
| – Bank overdraft | **293** | 187 |
| – Bills payable | **208** | 136 |
| – Finance lease liabilities | **378** | 371 |
| | **1,496** | 1,459 |

## 9 Income Tax

| | Group | |
|---|---|---|
| | 2010 | 2009 |
| | RM'000 | RM'000 |
| Tax expense attributable to profit is made up of: | | |
| – Current income tax – Malaysia | **2,016** | 2,225 |
| – Deferred income tax (Note 21) | **137** | (302) |
| | **2,153** | 1,923 |
| – Over provision of current income tax in prior financial years | **(171)** | (74) |
| | **1,982** | 1,849 |

The tax expense on Group's profit differs from the theoretical amount that would arise using the Malaysia standard rate of income tax as explained below:

| | Group | |
|---|---|---|
| | 2010 | 2009 |
| | RM'000 | RM'000 |
| Profit before income tax | **7,601** | 10,139 |
| Tax calculated at a tax rate of 25% (2009: 25%) | **1,900** | 2,535 |
| Effects of: | | |
| – Different tax rate in other countries | **41** | – |
| – Change in Malaysia tax rate (Note 21) | **–** | (17) |
| – Expenses not deductible for tax purposes | **322** | 127 |
| – Income not subject to tax | **(19)** | (399) |
| – Deferred tax asset not recognised | **301** | – |
| – Tax incentives | **(392)** | (323) |
| Tax charge | **2,153** | 1,923 |

## 10 Earnings Per Share

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

| | 2010 | 2009 |
|---|---|---|
| Net profit attributable to equity holders of the Company (RM'000) | **5,619** | 8,290 |
| Weighted average number of ordinary shares outstanding for basic earnings per share | **83,095,890** | 70,000,000 |
| Basic earnings per share (RM cents per share) | **6.76** | 11.84 |

There were no dilutive potential ordinary shares during the financial year.

## 11 Cash and Cash Equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Cash at bank and on hand | **5,269** | 1,330 | * | * |
| Short-term bank deposits | **5,366** | 854 | – | – |
| | **10,635** | 2,184 | * | * |

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following at the balance sheet date:

| | Group | |
|---|---|---|
| | 2010 | 2009 |
| | RM'000 | RM'000 |
| Cash and bank balances (as above) | **10,635** | 2,184 |
| Less: Short-term bank deposits pledged to banks | **(760)** | (854) |
| Less: Bank overdrafts (Note 19) | **(5,550)** | (3,961) |
| Cash and cash equivalents per consolidated statement of cash flows | **4,325** | (2,631) |

* Denotes less than RM1,000.

Short-term bank deposits pledged to banks relate to bank balances that the Group has to maintain as security for some borrowings [Note 19(a)].

## 12 Trade and Other Receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Trade receivables | | | | |
| – Non-related parties | **20,725** | 16,344 | **–** | – |
| – Entities related by common shareholders | **262** | 1,993 | **–** | – |
| – Subsidiaries | **–** | – | **7,630** | – |
| | **20,987** | 18,337 | **7,630** | – |
| Less: Allowance for impairment of trade receivables | **(1,675)** | (1,494) | **–** | – |
| Trade receivables, net | **19,312** | 16,843 | **7,630** | – |
| Non-trade receivables | | | | |
| – Non-related parties | **87** | 101 | **–** | – |
| – Entities related by common shareholders | **–** | 407 | **–** | – |
| – Directors | **–** | 8 | **–** | – |
| | **87** | 516 | **–** | – |
| | **19,399** | 17,359 | **7,630** | – |

The non-trade amounts due from entities related by common shareholders are unsecured, interest-free and are repayable on demand.

## 13 Inventories

| | Group | |
|---|---|---|
| | **2010** | **2009** |
| | **RM'000** | **RM'000** |
| Raw materials | **5,075** | 5,123 |
| Work-in-progress | **12,332** | 5,994 |
| Finished goods | **3,233** | 3,126 |
| | **20,640** | 14,243 |

The cost of inventories recognised as an expense and included in "cost of sales" amounts to RM36,702,000 (2009: RM23,700,000).

## 14 Other Current Assets

| | Group | |
|---|---|---|
| | **2010** | **2009** |
| | **RM'000** | **RM'000** |
| Deposits | **450** | 236 |
| Prepayments | **894** | 605 |
| Deferred IPO expenses | – | 411 |
| | **1,344** | 1,252 |

## 15 Property, Plant and Equipment

| | Freehold Land RM'000 | Leasehold Land and Buildings RM'000 | Plant and Machinery RM'000 | Renovation and Signboard RM'000 | Motor Vehicles RM'000 | Computer, Office Equipment, Fixtures, Furniture and Fittings RM'000 | Showroom Equipment RM'000 | Construction -in-progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | | |
| **2010** | | | | | | | | | |
| *Cost* | | | | | | | | | |
| Beginning of financial year | 7,339 | 5,944 | 17,730 | 1,205 | 2,899 | 1,510 | – | 79 | 36,706 |
| Additions | – | 160 | 2,305 | 2,096 | 1,077 | 533 | – | – | 6,171 |
| Transferred from inventory | – | – | – | – | – | – | 327 | – | 327 |
| Disposals | | – | (599) | (56) | (121) | – | – | – | (776) |
| Reclassification | | 79 | – | – | – | – | – | (79) | – |
| End of financial year | 7,339 | 6,183 | 19,436 | 3,245 | 3,855 | 2,043 | 327 | – | 42,428 |
| *Accumulated depreciation* | – | | | | | | | | |
| Beginning of financial year | – | 594 | 12,945 | 632 | 1,630 | 1,036 | – | – | 16,837 |
| Depreciation charge (Note 6) | – | 103 | 2,120 | 370 | 601 | 240 | 109 | – | 3,543 |
| Disposals | – | – | (592) | (2) | (62) | – | – | – | (656) |
| End of financial year | – | 697 | 14,473 | 1,000 | 2,169 | 1,276 | 109 | – | 19,724 |
| ***Net Book Value*** | | | | | | | | | |
| **End of financial year** | 7,339 | 5,486 | 4,963 | 2,245 | 1,686 | 767 | 218 | – | 22,704 |

15 **Property, Plant and Equipment** (Continued)

| | Freehold Land RM'000 | Leasehold Land and Buildings RM'000 | Plant and Machinery RM'000 | Renovation and Signboard RM'000 | Motor Vehicles RM'000 | Computer, Office Equipment, Fixtures, Furniture and Fittings RM'000 | Showroom equipment RM'000 | Construction -in-progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | | |
| **2009** | | | | | | | | | |
| *Cost* | | | | | | | | | |
| Beginning of financial year | 7,339 | 4,444 | 15,922 | 1,012 | 2,197 | 1,410 | – | 664 | 32,988 |
| Additions | – | – | 1,808 | 193 | 702 | 106 | – | 915 | 3,724 |
| Disposals | – | – | – | – | – | (6) | – | – | (6) |
| Reclassification | – | 1,500 | – | – | – | – | – | (1,500) | – |
| End of financial year | 7,339 | 5,944 | 17,730 | 1,205 | 2,899 | 1,510 | – | 79 | 36,706 |
| *Accumulated depreciation* | | | | | | | | | |
| Beginning of financial year | – | 521 | 10,929 | 465 | 1,115 | 859 | – | – | 13,889 |
| Depreciation charge (Note 6) | – | 73 | 2,016 | 167 | 515 | 178 | – | – | 2,949 |
| Disposals | – | – | – | – | – | (1) | – | – | (1) |
| End of financial year | – | 594 | 12,945 | 632 | 1,630 | 1,036 | – | – | 16,837 |
| ***Net Book Value*** | | | | | | | | | |
| **End of financial year** | 7,339 | 5,350 | 4,785 | 573 | 1,269 | 474 | – | 79 | 19,869 |

**15 Property, Plant and Equipment** (Continued)

(a) Included in additions in the financial statements are the following property, plant and equipment acquired under finance leases:

| | Group | |
|---|---|---|
| | **2010** | 2009 |
| | **RM'000** | RM'000 |
| Plant and machinery | **964** | 1,020 |
| Motor vehicles | **988** | 671 |
| Computer equipment | **334** | – |
| | **2,286** | 1,691 |

(b) The carrying amount of plant and machinery, motor vehicles and computer equipment held under finance leases are as follows:

| | Group | |
|---|---|---|
| | **2010** | 2009 |
| | **RM'000** | RM'000 |
| Plant and machinery | **3,182** | 3,770 |
| Motor vehicles | **1,673** | 1,246 |
| Computer equipment | **270** | 69 |
| | **5,125** | 5,085 |

(c) Bank loans and bills payable are secured on certain property, plant and equipment of the Group with carrying amounts of RM12,825,000 (2009: RM12,689,000) [Note 19(a)].

**16 Investment Properties**

| | Leasehold Land RM'000 | Leasehold Land and Buildings RM'000 | Total RM'000 |
|---|---|---|---|
| **Group** | | | |
| **2010** | | | |
| *Cost* | | | |
| Beginning and end of financial year | **3,005** | **903** | **3,908** |
| *Accumulated depreciation and amortisation* | | | |
| Beginning of financial year | **183** | **168** | **351** |
| Depreciation and amortisation charge (Note 6) | **45** | **13** | **58** |
| End of financial year | **228** | **181** | **409** |
| ***Net Book Value*** | | | |
| **End of financial year** | **2,777** | **722** | **3,499** |

**16 Investment Properties** (Continued)

| | Leasehold Land RM'000 | Leasehold Land and Buildings RM'000 | Total RM'000 |
|---|---|---|---|
| **Group** | | | |
| **2009** | | | |
| *Cost* | | | |
| Beginning of financial year | 4,956 | 903 | 5,859 |
| Disposals | (1,951) | – | (1,951) |
| End of financial year | 3,005 | 903 | 3,908 |
| *Accumulated depreciation and amortisation* | | | |
| Beginning of financial year | 283 | 155 | 438 |
| Depreciation and amortisation charge (Note 6) | 45 | 13 | 58 |
| Disposals | (145) | – | (145) |
| End of financial year | 183 | 168 | 351 |
| ***Net Book Value*** | | | |
| **End of financial year** | 2,822 | 735 | 3,557 |

(a) Investment properties are leased to related and non-related parties under operating leases [Note 24(b)].

(b) All investment properties are mortgaged to secure bank loans [Note 19(a)].

The following amounts are recognised in profit and loss:

| | Group | |
|---|---|---|
| | **2010 RM'000** | **2009 RM'000** |
| Rental income (Note 5) | **77** | 77 |
| Direct operating expenses arising from: | | |
| – Investment properties that generated rental income | **(15)** | (17) |
| – Investment properties that did not generate rental income | **(49)** | (49) |

### 16 Investment Properties (Continued)

The market value of investment properties held by the Group are as follows:

| Location | Description | Existing Use | Tenure | Unexpired term of lease | Fair values 2010 RM'000 | Fair values 2009 RM'000 |
|---|---|---|---|---|---|---|
| Lot 1861 Mukim Cheras, Daerah Hulu Langat, Selangor Darul Ehsan | Vacant land | Industrial | Leasehold land | 61 | 3,700 | 3,700 |
| No.14 Jalan Kencana 30 Taman Kencana, 56100 Kuala Lumpur | Factory with 3-storey office | Commercial | Leasehold land and building | 73 | 1,150 | 1,150 |

Valuations are determined by an independent professional valuer and using the Direct Market Comparison Method.

### 17 Investment in Subsidiaries

| | Company 2010 RM'000 | Company 2009 RM'000 |
|---|---|---|
| Equity investment at cost: | | |
| Acquisition during the financial year (Note 1.2) | **18,153** | – |
| Incorporation of a subsidiary | **500** | – |
| End of financial year | **18,653** | – |

On 31 March 2011, the Company has increased its investment in the share capital of Marc Conleth Industries Sdn. Bhd. from RM500,000 to RM1,000,000 by subscribing for an additional 500,000 ordinary shares of RM1.00 each for cash.

**17 Investment in Subsidiaries** (Continued)

Details of significant subsidiaries are as follows:

| Name of companies | Principal activities | Country of business/ Incorporation | Equity holding 2010 % | Equity holding 2009 % |
|---|---|---|---|---|
| Held by Company | | | | |
| MSM Metal Industries Sdn Bhd[1] | Contract manufacturing of all metal products | Malaysia | 100 | 100 |
| MSM Equipment Manufacturer Sdn Bhd[1] | Contract manufacturing of F&B kitchen equipment and manufacturing and sale of standard kitchen equipment | Malaysia | 100 | 100 |
| MSM Marketing Sdn Bhd[1] | Sale and servicing of standard kitchen equipment products | Malaysia | 100 | 100 |
| Toyomi (M) Sdn Bhd[1] | Sale and servicing of metal parts and kitchen equipment, and design consultancy and installation works | Malaysia | 100 | 100 |
| FIC Refrigeration (M) Sdn Bhd[1] | Manufacturing, sale and servicing of refrigeration appliances | Malaysia | 100 | 100 |
| OMS Technology Sdn Bhd[1] | Design, consultancy and installation works for cleanrooms and laboratories | Malaysia | 100 | 100 |
| Marc Conleth Industries Sdn Bhd[1] | Metal engineering work for oil and gas and environmental related industries | Malaysia | 100 | – |

(1) Audited by SSY Partners, Malaysia, a member firm of Nexia International.

## 18 Trade and Other Payables

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Trade payables to | | | | |
| – Non-related parties | **10,367** | 9,972 | **–** | – |
| – Entities related by common shareholders | **128** | 146 | **–** | – |
| | **10,495** | 10,118 | **–** | – |
| Accrued operating expenses | **950** | 1,129 | **108** | 4 |
| Other payables | **809** | 563 | **–** | – |
| | **12,254** | 11,810 | **108** | 4 |

The non-trade amounts due to entities related by common shareholders are unsecured, interest-free and are repayable on demand.

## 19 Borrowings

| | Group | |
|---|---|---|
| | 2010 | 2009 |
| | RM'000 | RM'000 |
| *Current* | | |
| Bank overdrafts (Note 11) | **5,550** | 3,961 |
| Bank loans | **1,150** | 1,674 |
| Bills payable | **8,156** | 3,493 |
| Finance lease liabilities (Note 20) | **1,909** | 1,995 |
| | **16,765** | 11,123 |
| *Non-current* | | |
| Bank loans | **10,385** | 8,660 |
| Finance lease liabilities (Note 20) | **3,988** | 4,084 |
| | **14,373** | 12,744 |
| Total borrowings | **31,138** | 23,867 |

The exposure of the borrowings of the Group to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

| | Group | |
|---|---|---|
| | 2010 | 2009 |
| | RM'000 | RM'000 |
| 6 months or less | **15,236** | 9,289 |
| 6 – 12 months | **1,530** | 1,834 |
| 1 – 5 years | **7,373** | 8,940 |
| Over 5 years | **6,999** | 3,804 |
| | **31,138** | 23,867 |

**19 Borrowings** (Continued)

(a) Security granted

Bank loans, bills payable and bank overdraft are secured by a legal mortgage over the Group's freehold land, leasehold land and buildings (Notes 15 and 16) and short-term bank deposits of the Group (Note 11) and certain personal guarantee of the directors. Finance lease liabilities of the Group are secured by the rights to the leased plant and machinery, motor vehicles and computer equipment [Note 15(a)], which will revert to the lessors in the event of default by the Group.

(b) Fair value of non-current borrowings

At balance sheet date, the fair values of non-current borrowings approximate their carrying amounts.

**20 Finance Lease Liabilities**

The Group leases certain plant and machinery, motor vehicles and computer equipment from non-related parties under finance lease agreements. The lease agreements do not have renewal clauses but provide the Group with options to purchase the leased assets at nominal values at the end of lease term.

| | **Group** | |
|---|---|---|
| | **2010** | **2009** |
| | **RM'000** | **RM'000** |
| Minimum lease payments due | | |
| – Not later than one year | **2,223** | 2,285 |
| – Between one and five years | **3,782** | 3,835 |
| – Later than five years | **690** | 662 |
| | **6,695** | 6,782 |
| Less: Future finance charges | **(798)** | (703) |
| Present value of finance lease liabilities | **5,897** | 6,079 |

20 **Finance Lease Liabilities** (Continued)

The present values of finance lease liabilities are analysed as follows:

| | Group | |
|---|---|---|
| | **2010** | **2009** |
| | **RM'000** | **RM'000** |
| Not later than one year (Note 19) | **1,909** | 1,995 |
| Later than one year (Note 19) | | |
| – Between one and five years | **3,168** | 3,468 |
| – Later than five years | **820** | 616 |
| | **3,988** | 4,084 |
| Total | **5,897** | 6,079 |

21 **Deferred Income Taxes**

| | Group | |
|---|---|---|
| | **2010** | **2009** |
| | **RM'000** | **RM'000** |
| ***Deferred income tax assets*** | | |
| – to be recovered within one year | – | (350) |
| ***Deferred income tax liabilities*** | | |
| – to be settled within one year | **275** | 419 |
| – to be settled after one year | – | 69 |
| | **275** | 488 |
| | **275** | 138 |

Movement in deferred income tax account is as follows:

| | Group | |
|---|---|---|
| | **2010** | **2009** |
| | **RM'000** | **RM'000** |
| Beginning of financial year | **138** | 440 |
| Effect of change in Malaysia tax rate credited to profit or loss (Note 9) | – | (17) |
| Tax charged/(credited) to profit or loss (Note 9) | **137** | (285) |
| End of financial year | **275** | 138 |

**21 Deferred Income Taxes** (Continued)

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) is as follows:

***Group***
Deferred income tax liabilities/(assets)

| | Accelerated tax depreciation RM'000 | Provision RM'000 | Total |
|---|---|---|---|
| **2010** | | | |
| Beginning of financial year | 488 | (350) | 138 |
| (Credited)/charged to profit or loss | (213) | 350 | 137 |
| End of financial year | 275 | – | 275 |
| **2009** | | | |
| Beginning of financial year | 440 | – | 440 |
| Charged/(credited) to profit or loss | 48 | (350) | (302) |
| End of financial year | 488 | (350) | 138 |

**22 Share Capital**

| | 2010 | |
|---|---|---|
| | Number of ordinary shares | Amount RM'000 |
| ***Group and Company*** | | |
| At date of incorporation (8 October 2009) | 1 | * |
| Shares issued pursuant to the Restructuring Exercise (Note 1.2) | 69,999,999 | 18,153 |
| Share issued pursuant to Initial Public Offering | 20,000,000 | 11,411 |
| Share issue expenses | – | (2,702) |
| | 90,000,000 | 26,862 |

* Denotes below RM1,000.

As the Company officially took over the Group subsequent to 31 December 2009, the share capital in the consolidated balance sheet as at 31 December 2009 represented the registered capital of the subsidiaries [(Note 1.2(b))], amounting to RM5,605,000.

Pursuant to the initial public offering, the Company issued 20,000,000 ordinary shares for a total consideration of S$5,000,000 (approximately RM11,411,000) for cash. The newly issued shares rank pari passu in all respects with the previously issued shares.

All issued ordinary shares are fully paid. There is no par value for these ordinary shares

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

**23 Dividends**

| Group | 2010 RM'000 | 2009 RM'000 |
|---|---|---|
| **Special dividend declared and paid** | | |
| MSM Metal Industries Sdn Bhd @ RM 0.10 (2009: RM 0.045) per share | **400** | 180 |
| MSM Equipment Manufacturer Sdn Bhd @ RM 1.04 (2009: Nil) per share | **314** | – |
| MSM Marketing Sdn Bhd @RM 0.76 (2009: RM 0.45) per share | **760** | 450 |
| Toyomi (M) Sdn Bhd @ Nil (2009: RM 5.71) per share | **–** | 600 |
| | **1,474** | 1,230 |

As the Company officially took over the Group on 17 March 2010 (Note 1.2), the special dividend in the consolidated statement of changes in equity of the Group represented the special dividends declared and paid by the subsidiaries included in the Restructuring Exercise.

At the Annual General Meeting on 25 April 2011, a final exempt dividend of 0.5 Singapore cents per share amounting to S$450,000 (approximately RM1,080,000) will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholder's equity as an appropriation of retained profits in the financial year ending 31 December 2011.

**24 Commitments**

**(a) Capital commitments**

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements, are as follows:

| | Group | |
|---|---|---|
| | **2010** | **2009** |
| | **RM'000** | **RM'000** |
| Property, plant and equipment | **15,316** | 2,533 |

**(b) Operating lease commitments – where the Group is a lessee**

The Group leases warehouse and office buildings from directors and non-related parties under non-cancellable operating leases agreements. The leases have varying terms, escalation clauses and renewal rights.

| | Group | |
|---|---|---|
| | **2010** | **2009** |
| | **RM'000** | **RM'000** |
| Not later than one year | **228** | 332 |
| Between one and five years | **251** | 479 |
| | **479** | 811 |

**24 Commitments** (Continued)

**(c) Operating lease commitments – where the Group is a lessor**

The Group leases out office space to related and non-related parties under non-cancellable operating leases.

The future minimum lease receivables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, are as follows:

| | Group | |
|---|---|---|
| | **2010** | **2009** |
| | **RM'000** | **RM'000** |
| Not later than one year | **83** | 107 |
| Between one and five years | **83** | 166 |
| | **166** | 273 |

**25 Related Party Transactions**

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

**(a) Sales, purchases and other expenses**

| | Group | |
|---|---|---|
| | **2010** | **2009** |
| | **RM'000** | **RM'000** |
| Sales of goods to entity related by common shareholders | **2** | 291 |
| Purchases from entity related by common shareholders | **–** | 333 |
| Rental income charged to entity related by common shareholders | **60** | 60 |
| Service charges charged to entity related by common shareholders | **10** | 8 |
| Subcontractor's cost charged to entity related by common shareholders | **–** | 100 |

Outstanding balances as at 31 December 2010, arising from sale/purchase of goods and services, are unsecured and receivable/payable within 12 months from balance sheet date and are disclosed in Notes 12 and 18 respectively.

**25 Related Party Transactions** (Continued)

**(b) Key management personnel compensation**

Key management personnel compensation is as follows:

| | Group | |
|---|---|---|
| | **2010** | **2009** |
| | **RM'000** | **RM'000** |
| Salaries and bonuses | **1,866** | 1,398 |
| Directors' fees | **132** | – |
| Employer's contribution to defined contribution plans | **143** | 87 |
| Other short-term benefits | **220** | 87 |
| | **2,361** | 1,572 |

Included in the above is total compensation to directors of the Group amounting to RM1,046,000 (2009: RM686,000).

**26 Segment Information**

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

The Board of Directors comprises three independent directors and five non-independent directors. The Board of Directors considers the business from both a geographic and business segment perspective. Geographically, management manages and monitors the business in the three primary geographic areas: Malaysia, United States of America and Indonesia. All geographic locations are engaged in the OEM contract manufacturing and kitchen appliances, equipment and related services.

**26 Segment Information** (Continued)

The segment information provided to the Board of Directors for the reportable segments is as follows:

**For the financial year ended 31 December 2010**

| | OEM contract manufacturing RM'000 | Kitchen appliances, equipment and related services RM'000 | Total RM'000 |
|---|---|---|---|
| **Revenue** | | | |
| – Sales to external parties | **46,954** | **26,467** | **73,421** |
| **Adjusted EBITDA** | **9,963** | **2,683** | **12,646** |
| Depreciation of property, plant and equipment | **2,867** | **676** | **3,543** |
| **Total assets** | **55,690** | **12,322** | **68,012** |
| Total assets includes: | | | |
| Additions to: | | | |
| – Property, plant and equipment | **4,084** | **2,414** | **6,498** |
| **Total liabilities** | **9,101** | **3,153** | **12,254** |

**For the financial year ended 31 December 2009**

| | OEM contract manufacturing RM'000 | Kitchen appliances, equipment and related services RM'000 | Total RM'000 |
|---|---|---|---|
| **Revenue** | | | |
| – Sales to external parties | 34,654 | 22,578 | 57,232 |
| **Adjusted EBITDA** | 10,533 | 4,064 | 14,597 |
| Depreciation of property, plant and equipment | 2,550 | 399 | 2,949 |
| **Total assets** | 43,570 | 9,231 | 52,801 |
| Total assets includes: | | | |
| Additions to: | | | |
| – Property, plant and equipment | 2,701 | 1,022 | 3,723 |
| **Total liabilities** | 8,760 | 3,050 | 11,810 |

**26 Segment Information** (Continued)

There are no inter-business segment sales. The revenue from external parties reported to the Board of Directors is measured in a manner consistent with that in the consolidated statement of comprehensive income.

The Board of Directors assesses the performance of the operating segments based on measure of Earnings before interest, tax, depreciation and amortisation ("adjusted EBITDA"). Interest income, finance expenses, and depreciation and amortisation of investment properties are not allocated to segments, as this type of activity is driven by the CEO and CFO, who manage the cash position of the Group.

A reconciliation of adjusted EBITDA to profit before income tax is provided as follows:

| | 2010<br>RM'000 | 2009<br>RM'000 |
|---|---|---|
| Adjusted EBITDA for reportable segments | **12,646** | 14,597 |
| Depreciation of property, plant and equipment | **(3,543)** | (2,949) |
| Depreciation and amortisation of investment properties | **(58)** | (58) |
| Finance expense | **(1,496)** | (1,459) |
| Interest income | **52** | 8 |
| Profit before income tax | **7,601** | 10,139 |

**Reportable segments' assets are reconciled to total assets as follows:**

The amounts provided to the Board of Directors with respect to total assets are measured in a manner consistent with that of the financial statements. For the purpose of monitoring segment performance and allocating resources between segments, the Board of Directors monitors the property, plant and equipment, inventories, receivables, and operating cash attributable to each segment. All assets are allocated to reportable segments other than investment properties, other current assets, deposit for purchase of property, plant and equipment and short-term bank deposits.

| | Group | |
|---|---|---|
| | 2010<br>RM'000 | 2009<br>RM'000 |
| Segment assets | **68,012** | 52,801 |
| Unallocated: | | |
| Other current assets | **1,344** | 1,252 |
| Investment properties | **3,499** | 3,557 |
| Deposit for purchase of property, plant and equipment | **929** | 50 |
| Short-term bank deposits | **5,366** | 854 |
| | **79,150** | 58,514 |

**26 Segment Information** (Continued)

**Reportable segments' liabilities are reconciled to total liabilities as follows:**

The amounts provided to the Board of Directors with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment. All liabilities are allocated to the reportable segments other than income tax liabilities, borrowings and deferred income tax liabilities.

| | Group | |
|---|---|---|
| | **2010** | **2009** |
| | **RM'000** | **RM'000** |
| Segment liabilities | **12,254** | 11,810 |
| Unallocated: | | |
| Borrowings | **31,138** | 23,867 |
| Current income tax liabilities | **2,486** | 2,556 |
| Deferred income tax liabilities | **275** | 138 |
| | **46,153** | 38,371 |

**Revenue from major products and services**

Revenue from external customers are derived mainly from the sale of OEM contract manufacturing and kitchen appliances, equipment and related services. Breakdown of revenue is as follows:

| | Group | |
|---|---|---|
| | **2010** | **2009** |
| | **RM'000** | **RM'000** |
| OEM contract manufacturing | **46,954** | 34,654 |
| Kitchen appliances, equipment and related services | **26,467** | 22,578 |
| | **73,421** | 57,232 |

**26 Segment Information** (Continued)

**Geographical information**

The Group's two business segments operate in three primary geographical areas:

- Malaysia – the Group is headquartered and has operations in Malaysia. The operations in this area are principally in the manufacturing and sales of OEM contract manufacturing products and kitchen appliances, equipment and related services;
- United States of America – the operations include the sale of OEM contract manufacturing products;
- Indonesia – the operations include the sale of OEM contract manufacturing products and kitchen appliances, equipment and related services;
- Other countries – the operations include the sale of OEM contract manufacturing products in United Kingdom, New Zealand and Thailand, and the sale of kitchen appliances and equipment in Singapore, Vietnam and Cambodia.

| | Group | |
|---|---|---|
| | **2010** | **2009** |
| | **RM'000** | **RM'000** |
| **Revenue** | | |
| Malaysia | **57,379** | 49,529 |
| United States of America | **12,544** | 6,339 |
| Indonesia | **2,000** | – |
| Other | **1,498** | 1,364 |
| | **73,421** | 57,232 |

Revenues of approximately RM24.2 million (2009: RM19.3 million) are derived from a single external customer. These revenues are attributable to the OEM contract manufacturing products.

**27 Financial Risk Management**

**Financial risk factors**

The Group's activities expose it to market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The Board of Directors establishes the detail policies such as authority levels, oversight responsibilities, risk identification and measurement, exposure limits and hedging strategies.

The overall business strategies of the Group, its tolerance for risk and its general risk management philosophy are determined by the management in accordance with prevailing economic and operating conditions. In determining its risk management policies, the management ensures that an acceptable balance is made between the cost of risks occurring and the cost of managing the risks.

**27 Financial Risk Management** (Continued)

The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below:

**(a) Market risk**

*(i) Currency risk*

The Group mainly operates in Malaysia. Currency risk arises when transactions are denominated in foreign currencies such as United States Dollar ("USD") and Singapore Dollar ("SGD"). As the transactions in foreign currencies are minimal, the Group manages the foreign exchange exposure arising from future commercial transactions and recognised assets and liabilities by a policy of matching, as far as possible, receipts and payments in each individual currency.

The Group's currency exposure based on the information provided to key management is as follows:

| | MYR<br>RM'000 | USD<br>RM'000 | SGD<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|---|
| **31 December 2010** | | | | |
| **Financial Assets** | | | | |
| Cash and cash equivalents | 8,906 | 1,729 | – | 10,635 |
| Trade and other receivables | 17,320 | 2,079 | – | 19,399 |
| Other financial assets | 450 | – | – | 450 |
| | 26,676 | 3,808 | – | 30,484 |
| **Financial Liabilities** | | | | |
| Trade and other payables | (12,146) | – | (108) | (12,254) |
| Borrowings | (31,138) | – | – | (31,138) |
| | (43,284) | – | (108) | (43,392) |
| **Net financial (liabilities)/assets** | (16,608) | 3,808 | (108) | (12,908) |
| Less: Net financial liabilities denominated in the functional currency | 16,608 | – | – | 16,608 |
| **Currency exposure** | – | 3,808 | (108) | 3,700 |

**27 Financial Risk Management** (Continued)

**(a) Market risk** (Continued)

*(i) Currency risk (Continued)*

| | MYR RM'000 | USD RM'000 | SGD RM'000 | Total RM'000 |
|---|---|---|---|---|
| **31 December 2009** | | | | |
| **Financial Assets** | | | | |
| Cash and cash equivalents | 2,130 | 54 | – | 2,184 |
| Trade and other receivables | 15,987 | 1,372 | – | 17,359 |
| Other financial assets | 236 | – | – | 236 |
| | 18,353 | 1,426 | – | 19,779 |
| **Financial Liabilities** | | | | |
| Trade and other payables | (11,810) | – | – | (11,810) |
| Borrowings | (23,867) | – | – | (23,867) |
| | (35,677) | – | – | (35,677) |
| **Net financial (liabilities)/assets** | (17,324) | 1,426 | – | (15,898) |
| Less: Net financial liabilities denominated in the functional currency | 17,324 | – | – | 17,324 |
| **Currency exposure** | – | 1,426 | – | 1,426 |

The Company does not have any significant exposure to currency risk as the transactions in foreign currencies are minimal.

If the USD and SGD change against the RM by 5% (2009: 5%) and 5% (2009: 5%) respectively, with all other variables including tax rate being held constant, the effects arising from net financial liabilities/assets position will be as follows:

| | 2010 | | 2009 | |
|---|---|---|---|---|
| | Increase/(Decrease) | | | |
| | Net Profit RM'000 | Equity RM'000 | Net Profit RM'000 | Equity RM'000 |
| *Increase/(Decrease)* | | | | |
| USD against RM | | | | |
| – strengthened | **143** | **143** | **53** | **53** |
| – weakened | **(143)** | **(143)** | **(53)** | **(53)** |
| SGD against RM | | | | |
| – strengthened | **(4)** | **(4)** | **–** | **–** |
| – weakened | **4** | **4** | **–** | **–** |

**27 Financial Risk Management** (Continued)

**(a) Market risk** (Continued)

*(ii) Cash flow and fair value interest rate risks*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's interest rate risk mainly arises from bank loans at variable interest rates. The Group manages its interest rate risk by keeping bank loans to the minimum required to sustain the operations of the Group.

The Group's exposure to cash flow interest rate risk arises mainly from non-current variable-rate borrowings.

The Group's borrowings at variable rates are denominated in RM. If the RM interest rate increases/ decreases by 1% for each financial year with all other variables including tax rates being held constant, the net profit and equity will be lower/higher by RM234,000 (2009: RM179,000).

**(b) Credit risk**

Credit risk refers to the risk that counter party will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group are bank deposits, and trade and other receivables. For trade receivables, the Group adopts the policy of dealing only with recognised and creditworthy third parties. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

As the Group does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

The credit risk for trade receivables based on the information provided to key management is as follows:

| | Group | |
|---|---|---|
| | **2010** | **2009** |
| | **RM'000** | **RM'000** |
| By geographical areas | | |
| Malaysia | **16,989** | 14,638 |
| Indonesia | **812** | 278 |
| United States of America | **1,280** | 858 |
| Other | **231** | 1,069 |
| | **19,312** | 16,843 |
| By types of customers | | |
| Related parties | **118** | 1,993 |
| Non-related parties | | |
| – Multi-national companies | **7,684** | 4,484 |
| – Other companies | **11,510** | 10,366 |
| | **19,312** | 16,843 |

* denotes below RM1,000.

**27 Financial Risk Management** (Continued)

**(b) Credit risk** (Continued)

*(i) Financial assets that are neither past due nor impaired*

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

*(ii) Financial assets that are past due and/or impaired*

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables past due but not impaired is as follows:

| | Group | |
|---|---|---|
| | **2010** | **2009** |
| | **RM'000** | **RM'000** |
| Past due 0 to 3 months | **840** | 3,613 |
| Past due 3 to 6 months | **1,647** | 777 |
| Past due over 6 months | **1,900** | 2,350 |
| | **4,387** | 6,740 |

The carrying amount of trade receivables individually determined to be impaired and the movements in the related allowance for impairment are as follows:

| | Group | |
|---|---|---|
| | **2010** | **2009** |
| | **RM'000** | **RM'000** |
| Gross amount | **2,429** | 2,584 |
| Less: Allowance for impairment | **(1,675)** | (1,494) |
| | **754** | 1,090 |
| Beginning of financial year | **1,494** | 237 |
| Allowance made | **277** | 1,257 |
| Allowance utilised | **(96)** | – |
| End of financial year | **1,675** | 1,494 |

The impaired trade receivables arise from sales to companies which were closed down or had liquidity problem.

27 **Financial Risk Management** (Continued)

**(c) Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and having an adequate amount of committed credit facilities (Note 19) to enable it to meet its normal operating commitments. The Group's objective is to maintain a balance between continuing of funding and flexibility through the use of bank borrowings, bank overdrafts and finance lease liabilities. As at balance sheet date, assets held by the Group for managing liquidity risks included cash and short-term bank deposits as disclosed in Note 11.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| | Less than 1 year RM'000 | Between 1 and 2 years RM'000 | Between 2 and 5 years RM'000 | Over 5 years RM'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **31 December 2010** | | | | |
| Trade and other payables | 12,254 | – | – | – |
| Borrowings | 16,765 | 3,102 | 4,885 | 6,870 |
| | 29,019 | 3,102 | 4,885 | 6,870 |
| **31 December 2009** | | | | |
| Trade and other payables | 11,810 | – | – | – |
| Borrowings | 11,123 | 3,318 | 5,990 | 3,849 |
| | 22,933 | 3,318 | 5,990 | 3,849 |

All the financial liabilities of the Company are current.

**(d) Capital risk**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

The Group's policy is to maintain gearing ratio of not exceeding 2.0 times.

Gearing ratio is calculated as total borrowings divided by total net worth. Net worth is defined as total assets minus total liabilities.

| | Group | |
|---|---|---|
| | 2010 RM'000 | 2009 RM'000 |
| Total borrowings | **31,138** | 23,867 |
| Net worth | **32,997** | 20,143 |
| Gearing ratio | **0.94** | 1.18 |

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2010 and 2009.

**28 Events Occurring After the Balance Sheet Date**

On 21 January 2011, the Company's wholly-owned subsidiary, MSM Equipment Manufacturer Sdn Bhd, incorporated PT. Mulia Sinergi Metalindo ("PT Mulia") in Indonesia with an issued and paid-up share capital of US$125,000. The Group owns 99% equity interest in PT Mulia. The principal activity of PT Mulia is that of sales and servicing of kitchen equipment.

**29 New or Revised Accounting Standards and Interpretations**

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2011 or later periods and which the Group has not early adopted:

- Amendments to FRS 24 – Related party disclosures (effective for annual periods beginning on or after 1 January 2011)
- Amendments to FRS 32 Financial instruments: Presentation – classification of rights issues (effective for annual periods beginning on or after 1 February 2010)

The management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in the future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption, except for the amendments to FRS 24 – Related party disclosures.

The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. It also clarifies and simplifies the definition of a related party. However, the revised definition of a related party will also mean that some entities will have more related parties and will be required to make additional disclosures.

Management is currently considering the revised definition to determine whether any additional disclosures will be required and has yet to put systems in place to capture the necessary information. It is therefore not possible to disclose the financial impact, if any, of the amendment on the related party disclosures.

# STATISTICS OF SHAREHOLDINGS
## AS AT 14 MARCH 2011

| | | |
|---|---|---|
| Issued and fully paid-up shares excluding treasury shares | : | 90,000,000 |
| Treasury shares | : | Nil |
| Class of Shares | : | Ordinary shares |
| Voting Rights | : | One vote per share |

**SUBSTANTIAL SHAREHOLDERS**

(as recorded in the Register of Substantial Shareholder as at 14 March 2011)

| | Direct Interest | | Deemed Interest | |
|---|---|---|---|---|
| | **No. of shares** | **%** | **No. of shares** | **%** |
| Triumphant Hope Sdn Bhd | 61,564,747 | 68.41 | – | – |
| Chan Kee Sieng | 85,000 | 0.09 | 61,564,747 | 68.41 |
| Chan Kit Moi | 130,000 | 0.14% | 61,564,747 | 68.41 |
| Chan Kat Yin | 130,000 | 0.14% | 61,564,747 | 68.41 |

**Notes:**

Messrs Chan Kat Yin, Chan Kee Sieng and Chan Kit Moi are shareholders of Triumphant Hope Sdn Bhd (each holding 33.33% of shares in the capital of Triumphant Hope Sdn Bhd) and they are deemed to have an interest in the shares held by Triumphant Hope Sdn Bhd.

**Shareholdings Held in the Hands of Public**

Based on information available to the Company as at 14 March 2011, approximately 24.05% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the SGX-ST Listing Manual (Section B: Rules of Catalist) is complied with.

# STATISTICS OF SHAREHOLDINGS
## AS AT 14 MARCH 2011

### DISTRIBUTION OF SHAREHOLDINGS BY SIZE OF SHAREHOLDINGS

| Size of Shareholdings | No. of Shareholders | % | No. of Shares | % |
|---|---|---|---|---|
| 1 – 999 | 0 | 0.00 | 0 | 0.00 |
| 1,000 – 10,000 | 28 | 21.21 | 233,000 | 0.26 |
| 10,001 – 1,000,000 | 96 | 72.73 | 12,142,620 | 13.49 |
| 1,000,001 and above | 8 | 6.06 | 77,624,380 | 86.25 |
| Total | 132 | 100.00 | 90,000,000 | 100.00 |

### LIST OF 20 LARGEST REGISTERED SHAREHOLDERS

| No. | Name | No. of Shares | % |
|---|---|---|---|
| 1 | TRIUMPHANT HOPE SDN. BHD. | 61,564,747 | 68.41 |
| 2 | CIMB SECURITIES (SINGAPORE) PTE. LTD. | 5,772,000 | 6.41 |
| 3 | CHAN WEN CHAU | 2,785,186 | 3.09 |
| 4 | LIM CHYE HUAT @ BOBBY LIM CHYE HUAT | 2,500,000 | 2.78 |
| 5 | YONG WAI KIN | 1,400,006 | 1.56 |
| 6 | HOH CHUI LOON | 1,400,006 | 1.56 |
| 7 | PHILLIP SECURITIES PTE LTD | 1,120,000 | 1.24 |
| 8 | CHAN WEN YAW | 1,082,435 | 1.20 |
| 9 | CHOO KOK CHENG | 950,000 | 1.06 |
| 10 | ONG SENG JOO | 883,810 | 0.98 |
| 11 | CHAN WEN YEE | 883,810 | 0.98 |
| 12 | LEE KAY HUAN HOLDINGS PTE LTD | 840,000 | 0.93 |
| 13 | CHIN JIT SIN | 750,000 | 0.83 |
| 14 | KAM FOONG KENG | 750,000 | 0.83 |
| 15 | KIM ENG SECURITIES PTE. LTD. | 500,000 | 0.56 |
| 16 | UOB KAY HIAN PTE LTD | 460,000 | 0.51 |
| 17 | GERALD CHEW KIN MUN | 400,000 | 0.44 |
| 18 | CHAN SIEW LING | 299,000 | 0.33 |
| 19 | CHUA KENG LOY | 250,000 | 0.28 |
| 20 | DBS VICKERS SECURITIES (SINGAPORE) PTE LTD | 227,000 | 0.25 |
| | **Total:** | **84,818,000** | **94.23** |

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Annual General Meeting of the Company will be held at CIMB Securities Investment Centre, Seminar Room, Level 1, located at 50 Raffles Places #01-01, Singapore Land Tower, Singapore 048623 on Monday, 25 April 2011 at 9.30 a.m. to transact the following business:

**ORDINARY BUSINESS**

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2010 together with the Reports of the Directors and Auditors thereon. **Resolution 1**

2. To declare a final tax exempt (one-tier) dividend of 0.50 Singapore cents per ordinary share for the financial year ended 31 December 2010. **Resolution 2**

3. To approve the Directors' fees of S$83,000 for the financial year ending 31 December 2011 (2010:S$56,348). **Resolution 3**

4. To re-elect the following directors, each of whom will retire pursuant to Article 107 of the Company's Articles of Association and who, being eligible, offer themselves for re-election pursuant to Article 109:

   (i) Mr. Chan Wen Yaw **Resolution 4**

   (ii) Mr. Yong Wai Kin **Resolution 5**

   (iii) Mr. Leow Wee Kia Clement **Resolution 6**

   Mr. Leow Wee Kia Clement shall, upon re-election as Director of the Company, remain as the Chairman of the Remuneration and Nominating Committees and a member of the Audit Committee, and shall be considered independent for the purpose of Rule 704(7) of the Listing Manual (Section B: Rules of Catalist) of the Singapore Exchange Securities Trading Limited ("SGX-ST").

5. To re-appoint Nexia TS Public Accounting Corporation as the auditors of the Company and authorise the Directors to fix their remuneration. **Resolution 7**

6. To transact any other ordinary business which may be properly transacted at an Annual General Meeting.

**SPECIAL BUSINESS**

To consider and, if thought fit, approve the following Ordinary Resolution, with or without modifications:

7. **Authority to allot and issue shares**

   "That pursuant to Section 161 of the Companies Act, Cap. 50, and subject to Rule 806 of the SGX-ST Listing Manual (Section B: Rules of Catalist), approval be and is hereby given to the Directors of the Company to issue: **Resolution 8**

   (a) shares in the capital of the Company (whether by way of bonus, rights or otherwise) or;

   (b) convertible securities; or

   (c) additional convertible securities arising from adjustments made to the number of convertible securities previously issued in the event of rights, bonus or capitalism issues; or

(d) shares arising from the conversion of convertible securities in (b) and (c) above,

at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that :-

(i) the aggregate number of shares and convertible securities that may be issued shall not be more than 100% of the total number of issued shares excluding treasury shares or such other limit as may be prescribed by the Singapore Exchange Securities Trading Limited as at the date the general mandate is passed;

(ii) the aggregate number of shares and convertible securities to be issued other than a pro-rata basis to existing shareholders shall not be more than 50% of the total number of issued shares excluding treasury shares or such other limit as may be prescribed by the Singapore Exchange Securities Trading Limited as at the date the general meeting is passed;

(iii) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraphs (i) and (ii) above, the percentage of the total number of issued shares excluding treasury shares is based on the total number of issued shares excluding treasury shares at the date of the general mandate is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or employee share options in issue as at the date the general mandate is passed and any subsequent bonus issue, consolidation or subdivision of the Company's shares; and

(iv) unless earlier revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier."
*(See Explanatory Note)*

By Order of the Board

Chan Kee Sieng
Executive Chairman
Singapore
7 April 2011

**Explanatory Notes:**

1. The Ordinary Resolution 8 above, is to authorise the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares up to an amount not exceeding in aggregate 100% of the total number of issued shares excluding treasury shares of which the total number of shares issued other than on a pro-rata basis to existing shareholders shall not exceed 50% of the total number of issued shares excluding treasury shares for such purposes as they consider would be in the interests of the Company. Rule 806(3) of the SGX-ST Listing Manual (Section B: Rules of Catalist) currently provides for the percentage of the total number of issued shares excluding treasury shares to be calculated on the basis of the total number of issued shares at the time that the resolution is passed (taking into account the conversion or exercise of any convertible securities and the exercise of employee share options on the issue at the time that the resolution is passed, which were issued pursuant to previous shareholder approval), adjusted for any subsequent bonus issue, consolidation or subdivision of shares. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

**Notes:**

1. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than 2 proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
2. The instrument appointing a proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the registered office of the Company at 36 Carpenter Street Singapore 059915 not less than 48 hours before the time set for the Annual General Meeting.

## NOTICE OF BOOK CLOSURE

**NOTICE IS HEREBY GIVEN THAT** the Transfer Book and the Register of Members of the Company will be closed on 4 May 2011 for the purpose of preparing dividend warrants for the proposed final tax exempt (one-tier) dividend of 0.50 Singapore cents per ordinary share for the financial year ended 31 December 2010 (the “Proposed Final Dividend”).

Duly completed transfers received by the Company’s Share Registrar, Tricor Barbinder Share Registration Services (a business division of Tricor Singapore Pte. Ltd.) at 8 Cross Street, #11-00 PWC Building, Singapore 048424 up to 5.00 p.m. on 3 May 2011 will be registered to determine shareholders’ entitlement to the Proposed Final Dividend. Members whose securities accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 3 May 2011 will be entitled to the Proposed Final Dividend.

The Proposed Final Dividend, if approved at the Annual General Meeting to be held on 25 April 2011, will be paid on 20 May 2011.

By Order of the Board

Chan Kee Sieng
Executive Chairman
Singapore
7 April 2011

# MANN SENG METAL INTERNATIONAL LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No.: 200918800R)

## ANNUAL GENERAL MEETING
## PROXY FORM

I/We________________________________________ (Name) ______________________(NRIC/Passport No.)
of ___________________________________________________________________________ (Address),
being a member/members of Mann Seng Metal International Limited (the "***Company***"), hereby appoint:

| Name | Address | NRIC/Passport No. | Proportion of shareholdings | |
|---|---|---|---|---|
| | | | No. of shares | % |
| | | | | |

*and/or (Please delete as appropriate)*

| Name | Address | NRIC/Passport No. | Proportion of shareholdings | |
|---|---|---|---|---|
| | | | No. of shares | % |
| | | | | |

or failing the person, or either or both of the persons, referred to above, the Chairman of the Annual General Meeting, as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf and, if necessary, to demand a poll at the Annual General Meeting of the Company to be held at CIMB Securities Investment Centre, Seminar Room, Level 1, located at 50 Raffles Places #01-01, Singapore Land Tower, Singapore 048623 on Monday, 25 April 2011 at 9.30 a.m. and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided below whether you wish your vote(s) to be cast for or against the resolutions as set out in the Notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as the proxy/proxies will on any other matter arising at the Annual General Meeting)

| No. | Ordinary Resolutions | For | Against |
|---|---|---|---|
| | **ORDINARY BUSINESS** | | |
| Resolution 1 | To receive and adopt the Financial Statements for the financial year ended 31 December 2010, the Directors' Report and the Auditors' Report thereon. | | |
| Resolution 2 | To declare a final tax exempt (one-tier) dividend of 0.50 Singapore cents per ordinary share. | | |
| Resolution 3 | To approve the Directors' fees for the financial year ending 31 December 2011. | | |
| Resolution 4 | To re-elect Mr. Chan Wen Yaw as Director | | |
| Resolution 5 | To re-elect Mr. Yong Wai Kin as Director | | |
| Resolution 6 | To re-elect Mr. Leow Wee Kia Clement as Director | | |
| Resolution 7 | To re-appoint Nexia TS Public Accounting Corporation as the Auditors of the Company and authorise the Directors to fix their remuneration. | | |
| | **SPECIAL BUSINESS** | | |
| Resolution 8 | To authorise Directors to issue shares pursuant to Section 161 of the Companies Act (Chapter 50) of Singapore. | | |

Dated this __________ day of __________ 2011

| Total number of shares held in: | |
|---|---|
| CDP Register | |
| Register of Members | |

________________________________

Signature(s) of member(s) or Common Seal

**IMPORTANT: PLEASE READ THE FOLLOWING NOTES.**

**Notes:**

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act (Chapter 50) of Singapore, you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, this form of proxy will be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than 2 proxies to attend and vote on his behalf. A proxy need not be a member of the Company.

3. Where a member appoints more than 1 proxy, he shall specify the proportion of his shareholding to be represented by each proxy. If no proportion of shareholdings is specified, the proxy whose name appears first shall be deemed to carry 100% of the shareholdings of his/its appointor and the proxy whose name appears after shall be deemed to be appointed in the alternate.

4. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised.

5. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting of the Company, in accordance with Section 179 of the Companies Act (Chapter 50) of Singapore.

6. The instrument appointing a proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the registered office of the Company at 36 Carpenter Street Singapore 059915 not less than 48 hours before the time set for the Annual General Meeting.

7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose Shares are entered against their name in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have Shares entered against their names in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

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**MANN SENG METAL INTERNATIONAL LIMITED**
Company Registration No.: 200918800R

Principal Place of Business:
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Tel : + 603 8962 6618    Fax : + 603 8962 3353