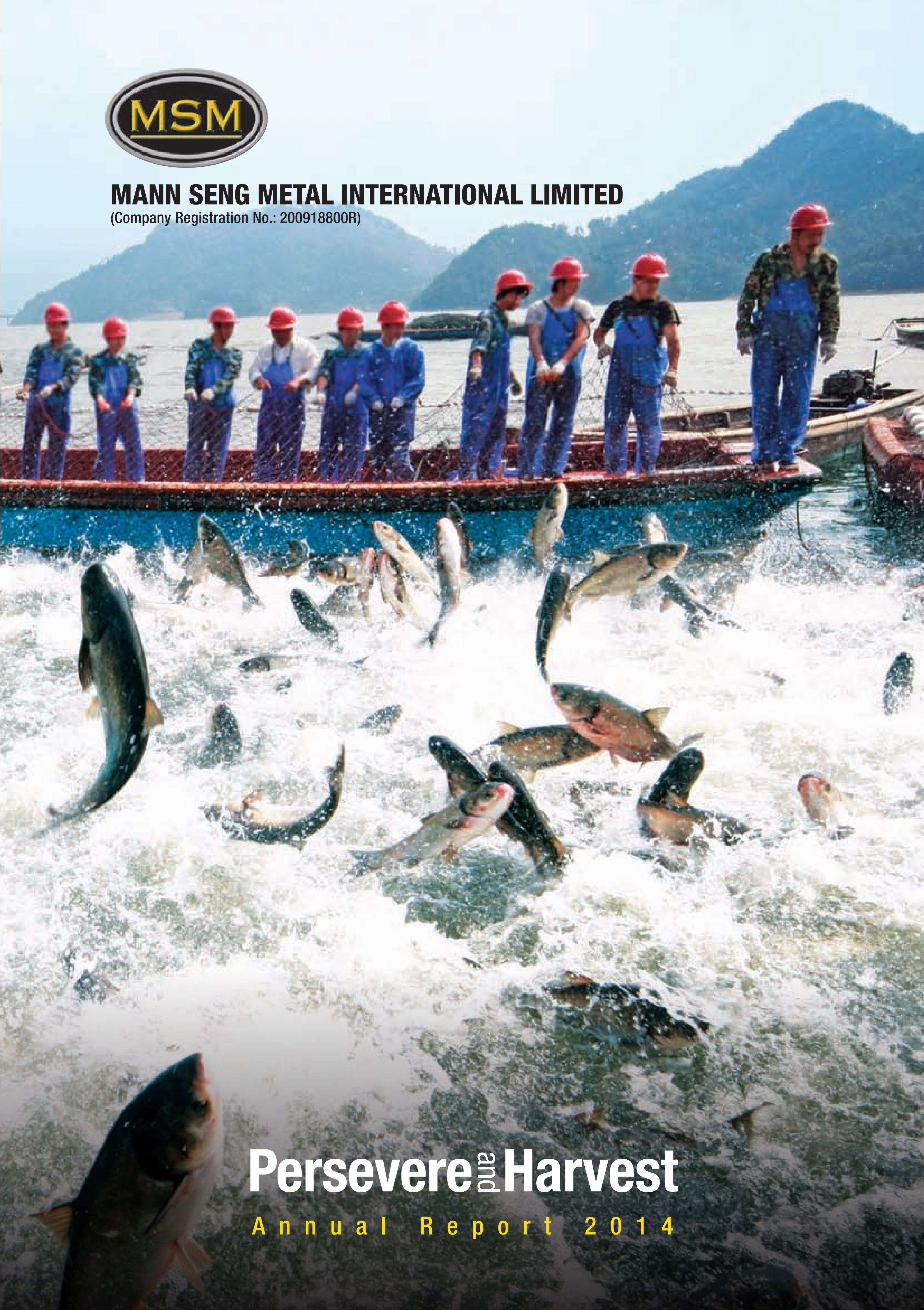


MANN SENG METAL INTERNATIONAL LIMITED

(Company Registration No.: 200918800R)

Persevere and Harvest

Annual Report 2014

COVER **RATIONALE**

The journey of MSM Group over the years is like an expedition team looking for rich pickings. Buoyed by a clear strategy and a vision of our reward to come, we have braved the elements and endured trying conditions. With grit and tenacity, we have emerged stronger from overcoming adversity.

MSM's track record is built upon our relentless pursuit for excellence. We have expanded our capabilities over the years to serve our customers who have come to expect nothing but high levels of precision, creativity and integrity from us. We stand firmly behind

the quality of our product and service offerings, and take pains to nurture our competitiveness even as we faced the challenges along the way.

We reaped a bountiful harvest in 2014, but our journey does not end there. We embark on yet another journey, trusting in our drive and capabilities to carry us through as we seek out our next harvest in 2015.

This annual report has been prepared by the Company and reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor"), for compliance with the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this annual report.

This annual report has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this annual report including, the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this annual report.

The contact person for the Sponsor is Mr Lance Tan, Director, Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, Telephone: (65) 6229 8088.

TABLE OF **CONTENTS**

OUR **BUSINESS**

Established since 1980s, Mann Seng Metal International Limited ("MSM") is an integrated metal engineering company, offering a comprehensive suite of services spanning design, product development, prototyping, tool & die fabrication, production and assembly.

Through its 190,000 sq ft of specialised production space in Malaysia and Indonesia, MSM provides solutions to customers in Asia, the USA and Europe across the oil & gas, semiconductor, healthcare, food & beverage and hospitality industries.

MSM's business activities are segmented as follows:

- OEM contract manufacturing
- kitchen appliances, equipment and related services
- oil and gas
- cleanroom and laboratories

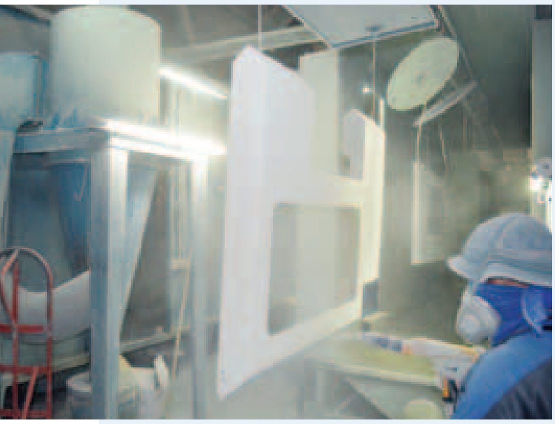
The Group operates a total of six showroom outlets occupying some 29,000 sq ft of floor space in Malaysia, Indonesia, Singapore and Vietnam.

MSM was listed on the Singapore Exchange Catalist on 7 May 2010.

LETTER TO **SHAREHOLDERS**

DEAR SHAREHOLDERS,

The financial year ended 31 December 2014 ("FY2014") was a fruitful year for Mann Seng Metal International Limited (the "Mann Seng Metal", and together with its subsidiaries, the "Group"). As the saying goes, you reap what you sow. Our effort in laying the foundation for growth over the past few years is bearing good fruit today. On behalf of the Board of Directors, I am pleased to share with you the key updates of the Group that have culminated in a better set of results for FY2014.



FINANCIAL REVIEW

We recorded revenue of RM94.8 million for FY2014. This represents an increase of 40.4% over RM67.5 million recorded in the previous financial year ended 31 December 2013 ("FY2013"). The increase was driven by higher revenue contribution from all four business segments, with Kitchen Segment, Engineering Industries – OEM Contract Manufacturing Segment ("OEM Segment") and Cleanroom and Laboratories Segment chalking up their best performance in terms of revenue since our listing in 2011.

Our Kitchen Segment recorded a 69.6% growth in revenue to RM36.3 million, from RM21.4 million in FY2013. The rise came on the back of a larger number of projects secured during the financial year, as well as an increase in equipment units sold.

The Oil and Gas Segment contributed revenue of RM22.4 million, which was 8.2% higher than RM20.7 million in FY2013, while revenue from the OEM Segment rose 46.4% to RM26.2 million, from RM17.9 million in FY2013. Revenue from the Cleanroom & Laboratories Segment rose 32.0% to RM9.9 million, from RM7.5 million in FY2013. These three segments largely benefited from an increase in orders or projects secured.

In line with the increase in revenue, cost of sales increased 38.3% to RM67.6 million in FY2014, compared to RM48.9 million in FY2013.

Selling and distribution expenses was 27.5% higher at RM7.6 million in FY2014, mainly due to the increase in staff cost of approximately RM0.8 million due to staff recruitment and annual salaries adjustment and promotions, increase in transportation expenses of approximately RM0.3 million as a result of an increase in export sales for oil and gas customers and an increase in exhibition expenses of approximately RM0.2 million.

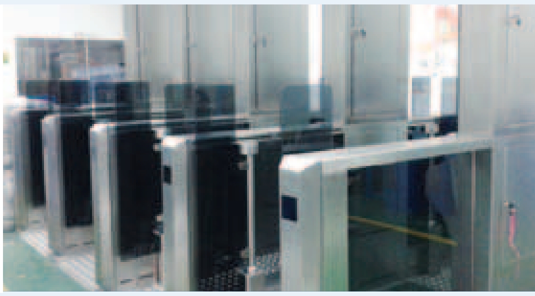
Administrative expenses increased by 20.1% to RM13.7 million in FY2014, from RM11.4 million in FY2013, on the back of higher depreciation and a full-year impact of headcount addition following the acquisition of Marc16 Equipment Manufacturing Sdn. Bhd. in September 2013.

Income tax expenses amounted to RM0.8 million in FY2014, versus a tax credit of RM0.7 million in FY2013 due to a tax incentive received by our subsidiary, Marc Conleth Industries Sdn. Bhd. The tax incentive was applicable retrospectively to the financial year ended 31 December 2011, which allowed us to recover a portion of tax expenses incurred then.

Taking the above into account, net profit attributable to shareholders surged 357.8% to RM5.5 million in FY2014, from RM1.2 million in the previous financial year.

We closed FY2014 with net asset value per ordinary share of 48.18 Malaysian sen, versus 42.05 Malaysian sen at the end of FY2013.

LETTER TO SHAREHOLDERS (CONT'D)



REVIEW OF OPERATIONS

The Kitchen Segment enjoyed a good year in FY2014. Not only did we secure more consultation works for projects, the new products that we launched previously continued to gain good market awareness and traction.

The growth of Malaysia's tourism sector and steep increase in the number of new malls in the country has led to the opening of more new restaurants and eateries. This trend has translated into greater demand for kitchen design and consultation services.

The mobile food kiosks and commercial refrigeration equipment that we launched in FY2013 continue to gain a foothold in the market. Our efforts in marketing and raising product awareness are paying off as we saw more enquiries translate into actual orders. Our ability to fully customise the mobile kiosk kitchen setups and fully equip them with comprehensive mechanical and electrical solutions is a unique value proposition that has helped to enlarge our customer base. Our commercial refrigeration equipment featuring energy-saving technology from Korea has also made good headway within Malaysia. Buoyed by this progress, we are looking forward to launching these products to other export markets in the region in the near term.

The Oil and Gas Segment secured more orders for oil filters compared to FY2013, bearing testimony to our capabilities in this field and our long-standing relationship with our customers. We will continue to strengthen our business relationship with our customers, while maintaining the high level of quality that they have come to expect of us.

The semiconductor industry remains one of the OEM Segment's key revenue drivers. The semiconductor industry experienced good growth in 2014, driven by increasing electronics adoption globally. This translated into an increase in projects secured from customers from a wider industry range.

Some of the significant OEM projects that we secured in FY2014 came from the logistics industry. We secured projects for the manufacture of solid engineering structures for conveyor systems, for companies engaged in the provision of logistics solutions to airports, airlines, and other logistics-related companies.

We look forward to tapping more opportunities in the logistics industry. The rising popularity of online shopping is one such possibility, where a key success ingredient is quick, on-time delivery of its goods, which requires a strong logistics partner. In this context, we have been engaged by logistics companies to design and manufacture conveyor and other systems that can route different types of goods to the right place at the right time for despatch and shipping.

Our Cleanroom and Laboratories Segment also secured more projects in FY2014, mainly from Malaysia and particularly for the installation of biocontainment control facilities in medical and research centres. This segment has a healthy order book that will ensure a good pipeline of projects through 2015.

LOOKING AHEAD

Our ability to secure and handle more projects in FY2014 was due to the active measures taken to ensure that we have the right capabilities and resources to meet growing market demand.

The stability of our workforce has given us the confidence to pursue more projects but, given the tight labour supply situation, improving productivity levels will be of utmost priority.

LETTER TO SHAREHOLDERS (CONT'D)

While there are challenges to be overcome, the progress we have achieved thus far will form the foundation for our growth. We will continue to work towards improving our competitiveness and the value-add that we can offer to our customers. However, we remain mindful of the impact of global and domestic economic factors.

We expect the implementation of the goods and service tax (GST) in the second quarter of 2015 to bring about risks and opportunities for our Kitchen Segment. The higher costs following the implementation will likely have an impact on consumers' spending power. This, along with the potential rise in operating costs, will lead to restaurants and other food and beverage operators taking a more cautious approach towards opening new outlets and eateries, which may impact demand for our services. On the other hand, the much lower cost of capital investment required for our mobile food trucks could attract more demand for them from entrepreneurs or business owners looking for more innovation during this time of economic change.

Demand for our consumable filters is likely to remain healthy, despite the downtrend in oil prices, as global oil production is still expected to continue to grow. We are thus cautiously optimistic about the performance of our Oil and Gas Segment going forward.

For the OEM Segment, we will continue to actively source for opportunities in the logistics industry so as to expand our foothold there, in addition to meeting the demands of our regular customers. We expect the Cleanroom and Laboratories Segment to maintain a healthy order book going forward as demand for biosafety facilities remains strong in Malaysia.

APPRECIATION

Our employees are our most valuable assets. We are dependent on them for our ability to provide comprehensive and quality solutions for our customers. I am grateful to our management and employees who have worked closely to chart our course of becoming a one-stop contract manufacturing and equipment provider. We have some way to go in building our presence on the global stage, but I am confident that our cohesion as a team will allow us to surmount any uncertainty.

My fellow Directors have always been unstinting in providing their insight and counsel and I am thankful for their invaluable contribution towards the Group's growth.

I would also like to extend my gratitude to our shareholders, customers, suppliers and business associates for their faith and support in Mann Seng Metal.

With your support, I look forward to building on the momentum we have generated today to reap better returns tomorrow.

Chan Kee Sieng
Executive Chairman

BOARD OF DIRECTORS

CHAN KEE SIENG

Executive Chairman, Age 63

Mr Chan is one of the co-founders of the MSM 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 Director of the Company on 30 October 2009 and was last re-elected on 25 April 2013. Mr Chan is presently responsible for charting the Group's business direction as well as corporate and strategic developments of the Group.

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

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

CHAN KIT MOI

Executive Director, Age 62

Mr Chan is one of the co-founders of the MSM Group and possesses over 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 Director, where he was in-charge of strategic planning and controls, operations, inventory and administration. He was appointed as Director of the Company on 30 October 2009 and was last re-elected on 25 April 2013.

Mr Chan is presently involved in the corporate planning and business development of the 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 40

Mr Chan has been spearheading the expansion and growth of the Group and is responsible for the overall business and strategic development, corporate planning, operations and management of the Group. He possesses over 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 the Group. Mr Chan was appointed as Director of the Company on 8 October 2009 and was last re-elected on 29 April 2014.

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.

BOARD OF DIRECTORS (CONT'D)

LEOW WEE KIA CLEMENT

Lead Independent Director, Age 40

Mr Leow, who is not related to any family member of the directors and staff, was appointed as Independent Director of the Company on 30 October 2009 and was last re-elected on 29 April 2014. Mr Leow possesses over 15 years of corporate finance experience primarily in initial public offerings, mergers & acquisitions as well as advisory transactions. He was appointed as Lead Independent Director on 8 August 2014.

Mr Leow is presently a Partner and Head of Corporate Finance at Partners Capital (Singapore) Pte. Ltd. Prior to this, Mr Leow has held senior positions in corporate finance and banking in Singapore. He is currently an Independent Director of JB Foods Limited and Overseas Education Limited, companies listed on the Mainboard of the Singapore Exchange. Mr Leow has also been appointed as a member of the Corporate Finance and Securities & Futures industry workgroup of the Institute of Banking and Finance Singapore, which provides guidance and sets the competency standards for the corporate finance industry in Singapore. He also serves as a member of the Selections Committee of the Singapore Tennis Association, which is responsible for selecting players for competitions such as the South East Asian Games and the Davis Cup.

Mr Leow holds a Bachelor of Science in Applied Economics from Cornell University as well as a Master of Business Administration and a Postgraduate Diploma in Financial Strategy from the University of Oxford. Mr Leow is also a member of the Singapore Institute of Directors and has completed the Governance as Leadership Program at Harvard University. He has also been awarded the Singapore Armed Forces Good Service Medal in 2007.

BRIAN WONG WYE PONG

Independent Director, Age 41

Mr Wong, who is not related to any family member of the directors or staff, was appointed as Independent Director of the Company on 26 November 2009 and was last re-elected on 27 April 2012. He has more than 20 years of experience in tax, finance, internal and external audits, risk management and corporate finance.

Mr Wong is currently a Partner of PKF Malaysia, an accounting firm in Malaysia. He is a Fellow of the CPA Australia, a Chartered Accountant of the Malaysian Institute of Accountants, a Member of the Kampuchea Institute of Certified Public Accountants and Auditors, and a Certified Financial Planner of the Financial Planning Association of Malaysia.

Mr Wong is presently a director on the board of Privasia Technology Berhad, a corporation listed on the Bursa Malaysia Securities, and RapidCloud International Plc, a corporation listed on the London Stock Exchange. He has also been appointed as a Director for Covenant Limited, a company incorporated in Cambodia as well as other Malaysian companies, including PKF Sdn Bhd, PKF Advisory Sdn Bhd, PKF Covenant Sdn Bhd and PKF Tax Services Sdn Bhd.

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

WONG KOK SEONG

Independent Director, Age 45

Mr Wong, who is not related to any family member of the directors and staff, was appointed as Independent Director of the Company on 24 November 2009 and was last re-elected on 27 April 2012. He has more than 22 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 Hasnan THL Wong & Partners., an accounting firm in Malaysia, and is currently serving on the board of Bursa Malaysia-listed Bio Osmo Berhad as Independent Director and Audit Committee Chairman. He is also a Director of PNE PCB Berhad and ETI Tech Corporation Berhad, companies listed on Bursa Malaysia Securities, and a Director for T H Law Consultants Sdn. Bhd.

He holds a Master of Business Administration from the Open University, United Kingdom.

KEY MANAGEMENT

SOH YEOW SENG
CFO, Age 33

Mr Soh, who is not related to any director and staff, joined the Group in July 2011 as Group Finance Manager and was appointed as Group Financial Controller on 17 August 2011, then promoted to CFO on 17 May 2013. He is responsible for the management of the Group's account, cash flow, corporate finance, financial reporting, risk management evaluation, audit, tax compliance, human resource management and administration.

Possessing more than 9 years of professional experience specializing in accounting and audit services, Mr Soh has held various accounting and audit positions in the past. Prior to joining the Company, he has been involved in external audit and internal control assurance in public listed companies and small and medium enterprises in Singapore and abroad.

Mr Soh is a member of the Certified Public Accountant Australia. He holds a Bachelor's Degree in Accounting from Monash University in Melbourne Australia.

TANG CHENG HOOI
Vice President, Age 42

Mr Tang, who is not related to any director and staff, joined the Group in 1994 and appointed as Vice President of OEM Contract Manufacturing, oil and gas and cleanroom and laboratories segment on 8 March 2013. He possesses more than 15 years of experience in sheet metal engineering and the OEM contract manufacturing industry and is presently responsible for managing and overseeing the operational aspects of the Group's production facilities and the management of the companies.

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.

CHAN CHOI HAR
General Manager, Age 49

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 the Group, and also the management of MSM Marketing. She joined the 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
General Manager, Age 41

Mr Ong, who is not related to any director and staff, joined the 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.

KEY MANAGEMENT (CONT'D)

MAH SIEW PENG

Operations Manager, Age 42

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

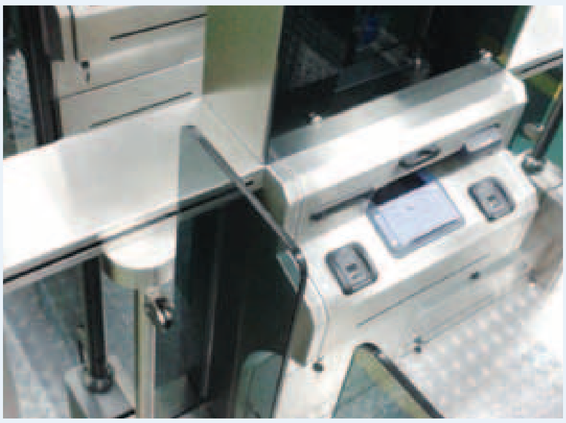
Ms Mah holds a Bachelor's Degree in Human Resource Management from the Open University, Malaysia, a Certificate in Practical Book-Keeping and Certificate in English for Commerce from Systematic Business Training Centre, Malaysia.

TUNG WAI LOON

Assistant General Manager, Age 37

Mr Tung, who is not related to any director and staff, joined the Group in 1998 and was appointed as Factory Manager since 2007, then promoted to Assistant General Manager on 1 July 2010. He is responsible for the factory operations of MSM Equipment Manufacturer Sdn. Bhd. (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)*
LEOW WEE KIA CLEMENT	*(Lead Independent Director)*
BRIAN WONG WYE PONG	*(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

PrimePartners Corporate Finance Pte. Ltd.
16 Collyer Quay
#10-00 Income at Raffles
Singapore 049318
Tel: +65 6229 8088
Contact Person: Lance Tan

COMPANY SECRETARY

Loh Mei Ling

REGISTERED OFFICE

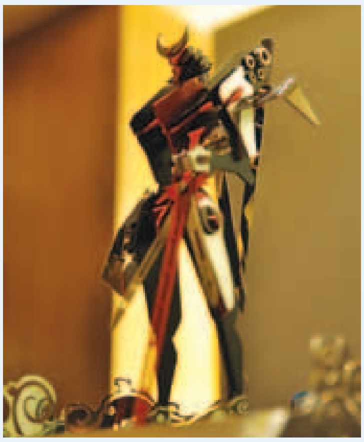
80 Robinson Road, #02-00
Singapore 068898
Tel No: +65 6236 3333
Fax No: +65 6236 4399

INDEPENDENT AUDITOR

Nexia TS Public Accounting Corporation
100 Beach Road
#30-00 Shaw Tower
Singapore 189702
Director-in-charge: Low See Lien
(Appointment with effect from financial year ended 31 December 2013)

SHARE REGISTRAR

Tricor Barbinder Share Registration Services
80 Robinson Road, #02-00
Singapore 068898
Tel: +65 6236 3333
Fax: +65 6236 3405



REPORT ON
CORPORATE GOVERNANCE

The Board of Directors ("**Board**") of Mann Seng Metal International Limited ("the **Company**") recognises the importance of corporate governance in ensuring greater transparency, protecting the interests of its shareholders as well as strengthening investors' confidence in its management and financial reporting and is, accordingly, committed to maintaining a high standard of corporate governance within the Group.

The following report describes the Company's corporate governance practices which were in place throughout the financial year ended 31 December 2014 ("**FY2014**") with specific reference to the principles and guidelines set out in the Code of Corporate Governance 2012 (the "**Code**") and the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in January 2015 (the "**Guide**"). The Board confirmed that for FY2014, the Company has adhered to the principles and guidelines as set out in the Code and, where applicable, has specified and explained the deviation from the Code and/or Guide in this report. The Company will continually review its corporate governance processes to strive to fully comply with the Code and/or Guide.

Principle 1: The Board's Conduct of Affairs

Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board.

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 annual budgets, major investments, divestments, funding proposals, corporate strategies and directions of the Group;
- Overseeing the business and affairs of the Group, establishing 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, financial and human resource requirements and corporate governance practices.

To assist the Board in the execution of its responsibilities, Board Committees, namely the Audit Committee ("**AC**"), Nominating Committee ("**NC**") and Remuneration Committee ("**RC**"), have been constituted with clear written terms of reference. Matters which are delegated to the Board Committees are reported to and monitored by the Board.

In FY2014, the Board conducted two regular scheduled meetings. Ad-hoc meetings are convened when circumstances require. Directors are free to discuss and voice their concerns on any matter raised at the Board and/or Board Committees 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 meetings. 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 acknowledge 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 (CONT'D)

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;
- Interested person transactions; and
- Appointment of new Directors.

All Directors are regularly updated on changes in the Company's policies and business. Newly appointed Directors will be given appropriate orientation/briefings by the Management on the business activities of the Group, its strategic directions and the Company's corporate governance policies and practices.

The Directors of the Company are provided with briefings from time to time and are kept updated on relevant new laws and regulations, including directors' duties and responsibilities, corporate governance matters and developing trends and financial reporting standards so as to enable them to properly discharge their duties as members of the Board or Board Committees.

In FY2014, the Directors were briefed and updated on matters concerning (i) changes or amendments to accounting standards; (ii) amendments to the Code and changes to the SGX-ST Listing Manual Section B: Rules of Catalist ("**Rules of Catalist**"); and (iii) updates on segmental business operation, strategic and business development of the Group.

The Directors may also attend other trainings, conferences and seminars which may have a bearing on their duties and contribution to the Board, organised by the professional bodies, regulatory institutions and corporations at the Company's expense.

The attendance of the Directors at meetings of the Board and Board Committees held in FY2014 are as follows:-

	Board		Audit Committee		Nominating Committee		Remuneration Committee	
Directors	**No. of meetings held**	**No. of meetings attended**	**No. of meetings held**	**No. of meetings attended**	**No. of meetings held**	**No. of meetings attended**	**No. of meetings held**	**No. of meetings attended**
Chan Kee Sieng*	2	2	2	2	1	NA	1	NA
Chan Kit Moi*	2	2	2	2	1	NA	1	NA
Chan Wen Chau*	2	2	2	2	1	NA	1	NA
Leow Wee Kia Clement	2	2	2	2	1	1	1	1
Brian Wong Wye Pong	2	2	2	2	1	1	1	1
Wong Kok Seong	2	2	2	2	1	1	1	1

* Executive Directors were present at the AC meetings by invitation.
NA – Not applicable

REPORT ON CORPORATE GOVERNANCE (CONT'D)

Principle 2: Board Composition and Guidance

There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board comprises six Directors of whom three are Executive Directors and three are Independent Directors.

In view that the Executive Chairman of the Board and the Chief Executive Officer (the "**CEO**") are immediate family members, and the Executive Chairman is part of the management team and is not an independent director, Guideline 2.2 of the Code is met as the Independent Directors make up half of the Board. The Board has also appointed Mr Leow Wee Kia Clement, an Independent and Non-Executive Director, as the Lead Independent Director. Mr Leow will be available to address shareholders' concerns when contact through the normal channels of the Executive Chairman, CEO or Chief Financial Officer ("**CFO**") has failed to provide a satisfactory resolution or when such contact is inappropriate.

The Board has the appropriate mix of expertise and experience (such as accounting, finance, taxation, management experience, risk management and industry knowledge), and collectively possess the necessary core competencies for effective functioning and informed decision-making. Each Director has been appointed based on the strength of his calibre, experience and stature and is expected to bring a valuable range of experience and expertise to contribute to the development of the Group's strategies and the performance of its business. The profiles of the Directors are found in the "Board of Directors" section of this annual report.

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
Leow Wee Kia Clement	Lead Independent Director
Brian Wong Wye Pong	Independent Director
Wong Kok Seong	Independent Director

The size, composition and diversity of the Board are reviewed by the NC. The NC annually reviews the skills and competencies of the Board members, to ensure that each member has the appropriate mix of expertise, skills and attributes to discharge his responsibilities effectively. The Board is of the opinion that its current board size of six Directors is appropriate and provides sufficient diversity of expertise and knowledge, to lead and govern the Company effectively considering the scope and nature of its operations.

The NC also determines and ensures the independence of each Director annually in accordance with the Code. The NC has reviewed and confirmed the independence of the Independent Directors in accordance with the Code. The Independent Directors have also confirmed their independence in accordance with the Code.

The Independent Directors will assist to develop strategies and goals for the Group and regularly assess the performance of the Management. The Independent Directors have met once in the absence of Management in FY2014.

The Company has no Independent Directors who has served on the Board beyond nine years.

To date, none of the Independent Directors of the Company have been appointed as a director of the Company's principal subsidiaries. The Board and the Management are of the view that the current board structures in the principal subsidiaries are well organised and constituted. The Board and Management will from time to time review the board structures of the principal subsidiaries and make an appropriate corporate decision of considering the appointment of an Independent Director into the principal subsidiaries.

Principle 3: Chairman and Chief Executive Officer

There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

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

Mr 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.

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

When necessary, the Independent Directors will meet without the presence of other Non-Independent Directors to review any matters that must be raised privately before providing feedback to the Chairman of the Board.

Principles 4: Board Membership

There should be a formal and transparent process for the appointment and reappointment of directors to the Board.

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

The NC is regulated by a set of written terms of reference and the NC's members meet at least once a year. The NC comprises the following members, all of whom, including the Chairman, are independent:-

Leow Wee Kia Clement	Chairman
Brian Wong Wye Pong	Member
Wong Kok Seong	Member

The principal functions of the NC as stipulated in its terms of reference are as follows:-

(a) Reviews and makes recommendations to the Board on all Board appointments and re-appointments;

(b) Reviews the Board structure, size and composition and makes recommendations to the Board with regards to any adjustments that are deemed necessary;

(c) Reviews the Board's succession plans for Directors, in particular, the Executive Chairman and CEO;

(d) Determines on an annual basis, if a Director is independent;

(e) Assesses the effectiveness of the Board and the contribution of each Director; and

(f) Reviews training and professional development programmes for the Board.

REPORT ON CORPORATE GOVERNANCE (CONT'D)

For new appointments to the Board, the NC will consider the current Board size, its composition and diversity, 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 NC, in consultation with the Board, will determine the selection criteria and select the appropriate candidate for the position.

In its search and nomination process for new Director, other than through formal search via external search consultants, if required, the NC will also tap on to the resources of the Directors' personal contacts and their recommendations for potential candidates. The NC will shortlist and interview potential candidates with the appropriate profile to assess his/her suitability before nominating the most suitable candidate to the Board for approval and appointment as a Director.

There was no new Director appointed in FY2014.

The NC is charged with the responsibility of re-nomination having regard to the Director's contribution and performance (e.g. attendance, preparedness, participation and candour) including, if applicable, as an Independent Director. Subject to the NC's satisfactory assessment, the NC would recommend the proposed re-appointment of the Director to the Board for its consideration and approval. 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 ("**AGM**") each year. In addition, newly appointed Directors are required to submit themselves for re-nomination and re-election at the next AGM following his appointment. Each member of the NC has abstained from voting on any resolutions in respect of the assessment of his performance or re-nomination as a Director.

At the forthcoming AGM, Mr Wong Kok Seong and Mr Brian Wong Wye Pong will be retiring pursuant to Article 107 of the Company's Articles of Association. Both of them, being eligible for re-election, have offered themselves for re-election.

Mr Wong Kok Seong will, upon re-election as a Director of the Company, remain as an Independent Director and a member of the NC, RC and AC. Mr Brian Wong Wye Pong will, upon re-election as a Director of the Company, remain as an Independent Director, the Chairman of the AC and a member of the NC and RC. Both Mr Wong Kok Seong and Mr Brian Wong Wye Pong will be considered independent for the purposes of the Rule 704(7) of the Catalist Rules.

Please refer to the Notice of AGM for the resolution put forth for their proposed re-election and re-appointment.

REPORT ON CORPORATE GOVERNANCE (CONT'D)

The following table sets out the dates of Directors' initial appointment and last re-election as well as their directorships:-

Name of Director	Date of Initial Appointment	Date of Last Re-election	Present Directorship in Listed Companies	Past (preceding 3 years) Directorship in Listed Companies	Other Principal Commitments, if any
Chan Kee Sieng	30/10/2009	25/04/2013	Nil	Nil	Nil
Chan Kit Moi	30/10/2009	25/04/2013	Nil	Nil	Nil
Chan Wen Chau	08/10/2009	29/04/2014	Nil	Nil	Nil
Leow Wee Kia Clement	30/10/2009	29/04/2014	JB Foods Limited Overseas Education Limited	Nil	Partner and Head of Corporate Finance of Partners Capital (Singapore) Pte. Ltd.
Wong Kok Seong	24/11/2009	27/04/2012	Bio Osmo Berhad PNE PCB Berhad ETI Tech Corporate Berhad	Nil	Managing Partner of Hasnan THL Wong & Partners, an accounting firm in Malaysia
Brian Wong Wye Pong	26/11/2009	27/04/2012	Privasia Technology Berhad RapidCloud International Plc	Nil	Partner in PKF Malaysia, an accounting firm in Malaysia

Please refer to the "Board of Directors' section in the Annual Report for the profile of the Directors.

The NC has taken cognizance of the Code with regard to the fixing of maximum number of board representations a Director may hold on other listed companies. The NC has reviewed the attendance of the Directors, their contributions at meetings of the Board and Board Committees, and their time commitment to the affairs of the Company, believes that it would not be necessary to put a maximum limit on the number of listed company board representations each Director may hold. However, the NC would continue to review from time to time, the board representations and other principal commitments to ensure that Directors continue to meet the demands of the Group and are able to discharge their duties adequately.

The NC has reviewed the time spent and attention given by each of the Directors to the Company's affairs, and is satisfied that all Directors have discharged their duties adequately for FY2014.

The Company does not have any alternate directors appointed on the Board.

REPORT ON CORPORATE GOVERNANCE (CONT'D)

Principle 5: Board Performance

There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The Board and NC 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 NC has implemented a process for evaluating the effectiveness of the Board as a whole, the Board Committees and the contribution by each individual Director to the effectiveness of the Board as well as setting objective performance criteria for such evaluation.

Annually, the Directors will complete a board assessment checklist individually which sets out the performance criteria for evaluating the effectiveness of the Board in its monitoring role and the attainment of the strategic objectives set by the Board. Performance criteria to assess the Board's effectiveness as a whole include size and composition, access to information, board processes, strategic planning and board accountability. Each Director will also complete a self-assessment checklist individually. Some factors considered in the individual review include the Director's attendance, his preparation and participation in the Board or Board Committees meetings, the quality of Director's intervention and the industry and business knowledge of the Director.

Each member of the NC has abstained 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 has contributed effectively and demonstrated commitment to the role (including commitment of time for the meetings of Board and Board committees, and any other duties).

The Chairman of the NC evaluates the assessment and shares the results with the rest of the Board members. Areas where the Board's performance and effectiveness could be enhanced and recommendations for improvement are then submitted to the Board for discussion and implementation.

The Chairman of the NC, in consultation with its members, also acts on the results of the performance evaluation, and where appropriate, propose new members to be appointed to the Board or seek the resignation of existing Directors.

The NC has performed the assessment for FY2014 and is of the view that the performance of the individual Directors and the Board as a whole were satisfactory and the Board has met its performance objectives.

No external facilitator was used in the evaluation process.

Principle 6: Access to information

In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decision to discharge their duties and responsibilities.

The Board is provided with complete, accurate, and adequate information in a timely manner to enable them to fulfill their 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 a separate and independent access to the Management and company secretary at all times. Board members may, at the Company's expense, obtain independent professional advice as and when necessary in furtherance of their duties.

The company secretary will attend all Board meetings to ensure that Board procedures are followed and 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 Management and Non-Executive Directors and assisting with professional development as required. The appointment and the removal of the company secretary is a matter for the Board as a whole.

Principle 7: Procedures for Developing Remuneration Policies

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC comprises the following members, all of whom, including the Chairman, are independent:-

Leow Wee Kia Clement	Chairman
Brian Wong Wye Pong	Member
Wong Kok Seong	Member

The principal functions of the RC as stipulated in its terms of reference are as follows:-

- recommend to the Board a framework of remuneration for the Directors and key management personnel, and determine specific remuneration packages for each Executive Director and key management personnel, with the recommendations of the RC 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 RC; and

- perform an annual review of the remuneration of employees of the Group who are related to the Directors and CEO 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.

If necessary, the RC will seek expert advice inside and/or outside the Company on remuneration of all Directors. Each member of the RC has abstained from voting on any resolutions in respect of his remuneration package or that of employees related to him.

No remuneration consultants were engaged by the Company in FY2014.

Principle 8: Level and Mix of Remuneration

The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

As part of its review, the RC ensures that remuneration packages of the Directors and key management personnel are comparable within the industry as well as with similar companies. The RC considers the Group's relative performance and the contributions and responsibilities of the individual Directors in its review and recommendation of the remuneration of the Directors and key management personnel.

Policy in respect of Executive Directors and Key Management Personnel

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 an initial appointment period of 3 years with effect from 7 May 2010 and thereafter for such period as the Board may decide. The notice period of each Executive Director is fixed at a period of 6 months and each Executive Director may, in lieu of the 6 months' notice or part thereof, terminate the service agreement by paying an amount equivalent to 6 months' of his last drawn salary. The Executive Directors' service agreements do not contain onerous removal clauses.

REPORT ON CORPORATE GOVERNANCE (CONT'D)

The Group advocates a performance-based remuneration system that is highly flexible and responsive to the market and linked to the performance of the Group and the individual employee. 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 while the annual performance incentive is tied to the performance of the Group and the individual employee.

The Company has no share-based compensation scheme or long-term scheme involving the offer of shares or options.

The Company does not use contractual provisions to allow the Company to reclaim the incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

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 these Directors. The Chairman of each Board committee is paid a higher fee compared with members of the Board Committee in view of the higher responsibilities carried by that office. The directors' fees are subject to approval by the shareholders of the Company at each AGM. Non-Executive Directors do not receive any other remuneration from the Company.

Principle 9: Disclosure on Remuneration

Each company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel and performance.

The annual reviews of the compensation are carried out by the RC to ensure that the remuneration of the Executive Directors and key management personnel commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group. The performance of the CEO (together with other key management personnel) is reviewed periodically by the NC and the Board. In structuring the compensation framework, the RC also takes into account the risk policies of the Group, the need for the compensation to be symmetric with the risk outcomes and the time horizon of risks.

Executive Directors do not receive directors' fees but are remunerated as members of Management. The remuneration package of the Executive Directors and key management personnel comprises a basic salary component and a variable component which is the annual bonus, based on the performance of the Group as a whole and their individual performance. The RC takes into consideration the financial performance of the Group and criteria such as leadership, people development, commitment and teamwork in assessing the individual's performance. This is designed to align the remuneration with the interests of shareholders and link rewards to corporate and individual performance so as to promote the long-term sustainability of the Group.

The RC has reviewed and is satisfied that the aforementioned performance conditions for the Executive Directors and key management personnel have been met in FY2014.

REPORT ON CORPORATE GOVERNANCE (CONT'D)

The level and mix of remuneration of the Directors and key management personnel of the Company for FY2014 are as follows:-

Name	Salary and Other Benefits	Bonus	Directors' Fees	Total
Executive Directors				
Chan Kee Sieng	S$185,000	S$12,000	–	S$197,000
Chan Kit Moi	S$131,000	S$9,000	–	S$140,000
Chan Wen Chau	S$181,000	S$8,000	–	S$189,000
Non-Executive Directors				
Leow Wee Kia Clement	–	–	S$48,000	S$48,000
Brian Wong Wye Pong	–	–	S$18,500	S$18,500
Wong Kok Seong	–	–	S$13,900	S$13,900
Key Management Personnel Below S$250,000				
Soh Yeow Seng	95%	5%	–	100%
Tang Cheng Hooi	94%	6%	–	100%
Lee JongKook [(1)]	96%	4%	–	100%
Chan Choi Har	95%	5%	–	100%
Ong Seng Joo	87%	13%	–	100%
Mah Siew Peng	95%	5%	–	100%
Tung Wai Loon	96%	4%	–	100%

Note:

(1) Mr Lee JongKook has resigned as a Vice President of MSM Equipment Manufacturer Sdn. Bhd., a wholly-owned subsidiary of the Company, on 15 December 2014.

The annual aggregate remuneration paid to all the above mentioned key management personnel of the Group was S$561,000 for FY2014.

There are no termination, retirement and post-employment benefits that were granted to the Directors, the CEO and key management personnel in FY2014.

Remuneration of Directors' or CEO's immediate family members

A breakdown of remuneration of an employee who is an immediate family member of the Executive Directors and the CEO and whose remuneration exceeded S$50,000 for FY2014 is set out below:-

Name	Salary and Other Benefits	Bonus	Total
S$50,000 to S$100,000			
Chan Wen Yee	94%	6%	100%

Mr Chan Wen Yee is the son of Mr Chan Kit Moi (Executive Director and substantial shareholder), nephew of Mr Chan Kee Sieng (Executive Chairman and substantial shareholder) and cousin of Mr Chan Wen Chau (Executive Director and CEO).

REPORT ON CORPORATE GOVERNANCE (CONT'D)

Principle 10: Accountability

The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

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 and press releases. The Group releases 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 serve to keep the Board informed of, on a balanced and understandable basis, the performance, position and prospects of the Group and enable the Board to discharge its duties efficiently.

Principle 11: Risk Management and Internal Controls

The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Company does not have a Risk Management Committee. However, the Company regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The Management reviews all control policies and procedures and highlights all significant matters to the AC as well as the Board.

The AC will review, at least annually, the reports submitted by the external and internal auditors relating to the effectiveness of the Group's system of internal controls, including financial, operational, compliance and information technology controls, risk management, and risks of fraud and irregularities. Any material non-compliance and recommendation for improvement are reported to the AC. A copy of the report is also issued to the relevant department for its follow-up action. The timely and proper implementation of all required corrective, preventive or improvement measures are closely monitored.

The AC will also review the effectiveness of the actions taken by the Management on the recommendations made by the external and internal auditors in this respect.

For the financial year under review, the CEO and CFO have provided their confirmation and assurance to the Board on the integrity of the financial statements for the Group, that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances, and the Company's risk management and internal controls systems are effective.

Based on the internal controls established and maintained by the Company, the negative assurance provided by the CEO and CFO, the work performed by the internal and external auditors and reviews performed by the Management and the various Board Committees, the Board, with the concurrence of the AC, is of the opinion that the Group's risk management and internal controls in place are adequate in addressing the financial, operational, compliance and information technology risks as at 31 December 2014.

The system of internal controls and risk management established by the Company provides reasonable, but not absolute, assurance that the Company will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. The Company is also consistently seeking to improve its internal controls and to adopt the recommendations which were highlighted by the internal and external auditors to further safeguard the Company's assets.

Principle 12: Audit Committee

The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

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

Brian Wong Wye Pong	Chairman
Leow Wee Kia Clement	Member
Wong Kok Seong	Member

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

The AC 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 AC 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 AC will provide a channel of communication between the Board, the Management and the external auditor on matters relating to audit.

The principal functions of the AC as stipulated in its terms of reference are as follows:-

- 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 Group and any formal announcements relating to the Group's financial performance;
- Make recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor;
- Review with the external auditor on the audit plan, audit report and their evaluation of the system of internal accounting controls, 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, the Rules of Catalist and any other relevant statutory or regulatory requirements;
- Review the internal control procedures and ensure co-ordination between the external auditor and the Management, and review the assistance given by the Management to the external auditor, and discuss problems and concerns, if any, arising from audits, and any matters which the external auditor may wish to discuss (in the absence of the Management, where necessary);
- Review and discuss with the external 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;
- Review the adequacy of the Company's internal financial controls, operational, compliance and information technology controls and risk management policies and systems established by the Management;
- 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);

REPORT ON CORPORATE GOVERNANCE (CONT'D)

- Review with the internal auditors on 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;
- 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 AC; and
- Generally to undertake such other functions and duties, as may be required by statute or the Rules of Catalist, or by such amendments as may be made thereto from time to time.

The AC is guided by the terms of reference which stipulate its principal functions. The AC meets regularly with the Management and the external auditors to review auditing and risk management matters and discuss accounting implications of any major transactions including significant financial reporting issues. It also reviews the internal audit functions to ensure that an effective system of control is maintained in the Group.

On a half-yearly basis, the AC also reviews the interested person transactions and the financial results announcements before their submission to the Board for approval.

The AC is kept abreast by the Management, the company secretary, the Sponsor and the external auditors of changes to accounting standards, Rules of Catalist and other regulations which could have an impact on the Group's business and financial statements.

The AC meets with the external auditors and 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 AC had in FY2014 met the external auditors and internal auditors once without the presence of Management.

The AC reviews the independence and objectivity of external auditor annually. During the financial year under review, the AC has reviewed the independence of Nexia TS Public Accounting Corporation ("**Nexia TS**") including the volume of all non-audit services provided to the Group, and is satisfied that the nature and extend of such services will not prejudice the independence and objectivity of the external auditors.

The AC constantly bears in mind the need to maintain a balance between the independence and objectivity of the external auditors and the work carried out by the external auditors based on value for money consideration. During the financial year under review, the aggregate amount of fees paid to the external auditors for the audit and non-audit services amounted to RM277,000 and RM9,000 respectively. The non-audit services rendered by the external auditors to the Group in FY2014 were not substantial.

The Group has complied with Rules 712 and 715 of the Rules of Catalist with regard to the appointment of the external auditors for the Company and its subsidiaries.

The AC has recommended and the Board has approved the nomination for the re-appointment of Nexia TS as external auditors of the Company at the forthcoming AGM.

The Company has implemented a whistle blowing policy which will provide well-defined and accessible channels in the Group through which employees and any other persons may raise concerns about improper conduct within the Group. The AC 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 AC's objectives are to ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action.

Principle 13: Internal Audit

The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Group has outsourced its internal audit function to Wensen Consulting Asia (S) Pte. Ltd., a qualified professional firm which meets the standards set by internationally recognised professional bodies including the International Professional Practices Framework issued by The Institute of Internal Auditors.

The main objective of the internal audit function is to assist the Group in evaluating and assessing the effectiveness of internal controls and consequently to highlight the areas where control weaknesses exist, if any, and thus improvements could be made.

The internal audit function is independent and it reports directly to the AC on audit matters and to the CEO on administrative matters. The internal auditor assists the Board in monitoring and managing risks and internal controls of the Group.

The AC also reviews and approves the internal auditor's plan of each financial year to ensure that the scope of the plan is adequate and covers the review of the system of internal controls of the Group, including financial, operational, compliance and information technology controls. The internal auditor will report their audit findings and recommendations to the AC.

The Management together with the Board will review all audit reports and findings from internal auditors and external auditors during the AC meetings.

During FY2014, the internal auditors had reviewed and carried out the audit on areas pertaining to research and development management, production management, occupational safety and health management, equipment and machinery upkeep maintenance management, quality assurance and quality control management, and inventory, logistic and warehouse management.

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

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights

Companies should treat all shareholders fairly and equitably, and should recognize, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Principle 15: Communication with Shareholders

Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

REPORT ON CORPORATE GOVERNANCE (CONT'D)

Principle 16: Conduct of Shareholder Meeting

Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Board believes in regular, timely and effective communication with shareholders. The Company does not practice selective disclosure. In line with continuous obligations of the Company pursuant to the Rules of Catalist, it is the Board's policy that shareholders are kept informed of all important developments concerning the Group that will or expect to have an impact on the Company or 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 through which the shareholders can access to information about the Group. The website provides the business profile, corporate announcements, press releases, annual reports and other information of the Group.

Shareholders are encouraged to attend the AGM and/or general meetings to stay informed of the Company's goals and strategies and to ensure a high level of accountability by the Management. The Notice of AGM will be dispatched to shareholders, together with explanatory notes or a circular on items of special business (if necessary), at least 14 calendar days before the meeting (excluding the date of notice and the date of meeting). The Board welcomes questions from shareholders either informally or formally before or at the AGM. The Chairman of the AC, RC and NC are normally available at the meeting to answer those questions relating to the work of the respective Board Committees. The Company's external auditors are also present to assist the Directors in addressing any relevant queries by shareholders. While there is no limit imposed on the number of proxy votes for nominee companies, the Articles of Association of the Company allow each shareholder to appoint up to two (2) proxies to attend general meetings. The Board will review the Company's Articles of Association from time to time, and where an amendment to the Company's Articles of Association is required to align the relevant provisions with the requirements of the Rules of Catalist, shareholders' approval will be obtained.

The Board noted that pursuant to the Rules of Catalist, voting at general meetings is required to be conducted by poll with effect from 1 August 2015. The Board after taking into consideration the size of the current shareholding by the public and the increase in cost of holding the AGM, has decided that the resolutions to be put forth for voting at the forthcoming AGM will be voted by way of show of hands. The Company will nevertheless adopt the voting of all resolutions tabled at general meetings held on or after 1 August 2015 to be voted by way of poll. Results of the poll will be announced via the SGXNET. The Company ensures that there are separate resolutions at general meetings on each distinct issue.

The Company will consider the use of other forums as set out in Guideline 15.4 of the Code such as analyst or investor briefings as and when applicable.

The Group does not have a fixed dividend policy at present. The form, frequency and amount of dividends declared each year will take into consideration the Group's profitability, cash position, cash flow in relation to operating activities, projected capital requirements for business growth and other factors as the Board may deem appropriate. After review, the Board has not declared dividends for the FY2014 as the Company has deemed it more appropriate to retain the cash in the Group for its future growth plans.

Dealings in Securities

The Company has adopted an internal code on dealings in securities. The Company and the Group's Directors and officers who have access to price-sensitive, financial or confidential information, or unpublished price-sensitive information on the Group, are not permitted to deal in the Company's securities during the periods commencing one month before the announcement of the Group's half year and full year financial results and ending on the date of announcement of such results. In addition, the Company, its Directors and officers are advised not to deal in the Company's securities for a short term considerations and are expected to observe the insider trading laws at all times even when dealing in the Company's securities within the permitted trading periods. Directors and officers are to consult with the CFO/company secretary before trading in Company's securities and to confirm annually that they have complied with and not in breach of the internal code on dealings in securities. The Board is kept informed when a Director trades in the Company's securities.

Interested Person Transactions

The Company has established procedures to ensure that all transactions with interested persons are reported on in a timely manner to the AC 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 neither takes part in discussions nor exercises any influence over other Board members.

The Company does not have a general mandate for interested persons transactions.

In compliance with Rule 907 of the Rules of Catalist, the aggregate value of recurrent interested persons transactions of revenue or trading nature conducted during FY2014 were as follows:–

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (including transactions less than S$100,000 and excluding transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted during the financial year under review under shareholders' mandate pursuant to Rule 920 (including transactions less than S$100,000)
	01-01-2014 to 31-12-2014 RM'000	01-01-2014 to 31-12-2014 RM'000
Sales of goods to:		
Globalink Metal Sdn. Bhd.	32	–
Welch (M) Sdn. Bhd.	450	–
Purchase of material from:		
Globalink Metal Sdn. Bhd.	387	–
Service charges charged to:		
Eminent Food Industries Sdn. Bhd.	22	–
Rental expenses paid to:		
Mr Chan Kee Sieng and Mr Chan Kit Moi in respect of the premises No. 3 Taman Kencana, Selangor, Malaysia.	108	–
Chan Strategy Sdn. Bhd. in respect of the premises No. 11, Taman Taming Jaya, Selangor, Malaysia.	14	–
Subcontractors' cost paid to:		
Globalink Metal Sdn. Bhd.	195	–

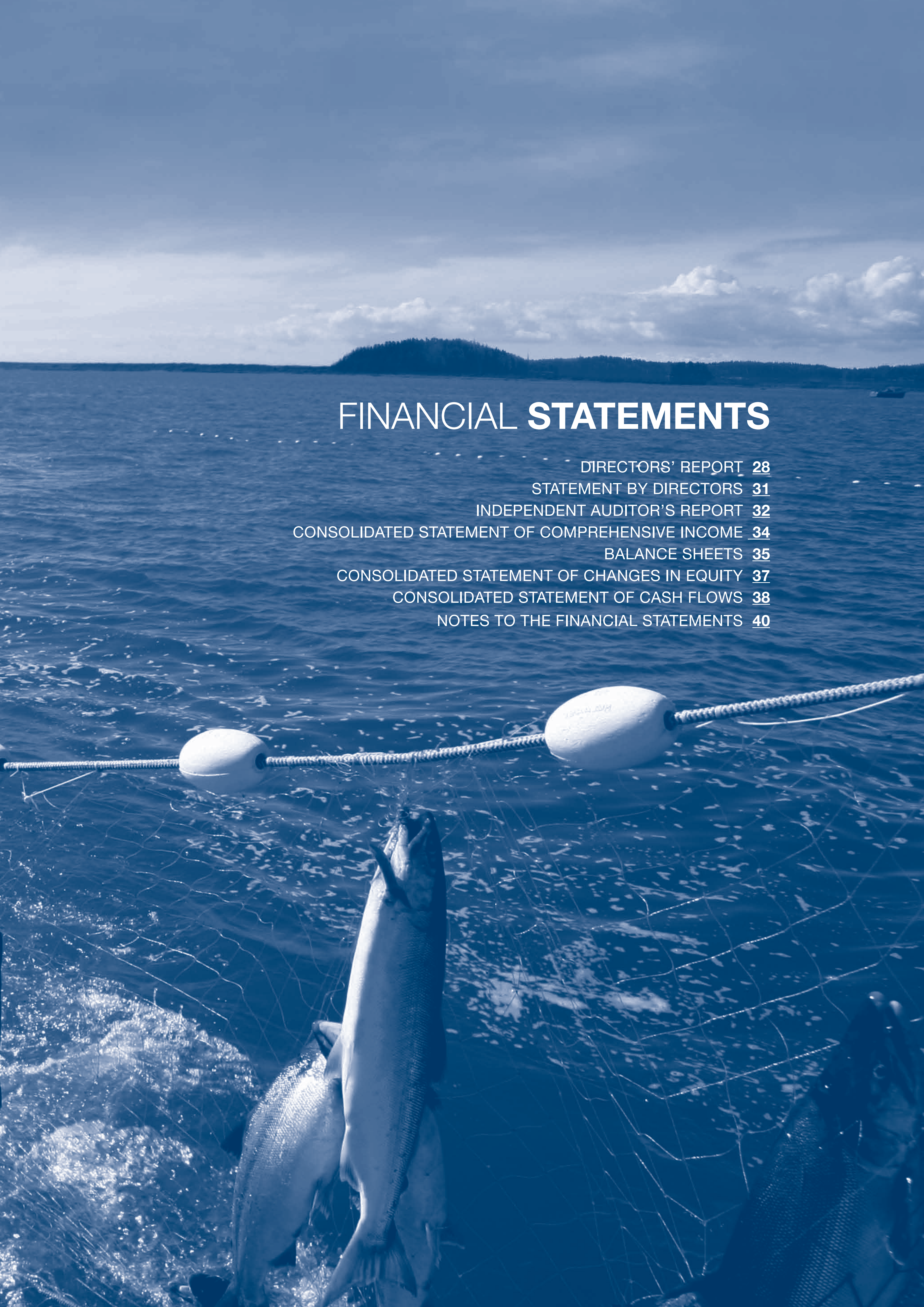
REPORT ON CORPORATE GOVERNANCE (CONT'D)

Material Contracts

There were no material contracts entered into by the Company or any of its subsidiaries involving the interest of the CEO, any Director or controlling shareholder of the Company, either still subsisting at the end of the financial year, or if not then subsisting, which were entered into since the end of the previous financial year.

Non-Sponsorship Fees

The Continuing Sponsor of the Company is PrimePartners Corporate Finance Pte. Ltd. In compliance with the disclosure required under Rule 1204(21) of the Rules of Catalist, there was no non-sponsor fee paid to the Sponsor by the Company for FY2014.



FINANCIAL **STATEMENTS**

DIRECTORS' **REPORT**

For the financial year ended 31 December 2014

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2014 and the balance sheet of the Company as at 31 December 2014.

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
Leow Wee Kia Clement
Brian Wong Wye Pong
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 31.12.2014	At 1.1.2014	At 31.12.2014	At 1.1.2014
Company				
(No. of ordinary shares)				
Chan Kee Sieng	85,000	85,000	61,564,747	61,564,747
Chan Kit Moi	130,000	130,000	61,564,747	61,564,747
Chan Wen Chau	2,785,186	2,785,186	–	–
Immediate and Ultimate Holding Corporation – Triumphant Hope Sdn. Bhd.				
(No. of ordinary shares)				
Chan Kee Sieng	150	100	–	–
Chan Kit Moi	150	100	–	–

By virtue of Section 7 of the Singapore Companies Act (Cap. 50) (the "Act"), Chan Kee Sieng and Chan Kit Moi are deemed to have interests in the shares of all the subsidiaries, at the beginning and at the end of the financial year.

The deemed interests of Chan Kee Sieng and Chan Kit Moi arise from their shareholdings in the immediate and ultimate holding corporation, Triumphant Hope Sdn. Bhd.

The directors' interests in the ordinary shares of the Company as at 21 January 2015 were the same as those as at 31 December 2014.

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 the 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 Audit 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 2014 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;
- Review transactions falling within the scope of Chapter 9 of the Singapore Exchange Securities Trading Limited ('SGX-ST') Listing Manual Section B: Rules of Catalist ("Catalist Rules");

AUDIT COMMITTEE (CONT'D)

- Review the half yearly and annual financial statements and results announcement before submission to the Board of Directors 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 Catalist Rules and any other relevant statutory or regulatory requirements;

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

- Make recommendations to the Board of Directors 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 of Directors 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 Kit Moi
Director

31 March 2015

STATEMENT BY **DIRECTORS**

For the financial year ended 31 December 2014

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 34 to 89 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 2014 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 Board of Directors approved and authorised these financial statements for issue on the date of this report.

On behalf of the directors

....
Chan Kee Sieng
Director

....
Chan Kit Moi
Director

31 March 2015

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 34 to 89, which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 31 December 2014 and the consolidated statement of comprehensive income, statement of changes in equity and 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 controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and 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 control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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.

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 2014, and of the results, changes in equity and cash flows of the Group for the financial year ended on that date.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

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 and by those subsidiaries incorporated in Singapore, of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants

Director-in-charge: Low See Lien
Appointed since the financial year ended 31 December 2013

Singapore

31 March 2015

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

For the financial year ended 31 December 2014

	Note	Group 2014 RM'000	Group 2013 RM'000
Revenue	4	94,809	67,516
Cost of sales		(67,574)	(48,843)
Gross profit		27,235	18,673
Other income – net	5	2,618	1,490
Expenses			
- Selling and distribution		(7,634)	(5,986)
- Administrative		(13,694)	(11,428)
- Finance	8	(2,332)	(2,195)
Profit before income tax		6,193	554
Income tax (expense)/credit	9	(764)	651
Total comprehensive income		5,429	1,205
Total Comprehensive income attributable to:			
Equity holders of the Company		5,516	1,205
Non-controlling interests		(87)	–
		5,429	1,205
Earnings per share for profit attributable to equity holders of the Company (RM cents per share)			
- Basic and diluted	10	6.13	1.34

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

BALANCE SHEETS

As at 31 December 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
ASSETS					
Current Assets					
Cash and cash equivalents	11	8,947	7,976	*	*
Trade and other receivables	12	27,874	20,374	6,593	4,338
Inventories	13	29,376	26,644	–	–
Other current assets	14	4,180	3,013	15	15
		70,377	58,007	6,608	4,353
Non-Current Assets					
Property, plant and equipment	15	45,018	42,408	–	–
Investment properties	16	3,491	3,339	–	–
Investments in subsidiaries	17	–	–	19,622	19,622
Intangible assets	18	201	201	–	–
		48,710	45,948	19,622	19,622
Total Assets		119,087	103,955	26,230	23,975
LIABILITIES					
Current Liabilities					
Trade and other payables	19	21,267	17,593	3,202	198
Borrowings	20	30,741	25,258	–	–
		52,008	42,851	3,202	198
Non-Current Liabilities					
Borrowings	20	23,591	23,080	–	–
Deferred income tax liabilities	22	211	176	–	–
		23,802	23,256	–	–
Total Liabilities		75,810	66,107	3,202	198
NET ASSETS		43,277	37,848	23,028	23,777

BALANCE SHEETS (CONT'D)

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Capital and reserves attributable to equity holders of the Company					
Share capital	23	26,862	26,862	26,862	26,862
Retained earnings/ (accumulated losses)		16,502	10,986	(3,834)	(3,085)
		43,364	37,848	23,028	23,777
Non-controlling interests		(87)	–	–	–
Total Equity		43,277	37,848	23,028	23,777

* *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 2014

	Note	Attributable to Equity holders of the Company				
		Share Capital RM'000	Retained Earnings RM'000 *	Total RM'000	Non-controlling Interests RM'000	Total Equity RM'000
2014						
Beginning of financial year		26,862	10,986	37,848	–	37,848
Total comprehensive income for the financial year		–	5,516	5,516	(87)	5,429
End of financial year		26,862	16,502	43,364	(87)	43,277
2013						
Beginning of financial year		26,862	9,781	36,643	–	36,643
Total comprehensive income for the financial year		–	1,205	1,205	–	1,205
End of financial year		26,862	10,986	37,848	–	37,848

* *Retained earnings of the Group are distributable.*

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

For the financial year ended 31 December 2014

	Note	Group 2014 RM'000	Group 2013 RM'000
Cash flows from operating activities			
Net profit		5,429	1,205
Adjustments for:			
- Income tax expense/(credit)	9	764	(651)
- Depreciation of property, plant and equipment	6	3,906	3,677
- Depreciation of investment properties	6	59	43
- Property, plant and equipment written off	6	–	3
- Gain on disposal of property, plant and equipment	5	(1,237)	(192)
- Interest income	5	(41)	(39)
- Interest expense	8	2,332	2,195
		11,212	6,241
Change in working capital, net of effects from acquisition of subsidiary:			
- Trade and other receivables		(6,122)	1,605
- Inventories		(2,732)	(4,867)
- Other current assets		(1,167)	(425)
- Trade and other payables		3,674	312
- Bills payable		2,698	3,768
Cash generated from operations		7,563	6,634
Interest paid		(464)	(419)
Interest received		41	39
Income tax paid		(2,107)	(1,147)
Net cash provided by operating activities		5,033	5,107
Cash flows from investing activities			
Additions to property, plant and equipment		(1,097)	(1,595)
Addition to investment properties	16	(211)	–
Disposal of property, plant and equipment		2,245	336
Acquisition of a subsidiary, net of cash acquired	28	–	(201)
Net cash provided by/(used in) investing activities		937	(1,460)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

	Note	Group 2014 RM'000	Group 2013 RM'000
Cash flows from financing activities			
Increase in short-term bank deposits pledged		(341)	(39)
Proceeds from bank borrowings		1,000	2,101
Repayment of bank borrowings		(1,474)	(1,609)
Repayments of finance lease liabilities		(3,948)	(3,019)
Interest paid		(1,868)	(1,776)
Net cash used in financing activities		(6,631)	(4,342)
Net decrease in cash and cash equivalents		(661)	(695)
Cash and cash equivalents			
Beginning of financial year		(1,709)	(1,014)
End of financial year	11	(2,370)	(1,709)

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

NOTES TO THE
FINANCIAL STATEMENTS
For the financial year ended 31 December 2014

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

1. GENERAL INFORMATION

Mann Seng Metal International Limited (the "Company") is listed on the Catalist, the sponsor-supervised listing platform of Singapore Exchange Securities Trading Limited ("SGX-ST") and incorporated and domiciled in Singapore. The address of its registered office is 80 Robinson Road,#02-00 Singapore 068898. 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 immediate and ultimate holding corporation is Triumphant Hope Sdn. Bhd., incorporated in Malaysia.

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") under the historical cost convention, except as disclosed in the accounting policies below. The financial statements are presented in Malaysia Ringgit ("RM") and all values are rounded up to the nearest thousand ("RM '000") except as otherwise indicated.

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 2014

On 1 January 2014, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application for the financial year. 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 accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years except for the following:

FRS 112 Disclosures of interests in Other Entities

The Group has adopted the above new FRS on 1 January 2014. The amendment is applicable for annual periods beginning on or after 1 January 2014. It sets out the required disclosures for entities reporting under the new FRS 110 Consolidated Financial Statements and FRS 111 Joint Arrangement, and replaces the disclosure requirements currently found in FRS 27 (revised 2011) Separate Financial Statements and FRS 28 (revised 2011) Investment in Associates and Joint Ventures.

The Group has applied FRS 112 retrospectively in accordance with the transitional provisions (as amended subsequent to the issuance of FRS 112 in September 2011) in FRS 112 and amended for consolidation exceptions for 'investment entity' from 1 January 2014. The Group has incorporated the additional required disclosures into the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Group Accounting

(a) Subsidiaries

(i) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity, and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

(ii) Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary or business 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 any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

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 interest 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 (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over the (b) fair values of the identifiable net assets acquired is recorded as goodwill. Please refer to the paragraph "Intangible assets - Goodwill on Acquisition" for the subsequent accounting policy on goodwill.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Group Accounting (Cont'd)

(a) Subsidiaries (Cont'd)

(iii) Disposals

When a change in the Group'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 previously 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 equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest 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.

(b) Transactions with non-controlling interests

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders 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, 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 (CONT'D)

2.5 Property, Plant and Equipment

(a) Measurement

(i) Land and Buildings

Land and buildings are initially recognised at cost. Freehold land is subsequently carried at cost less accumulated impairment losses. Buildings and leasehold land are subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) Other Property, Plant and Equipment

All other items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(iii) Components of Cost

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. Cost also includes borrowing costs (refer to Note 2.7 on borrowing costs).

(b) Depreciation

Freehold land is 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 and buildings	99/50 years
Plant and machinery	5 to 10 years
Renovation and signboard	10 years
Motor vehicles	5 years
Computer, office equipment, fixtures, furniture and fittings	5 to 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.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Property, Plant and Equipment (Cont'd)

(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".

2.6 Intangible assets

Goodwill on acquisition

Goodwill on acquisitions of subsidiaries and businesses on or after 1 January 2010 represents the excess of (a) the aggregate 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 (b) the fair value of the identifiable assets acquired net of the fair values of the liabilities and any contingent liabilities assumed.

Goodwill on acquisition of subsidiaries and business prior to 1 January 2010 represents the excess of the cost of the acquisition over the fair value of the Group's share of the identifiable net assets acquired.

Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Gains and losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the entity sold, except for goodwill arising from acquisitions prior to 1 January 2001. Such goodwill was adjusted against retained profits in the year of acquisition and is not recognised in profit or loss on disposal.

2.7 Borrowing Costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the construction or development of properties and assets under construction. This include those cost on borrowings acquired specifically for the construction or development of properties and assets under construction, as well as those in relation to general borrowings used to finance the construction or development of properties and assets under construction.

The actual borrowings costs incurred during the period up to the issuance of the temporary occupation permit less any investment income on temporary investment of these borrowings, are capitalised in the cost of the property under development. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Investment Properties

Investment properties comprise freehold and leasehold land and office buildings that are held for long term rental yields and/ or for capital appreciation.

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

Depreciation is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Leasehold land	58 years
building	87/50 years

The residual values, useful lives and depreciation method of investment properties 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.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are recognised in profit or loss. The cost of maintenance, repairs and minor improvements is recognised in 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.

2.9 Impairment of Non-financial Assets

(a) Goodwill

Goodwill recognised separately as intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceed the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Impairment of Non-financial Assets (Cont'd)

(b) Property, plant and equipment
Investment properties
Investments in subsidiaries

Property, plant and equipment, investment properties and investments in subsidiaries 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 cash-generating-units ("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 other than goodwill is reversed 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.

2.10 Financial assets

(a) Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "Trade and other receivables" (Note 12) and "Cash and cash equivalents" (Note 11) on the balance sheet.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Financial assets (Cont'd)

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs.

(d) Subsequent measurement

Loan and receivables are subsequently carried at amortised cost, using the effective interest method.

(e) Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Loans and receivables

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. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.12 Financial Guarantee

The Company has issued corporate guarantees to banks for borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantees are initially recognised at their fair values plus transaction costs in the Company's balance sheet.

Financial guarantees are subsequently amortised to profit or loss over the period of the subsidiaries' borrowings, unless it is probable that the Company will reimburse the banks for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the banks in the Company's balance sheet.

Intra-group transactions are eliminated on consolidation.

2.13 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, in which case they are presented as non-current liabilities.

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.

2.14 Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

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

2.15 Fair Value Estimation of Financial Assets and Liabilities

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 leases 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 on the balance sheet 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 value 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.

Contingent rents are recognised as an expense in profit or loss when incurred.

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

(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 profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as an income in profit or loss when earned.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 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) but exclude borrowing costs.

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.

2.18 Income Taxes

Current income tax for current and prior periods 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 goodwill or an asset or liability in a transaction that is not a business combination and 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, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

The Group accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

2.19 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. Provisions are not recognised for future operating losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Employee Compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) *Defined contribution plans*

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

(b) *Short-term compensated absences*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

2.21 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 Ringgit Malaysia ("RM"), which is the functional currency of the Company.

(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 resulting 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. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement with "finance expense". All other foreign currency gains and losses impacting profit or loss are presented in profit or loss within 'Other income - net'.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Currency Translation (Cont'd)

(c) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing exchange rates at the reporting date;

(ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) All resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. The currency translation differences are reclassified to profit and loss on disposal or partial disposal of the entity giving rise to such reserve.

Goodwill on fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

2.22 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors who are responsible for allocating resources and assessing performance of the operating segments.

2.23 Cash and Cash Equivalents

For the purpose of presentation in the consolidated 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.

2.24 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.

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.

3.1 Critical accounting estimates and assumptions

(a) Impairment of trade and other receivables

Management reviews its trade and other 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 has made 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. Management has made an allowance for impairment amounting to RM90,000 (2013: RM131,000).

The carrying amount of trade and other receivables at the balance sheet date are disclosed in Note 12.

(b) Useful life of plant and machinery

The cost of plant and machinery are depreciated on a straight–line basis over their estimated useful lives which management estimates the useful lives of these assets to be within 5 to 10 years.

Management reviews the residual values and useful lives of plant and machinery at each reporting date in accordance with the accounting policies in Note 2.5. The estimation of the residual values and useful lives involves significant judgements. The carrying amount of the Group's plant and machinery as at 31 December 2014 is RM14,393,000 (2013: RM12,954,000).

If the actual lives of these plant and machinery differ by 1 year from management estimates, the carrying amount of the plant and machinery will increase by RM186,000 (2013: RM232,000) or decrease by RM323,000 (2013: RM330,000).

3.2 Critical judgements in applying the entity's accounting policies

(a) Deferred income tax assets

The Group recognises deferred income tax assets on carried forward capital allowances, and investment and reinvestment allowances to the extent there are sufficient estimated future taxable profits and/or taxable temporary differences against which these allowances can be utilised and that the Group is able to satisfy the continuing ownership test. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The total carrying amount of recognised capital allowances, investment and reinvestment allowances and other temporary differences of the Group amounted to RM844,000 (2013: RM704,000) and the unrecognised tax losses, capital allowances, and investment and reinvestment allowances of the Group was RM11,548,000 (2013: RM13,608,000). If the tax authority regards the group entities as not satisfying the continuing ownership test, the deferred income tax asset will have to be written off as income tax expense.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. REVENUE

	Group	
	2014 RM'000	2013 RM'000
Sale of OEM contract manufacturing products	26,179	17,878
Sale of kitchen appliances and, equipment and related services	36,310	21,433
Sale of oil and gas products	22,393	20,699
Sale of cleanroom and laboratories products and related services	9,927	7,506
	94,809	67,516

5. OTHER INCOME - NET

	Group	
	2014 RM'000	2013 RM'000
Rental income		
- Investment properties (Note 16)	96	96
- Factory, hostel and office	399	523
- Motor vehicles	33	26
Currency translation gains – net	191	314
Gain on disposal of property, plant and equipment	1,237	192
Insurance claim	375	22
Interest income from bank deposits	41	39
Sales of scrap	227	212
Other	19	66
	2,618	1,490

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6. EXPENSES BY NATURE

	Group 2014 RM'000	Group 2013 RM'000
Purchases of inventories	52,816	37,988
Depreciation of property, plant and equipment (Note 15)	3,906	3,677
Depreciation of investment properties (Note 16)	59	43
Property, plant and equipment written off	–	3
Allowance for impairment of trade receivables-net (Note 29(b)(ii))	90	131
Reversal of allowance for impairment of trade receivables	(32)	–
Commission	334	227
Directors' fees	209	206
Employee compensation (Note 7)	19,418	17,121
Fees on audit services paid/payable to:		
- Auditor of the Company	141	122
- Other auditors*	175	176
Fees on non-audit services paid/payable to:		
- Auditor of the Company	4	6
- Other auditors*	13	36
Freight and forwarding	334	354
Fuel and gas	770	954
Insurance	659	471
Inventory written off (Note 13)	120	122
Professional fees	861	790
Rental expense on operating leases	747	586
Subcontractors' cost	3,487	2,114
Travelling and transportation	2,554	2,126
Utilities	2,001	1,539
Upkeep, repair and maintenance	1,406	1,217
Changes in inventories	(2,732)	(4,905)
Other	1,562	1,153
Total cost of sales, selling and distribution, and administrative expenses	88,902	66,257

* *Includes the network of member firms of Nexia International.*

7. EMPLOYEE COMPENSATION

	Group 2014 RM'000	Group 2013 RM'000
Salaries, wages and bonuses	17,827	15,711
Employer's contribution to defined contribution plans	1,141	958
Other short-term benefits	450	452
	19,418	17,121

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8. FINANCE EXPENSES

	Group	
	2014 RM'000	2013 RM'000
Interest expense		
- Bank borrowings	792	940
- Bank overdraft	464	419
- Bills payable	534	356
- Finance lease liabilities	542	480
	2,332	2,195

9. INCOME TAX (EXPENSES)/CREDIT

	Group	
	2014 RM'000	2013 RM'000
Tax expense attributable to profit is made up of:		
Profit for the year		
- Current income tax - Malaysia	850	811
- Deferred income tax (Note 22)	72	13
	922	824
Over provision of current income tax in prior financial years		
- Current income tax - Malaysia	(121)	(1,475)
- Deferred income tax (Note 22)	(37)	–
	764	(651)

The reconciliation between the income tax expense and the product of accounting multiplied by the applicable corporate tax for the year ended 31 December are as follows:

	Group	
	2014 RM'000	2013 RM'000
Profit before income tax	6,193	554
Tax calculated at Malaysia income tax rate of 25% (2013: 25%)	1,548	139
Effects of:		
- Different tax rates in other countries	62	69
- Tax incentives	(454)	(427)
- Expenses not deductible for tax purposes	335	295
- Income not subject to tax	(61)	–
- Utilisation of previously unrecognised tax losses	(790)	(527)
- Deferred tax assets not recognised	282	1,275
Tax charge	922	824

On 28 November 2013, a subsidiary has been granted Pioneer Status by the Malaysia Investment Development Authority ("Authority') for the period beginning 1 March 2011 to 29 February 2016. Subject to meeting certain requirements, the subsidiary will enjoy exemption from payment of income taxes up to 70% of its statutory income.

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.

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares.

	Group	
	2014	**2013**
Net profit attributable to equity holders of the Company (RM'000)	5,516	1,205
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	90,000	90,000
Basic and diluted earnings per share (RM cents per share)	6.13	1.34

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

11. CASH AND CASH EQUIVALENTS

	Group		**Company**	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Cash at bank and on hand	7,239	6,609	*	*
Short-term bank deposits	1,708	1,367	–	–
	8,947	7,976	*	*

* *Denotes less than RM1,000.*

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	Group	
	2014 RM'000	**2013 RM'000**
Cash and bank balances (as above)	8,947	7,976
Less: Short-term bank deposits pledged	(1,708)	(1,367)
Less: Bank overdrafts (Note 20)	(9,609)	(8,318)
Cash and cash equivalents per consolidated statement of cash flows	(2,370)	(1,709)

Short-term bank deposits are pledged in relation to the security granted for certain borrowings (Note 20(a)).

Acquisition of subsidiary

Please refer to Note 28 for effects of acquisition of subsidiary on the cash flows of the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Trade receivables				
- Non-related parties	24,678	18,900	–	–
- Related parties	102	7	–	–
	24,780	18,907	–	–
Less: Allowance for impairment of trade receivables – non-related parties (Note 29(b)(ii))	(443)	(403)	–	–
Trade receivables - net	24,337	18,504	–	–
Other receivables				
- Non-related parties	499	210	–	–
- Subsidiaries	–	–	6,593	4,338
Tax recoverable	3,038	1,660	–	–
	27,874	20,374	6,593	4,338

The amounts due from subsidiaries are unsecured, interest free and repayable on demand.

13. INVENTORIES

	Group	
	2014 RM'000	2013 RM'000
Raw materials	4,632	4,849
Work-in-progress	17,305	15,293
Finished goods	7,439	6,502
	29,376	26,644

The cost of inventories recognised as an expense and included in "cost of sales" amounts to RM50,084,000 (2013: RM33,083,000).

The Group recognised an expense of RM120,000 (2013: RM122,000) in the cost of inventories, in respect to the write-down of inventories to net realisable value.

14. OTHER CURRENT ASSETS

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Deposits	1,747	709	–	–
Prepayments	2,433	2,304	15	15
	4,180	3,013	15	15

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	Total RM'000
Group								
2014								
Cost								
Beginning of financial year	7,339	19,652	29,856	4,104	3,200	2,730	216	67,097
Additions	34	–	5,027	929	1,102	432	–	7,524
Disposals	–	–	(3,446)	–	(456)	(2)	–	(3,904)
End of financial year	7,373	19,652	31,437	5,033	3,846	3,160	216	70,717
Accumulated depreciation								
Beginning of financial year	–	1,756	16,902	1,847	2,384	1,584	216	24,689
Depreciation charge (Note 6)	–	432	2,182	478	462	352	–	3,906
Disposals	–	–	(2,040)	–	(856)	*	–	(2,896)
End of financial year	–	2,188	17,044	2,325	1,990	1,936	216	25,699
Net Book Value								
End of financial year	7,373	17,464	14,393	2,708	1,856	1,224	–	45,018

* *Denotes less than RM1,000.*

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

15. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	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	Total RM'000
<u>**Group**</u>								
2013								
Cost								
Beginning of financial year	7,339	19,652	26,334	3,852	3,294	2,712	216	63,399
Additions	–	–	3,524	295	349	485	–	4,653
Acquisition of subsidiary (Note 28)	–	–	–	35	–	16	–	51
Written off	–	–	(2)	(78)	–	(468)	–	(548)
Disposals	–	–	–	–	(443)	(15)	–	(458)
End of financial year	7,339	19,652	29,856	4,104	3,200	2,730	216	67,097
Accumulated depreciation								
Beginning of financial year	–	1,410	14,717	1,561	2,234	1,733	216	21,871
Depreciation charge (Note 6)	–	346	2,187	364	455	325	–	3,677
Written off	–	–	(2)	(78)	–	(465)	–	(545)
Disposals	–	–	–	–	(305)	(9)	–	(314)
End of financial year	–	1,756	16,902	1,847	2,384	1,584	216	24,689
Net Book Value								
End of financial year	7,339	17,896	12,954	2,257	816	1,146	–	42,408

15. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group engages external, independent and qualified valuers to determine the fair value of the Group's properties at the end of every two years based on the properties' highest-and-best-use. As at 31 December 2014, the fair values of the properties have been determined by its management's best estimate. As at 31 December 2013, the fair values of the properties have been determined by two independent valuers.

				Group 2014		Group 2013	
Location	**Description**	**Existing Use**	**Land Area**	**Net Book Values RM'000**	**Fair Values RM'000**	**Net Book Values RM'000**	**Fair Values RM'000**
PT 58798 (Lot 1862) & PT 58797 (Lot 1867), Jalan Kuan Poh Fatt, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia.	Factory	Industrial	0.11 Acres	4,618	14,200	4,584	14,200
Lot 1909, Jalan KPB 5, Kawasan Perindustrian Kampung Baru Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia.	Factory	Industrial	2.00 Acres	4,580	16,000	4,794	16,000
Lot 24645, Jalan KPB 5, Kawasan Perindustrian Kampung Baru Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia.	Factory	Industrial	1.22 Acres	3,128	8,000	3,103	8,000
Lot 1801, Jalan KPB 1, Kawasan Perindustrian Kampung Baru Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia.	Factory	Industrial	1.81 Acres	12,511	13,000	12,754	13,000
				24,837	51,200	25,235	51,200

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

15. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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

	Group	
	2014 RM'000	2013 RM'000
Plant and machinery	5,371	2,443
Motor vehicles	1,056	342
Computer, office equipment, fixtures, furniture and fittings	–	273
	6,427	3,058

(b) The carrying amount of property, plant and equipment held under finance leases are as follows:

	Group	
	2014 RM'000	2013 RM'000
Plant and machinery	12,721	10,600
Motor vehicles	1,396	780
Computer, office equipment, fixtures, furniture and fittings	128	366
Renovation and signboard	–	8
	14,245	11,754

(c) Certain property, plant and equipment of the Group with carrying amounts of RM24,837,000 (2013: RM25,235,000), are provided as security for bank borrowings and bill payable (Note 20(a)).

16. INVESTMENT PROPERTIES

	Leasehold Land RM'000	Leasehold Land and Buildings RM'000	Total RM'000
<u>Group</u>			
2014			
Cost			
Beginning of financial year	3,005	903	3,908
Additions	211	–	211
End of financial year	3,216	903	4,119
Accumulated depreciation			
Beginning of financial year	349	220	569
Depreciation charge (Note 6)	46	13	59
End of financial year	395	233	628
Net Book Value			
End of financial year	2,821	670	3,491
<u>Group</u>			
2013			
Cost			
Beginning and end of financial year	3,005	903	3,908
Accumulated depreciation			
Beginning of financial year	319	207	526
Depreciation charge (Note 6)	30	13	43
End of financial year	349	220	569
Net Book Value			
End of financial year	2,656	683	3,339

Investment properties are leased to related and non-related parties under operating leases (Note 25(c)).

All investment properties are mortgaged to secure bank loans (Note 20(a)).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

16. INVESTMENT PROPERTIES (CONT'D)

The following amounts are recognised in profit or loss:

	Group	
	2014 RM'000	**2013 RM'000**
Rental income (Note 5)	96	96
Direct operating expenses arising from:		
- Investment property that generated rental income	(18)	(19)
- Investment property that did not generate rental income	(49)	(127)

At the balance sheet date, the details of the Group's investment properties held are as follows:

Location	**Description**	**Existing Use**	**Tenure**	**Unexpired term of lease**	**Fair values 2014 RM'000**	**Fair values 2013 RM'000**
Lot 1861 Mukim Cheras, Daerah Hulu Langat, Selangor Darul Ehsan	Vacant land	Industrial	Leasehold land	58	7,100	7,100
No. 14 Jalan Kencana 30 Taman Kencana, 56100 Kuala Lumpur	Factory with 3-storey office	Commercial	Leasehold land and building	70	2,000	2,000

Fair value hierarchy

	Fair value measurement using		
	Quoted prices on active markets for identical assets (Level 1)	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
	RM'000	**RM'000**	**RM'000**
Recurring fair value measurements			
31 December 2014			
- Industrial land	–	2,821	–
- Factory building	–	670	–
31 December 2013			
- Industrial land	–	2,821	–
- Factory building	–	670	–

Valuation techniques used to derive Level 2 Fair values

Level 2 fair values of the Group's properties have been generally derived using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is selling price per square meter. As at 31 December 2014, the fair values of the properties have been determined by its management's best estimate. As at 31 December 2013, the fair values of the properties have been determined by two independent valuers.

17. INVESTMENTS IN SUBSIDIARIES

	Company 2014 RM'000	Company 2013 RM'000
Equity investment at cost:		
Beginning of financial year	19,622	19,153
Additional investment in subsidiary (Note 28)	–	200
Acquisition of a subsidiary	–	269
Incorporation of a subsidiary	*	–
	19,622	19,622

* *Denotes less than RM1,000.*

Details of subsidiaries are as follows:

Name of companies	Principal activities	Country of business/ incorporation	Proportion of ordinary shares held by the Group 2014 %	Proportion of ordinary shares held by the Group 2013 %	Proportion of ordinary shares held by non-controlling interest 2014 %	Proportion of ordinary shares held by non-controlling interest 2013 %
Held by the 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	–	–

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

17. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of companies	Principal activities	Country of business/ incorporation	Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interest	
			2014	2013	2014	2013
			%	%	%	%
Held by the Company (Cont'd)						
FIC Kitchen Technology Sdn. Bhd. *(formerly know as 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	100	–	–
Marc16 Equipment Manufacturing Sdn. Bhd. (1)	Trading, design and supply of machine	Malaysia	100	100	–	–
Flexacon Automation System Sdn. Bhd. (1)	Trading, design and supply of machine, conveyor system	Malaysia	51 (4)	–	49	–
MSM Metal (S) Pte. Ltd. (2)	Trading and servicing of metal parts and kitchen equipment	Singapore	100	100	–	–

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

17. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of companies	Principal activities	Country of business/ incorporation	Proportion of ordinary shares held by the Group 2014 %	Proportion of ordinary shares held by the Group 2013 %	Proportion of ordinary shares held by non-controlling interest 2014 %	Proportion of ordinary shares held by non-controlling interest 2013 %
Held by MSM Equipment Manufacturer Sdn. Bhd.						
PT. Mulia Sinergi Metalindo [3]	Sale and service of metal parts, kitchen equipment	Indonesia	100	100	–	–
MSM R Kitchen Sdn. Bhd. [1]	Trading and servicing of metal parts and kitchen equipment	Malaysia	100	100	–	–

[1] Audited by SSY Partners, Malaysia, a member firm of Nexia International
[2] Audited by Nexia TS Public Accounting Corporation, Singapore, a member firm of Nexia International
[3] Audited by KAP Kanaka Puradiredja, Indonesia, a member firm of Nexia International
[4] Incorporated during the year with cost of investment of RM100.

There are no non-controlling interests that are material to the Group.

18. INTANGIBLE ASSETS

	Group 2014 RM'000	Group 2013 RM'000
Goodwill arising on consolidation (Note (a))	201	201

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

18. INTANGIBLE ASSETS (CONT'D)

(a) Goodwill arising on consolidation

	Group	
	2014 RM'000	2013 RM'000
Cost		
Beginning of financial year	201	–
Acquisition of subsidiary (Note 28)	–	201
End of financial year	201	201

The recoverable amount of a CGU was determined based on value-in-use. Cash flow projections used in the value-in-use calculations were based on financial budgets approved by management covering a three-year period. Cash flows beyond the three-year period were extrapolated using the estimated growth rates stated below. The growth rate did not exceed the long-term average growth rate for the component parts business in which the CGU operates.

Key assumptions used for value-in-use calculations:

	Semi Con Industries Malaysia	Hard Disk Industries Malaysia
2014		
Gross margin [1]	32.8%	32.8%
Gross rate [2]	13.3%	13.3%
Discounted rate [3]	5.5%	5.5%

[1] Budgeted gross margin
[2] Weighted average growth rate used to extrapolate cash flows beyond the budget period
[3] Pre-tax discount rate applied to the pre-tax cash flow projections

These assumptions were used for the analysis of each CGU within the business segment. Management determined budgeted gross margin based on past performance and its expectations of market developments. The weighted average growth rates used were consistent with forecasts included in industry reports. The discount rates used were pre-tax and reflected specific risks relating to the relevant segments.

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to countries of operation and business segments.

A segment-level summary of the goodwill allocation is as follow:

		Group	
Country	**Business segment**	**2014 RM'000**	**2013 RM'000**
Malaysia	OEM Contract Manufacturing	201	201

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Trade payables to				
- Non-related parties	13,433	9,999	–	–
- Related parties	–	119	–	–
	13,433	10,118	–	–
Accruals for operating expenses	3,147	2,127	342	120
Other payables				
- Non-related parties	2,328	2,823	–	66
- Subsidiaries	–	–	2,860	12
Advance from customers	2,359	2,525	–	–
	21,267	17,593	3,202	198

The non-trade amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

20. BORROWINGS

	Group	
	2014 RM'000	2013 RM'000
Current		
Bank overdrafts (Note 11)	9,609	8,318
Bank loans	3,869	3,069
Bills payable	13,648	10,950
Finance lease liabilities (Note 21)	3,615	2,921
	30,741	25,258
Non-current		
Bank loans	16,587	17,861
Finance lease liabilities (Note 21)	7,004	5,219
	23,591	23,080
Total borrowings	54,332	48,338

20. BORROWINGS (CONT'D)

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	
	2014 RM'000	2013 RM'000
6 months or less	26,273	21,424
6 – 12 months	4,468	3,834
1 – 5 years	13,605	13,039
Over 5 years	9,986	10,041
	54,332	48,338

(a) Security granted

Bank overdrafts, bank loans and bills payable are secured by a legal mortgage over the Group's freehold land, leasehold land and buildings (Note 15) investment properties (Note 16), short-term bank deposits of the Group (Note 11), corporate guarantee of the Company and certain personal guarantees of the directors.

Finance lease liabilities of the Group are effectively secured over to the leased plant and machinery, motor vehicles and computer equipment (Note 15(a)), as the legal title is retained by the lessor and will be transferred to the Group upon full settlement of the finance lease liabilities.

(b) Fair value of non-current borrowings

	Group	
	2014 RM'000	2013 RM'000
Bank loans	16,478	18,189
Finance lease liabilities	7,573	5,543
	24,051	23,732

The fair values above are determined from the cash flow analyses, discounted at market borrowing rates of an equivalent instrument at the balance sheet date which the directors expect to be available to the Group as follows:

	Group	
	2014 %	2013 %
Bank loans	5.3	4.4
Finance lease liabilities	3.1	3.2

21. 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	
	2014	**2013**
	RM'000	**RM'000**
Minimum lease payments due		
- Not later than one year	4,132	3,249
- Between one and five years	7,438	4,912
- Later than five years	254	777
	11,824	8,938
Less: Future finance charges	(1,205)	(798)
Present value of finance lease liabilities	10,619	8,140

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

	Group	
	2014	**2013**
	RM'000	**RM'000**
Not later than one year (Note 20)	3,615	2,921
Later than one year (Note 20)		
- Between one and five years	6,762	4,711
- Later than five years	242	508
	7,004	5,219
Total	10,619	8,140

22. DEFERRED INCOME TAXES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting and their movement during the financial year, are shown on the balance sheets as follows:

	Group	
	2014	2013
	RM'000	RM'000
Deferred income tax liabilities - net		
- to be settled after one year	211	176

Movement in deferred income tax account is as follows:

	Group	
	2014	2013
	RM'000	RM'000
Beginning of financial year	176	163
Tax charged to profit or loss (Note 9)	35	13
End of financial year	211	176

Deferred income tax assets are recognised for tax losses, capital allowances and reinvestment allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of RM5,544,000 (2013: RM6,715,000), capital allowances of RM2,047,000 (2013: RM3,646,000) and reinvestment allowances of RM3,957,000 (2013: RM3,247,000) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses, capital allowances and reinvestment allowances in their respective countries of incorporation. The tax losses, capital allowances and reinvestment allowances have no expiry date.

22. DEFERRED INCOME TAXES (CONT'D)

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

Deferred income tax liabilities

	Accelerated tax depreciation RM'000
2014	
Beginning of financial year	272
Charged to profit or loss	9
End of financial year	281
2013	
Beginning of financial year	246
Charged to profit or loss	26
End of financial year	272

Deferred income tax assets

	Tax losses RM'000
2014	
Beginning of financial year	(96)
Charged to profit or loss	26
End of financial year	(70)
2013	
Beginning of financial year	(83)
Credited to profit or loss	(13)
End of financial year	(96)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23. SHARE CAPITAL

	Number of ordinary shares '000	Amount RM'000
Group and Company		
2013 and 2014		
Beginning and end of financial year	90,000	26,862

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.

24. CONTINGENT LIABILITIES

	Company	
	2014 RM'000	2013 RM'000
Corporate guarantee (unsecured)	56,821	47,792

The Company has given corporate guarantees to certain banks and financial institutions for credit facilities granted to the subsidiaries. The Company has evaluated the fair value of the corporate guarantees and is of the view that the consequential benefit derived from its guarantees to the banks and financial institutions with regard to the subsidiaries is minimal.

25. COMMITMENTS

(a) Capital commitments

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

	Group	
	2014 RM'000	2013 RM'000
Property, plant and equipment	2,170	–

25. COMMITMENTS (CONT'D)

(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 lease agreements. The leases have varying terms, escalation clauses and renewal rights.

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

	Group	
	2014 RM'000	2013 RM'000
Not later than one year	425	250
Between one and five years	820	46
	1,245	296

(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	
	2014 RM'000	2013 RM'000
Not later than one year	24	124
Between one and five years	–	–
	24	124

26. 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 and purchases of goods and services and other expenses

	Group	
	2014 RM'000	2013 RM'000
Sales of goods to related parties	32	23
Rental income charged from related parties	122	95
Service charges charged to a related party	22	7
Purchases of material from a related party	(387)	(199)
Subcontractors' cost paid to a related party	(195)	(200)

Outstanding balances as at 31 December 2014, 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 19 respectively.

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	Group	
	2014 RM'000	2013 RM'000
Salaries, bonuses and allowances	2,267	2,060
Directors' fees	209	206
Employer's contribution to defined contribution plans	198	184
Other short-term benefits	332	475
	3,006	2,925

Included in the above is total compensation to directors of the Group amounting to RM1,521,000 (2013: RM1,465,000).

27. 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 three 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 Original Equipment Manufacturer contract manufacturing, oil & gas, cleanroom & laboratories and kitchen appliances, equipment and related services.

The Board of Directors has organised the business of the Group in four business segments as set out below:

- OEM contract manufacturing;
- Kitchen appliances, equipment and related services;
- Oil and gas; and
- Cleanroom and laboratories.

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

	OEM contract manufacturing RM'000	Oil and gas RM'000	Cleanroom and laboratories RM'000	Kitchen appliances, equipment and related services RM'000	Total RM'000
2014					
Revenue					
- Sales to external parties	26,179	22,393	9,927	36,310	94,809
Adjusted EBITDA	4,771	4,307	1,279	2,092	12,449
Depreciation of property, plant and equipment	2,047	854	51	954	3,906
Finance expense	1,182	848	10	292	2,332
2013					
Revenue					
- Sales to external parties	17,878	20,699	7,506	21,433	67,516
Adjusted EBITDA	3,627	4,097	1,097	(2,391)	6,430
Depreciation of property, plant and equipment	1,790	662	46	1,179	3,677
Finance expense	1,057	737	4	397	2,195

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. SEGMENT INFORMATION (CONT'D)

As the amounts of total assets and liabilities for each reportable segment is not regularly provided to Board of Directors, such information is not presented in the financial statements.

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 of PPE and investment properties are not allocated to segments, as this type of activity is driven by the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), who manage the cash position of the Group.

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

	Group	
	2014	**2013**
	RM'000	**RM'000**
Adjusted EBITDA for reportable segments	12,449	6,430
Depreciation of property, plant and equipment	(3,906)	(3,677)
Depreciation of investment properties	(59)	(43)
Finance expense	(2,332)	(2,195)
Interest income	41	39
Profit before income tax	6,193	554

Geographical information

The Group's four 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, oil and gas products and kitchen appliances, equipment and related services;

- United States of America – the operations include the sale of OEM contract manufacturing products and oil and gas 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, Netherlands and Thailand, and the sale of kitchen appliances and equipment in Singapore, Vietnam and Cambodia, and the sale of cleanroom and laboratories in Philippines.

27. SEGMENT INFORMATION (CONT'D)

	Group	
	2014 RM'000	2013 RM'000
Revenue		
Malaysia	84,527	55,044
United States of America	7,935	8,044
Indonesia	1,718	3,135
Other countries	629	1,293
	94,809	67,516
Non-current assets		
Malaysia	48,661	45,890
Indonesia	1	2
Singapore	48	56
	48,710	45,948

Revenues of approximately RM22,027,000 (2013: RM20,156,000) are derived from a single external customer which is attributable to the sale of oil and gas products in the geographical segments of Malaysia and United States of America.

28. BUSINESS COMBINATION

On 24 September 2013, the Group acquired 100% of the issued share capital of Marc16 Equipment Manufacturing Sdn. Bhd.("Marc16") for a cash consideration of RM269,350. The principal activity of Marc16 is that of trading, designing and supply of machine.

Details of the consideration paid, the assets acquired and liabilities assumed, and the effects on the cash flows of the Group, at the acquisition date, are as follow:

	Group 2013 RM'000
(a) Purchase consideration	
Cash paid	269
(b) Effect on cash flows of the Group	
Cash paid (as above)	269
Less: cash and cash equivalents in subsidiary acquired	(68)
Cash outflows on acquisition	201

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

28. BUSINESS COMBINATION (CONT'D)

(c) Identifiable assets acquired and liabilities assumed

	Group 2013 RM'000
Cash and bank balances	68
Property, plant and equipment (Note 15)	51
Inventories	38
Trade and other receivables	485
Other current assets	12
Total assets	654
Trade and other payables	626
Current income tax liabilities	(40)
Total liabilities	586
Total identifiable net assets	68
Add: Goodwill (Note18 and Note 28(d))	201
Consideration transferred for the business	269

(d) Goodwill

The goodwill of RM201,000 arising from the acquisition is attributable to the OEM contract manufacturing products and the synergies expected to arise from the economies of scale in combining the operation of the Group with those of Marc16.

(e) Revenue and profit contribution

The acquired business contributed revenue of RM678,000 and net loss of RM125,000 to the Group from the period from 24 September 2013 to 31 December 2013.

Had Marc16 been consolidated from 1 January 2013, the consolidated revenue and consolidated profit for the year ended 31 December 2013 would have been RM68,460,000 and RM1,206,000 respectively.

29. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to market risk (including currency risk, price risk and interest rate risk), credit risk, liquidity risk and capital 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 then establishes the detailed 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.

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. Entities in the Group regularly transact in currencies other than their respective functional currencies ("foreign currencies").

Currency risk arises when transactions are denominated in foreign currencies such as United States Dollar ("USD"). Singapore Dollar ("SGD"), Euro ("EUR") and Indonesia Rupiah ("IDR"). 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. FINANCIAL RISK MANAGEMENT (CONT'D)

Financial risk factors (Cont'd)

(a) Market risk (Cont'd)

(i) Currency risk (Cont'd)

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

	RM RM'000	USD RM'000	SGD RM'000	EUR RM'000	IDR RM'000	Total RM'000
31 December 2014						
Financial assets						
Cash and cash equivalents	8,118	808	16	–	5	8,947
Trade and other receivables	22,227	1,873	13	–	734	24,847
Other financial assets	1,700	–	–	–	47	1,747
Inter-companies receivables	8,792	–	–	–	–	8,792
	40,837	2,681	29	–	786	44,333
Financial liabilities						
Trade and other payables	17,529	405	383	–	591	18,908
Borrowings	53,503	–	–	829	–	54,332
Inter-companies payables	8,792	–	–	–	–	8,792
	79,824	405	383	829	591	82,032
Net financial (liabilities)/assets	(38,987)	2,276	(354)	(829)	195	(37,699)
Less: Net financial liabilities denominated in the functional currencies	38,987	–	–	–	–	38,987
Currency exposure of financial assets/(liabilities) net of those denominated in the respective entities functional currencies	–	2,276	(354)	(829)	195	1,288

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. FINANCIAL RISK MANAGEMENT (CONT'D)

Financial risk factors (Cont'd)

(a) Market risk (Cont'd)

(i) Currency risk (Cont'd)

	RM RM'000	USD RM'000	SGD RM'000	EUR RM'000	IDR RM'000	Total RM'000
31 December 2013						
Financial assets						
Cash and cash equivalents	7,659	215	102	–	–	7,976
Trade and other receivables	18,109	507	98	–	–	18,714
Other financial assets	581	13	68	–	47	709
Inter-companies receivables	5,741	–	–	–	–	5,741
	32,090	735	268	–	47	33,140
Financial liabilities						
Trade and other payables	14,726	153	189	–	–	15,068
Borrowings	46,899	–	–	1,439	–	48,338
Inter-companies payables	5,741	–	–	–	–	5,741
	67,366	153	189	1,439	–	69,147
Net financial (liabilities)/assets	(35,276)	582	79	(1,439)	47	(36,007)
Less: Net financial liabilities denominated in the functional currencies	35,276	–	–	–	–	35,276
Currency exposure of financial assets/(liabilities) net of those denominated in the respective entities functional currencies	–	582	79	(1,439)	47	(731)

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. FINANCIAL RISK MANAGEMENT (CONT'D)

Financial risk factors (Cont'd)

(a) Market risk (Cont'd)

(i) Currency risk (Cont'd)

If the USD, SGD, EURO and IDR change against the RM by 5% (2013: 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:

	Increase/(Decrease)			
	2014		2013	
	Net Profit RM'000	Equity RM'000	Net Profit RM'000	Equity RM'000
Increase/(Decrease)				
USD against RM				
- strengthened	85	85	22	22
- weakened	(85)	(85)	(22)	(22)
SGD against RM				
- strengthened	(13)	(13)	3	3
- weakened	13	13	(3)	(3)
EURO against RM				
- strengthened	(31)	(31)	(54)	(54)
- weakened	31	31	54	54
IDR against RM				
- strengthened	7	7	2	2
- weakened	(7)	(7)	(2)	(2)

(ii) Price risk

The Group does not have exposure to equity price risk as it does not hold any equity financial assets.

(iii) 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% (2013: 1%) with all other variables including tax rates being held constant, the net profit and equity will be lower/higher by RM407,000 (2013: RM363,000).

29. FINANCIAL RISK MANAGEMENT (CONT'D)

Financial risk factors (Cont'd)

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and the Company 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 and the Company do 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, except as follows:

	Group	
	2014	**2013**
	RM'000	**RM'000**
Corporate guarantees provided to banks on subsidiaries' loans	56,821	47,792

The trade receivables of the Group comprise 1 debtor (2013: 1 debtor) that represented 19% (2013: 20%) of trade receivables.

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

	Group	
	2014	**2013**
	RM'000	**RM'000**
By geographical areas		
Malaysia	20,585	17,078
Indonesia	1,845	910
United States of America	1,841	348
Other countries	66	168
	24,337	18,504
By types of customers		
Related parties	102	7
Non-related parties		
- Multi-national companies	10,709	8,593
- Other companies	13,526	9,904
	24,337	18,504

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. FINANCIAL RISK MANAGEMENT (CONT'D)

Financial risk factors (Cont'd)

(b) Credit risk (Cont'd)

(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	
	2014 RM'000	**2013 RM'000**
Past due 0 to 3 months	4,484	3,094
Past due 3 to 6 months	1,271	1,279
Past due over 6 months	1,518	711
	7,273	5,084

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

	Group	
	2014 RM'000	**2013 RM'000**
Gross amount	449	416
Less: Allowance for impairment	(444)	(403)
	5	13
Beginning of financial year	403	272
Allowance made (Note 6)	90	131
Allowance utilised	(18)	–
Reversal of allowance of impairment (Note 6)	(32)	–
	443	403

The impaired trade receivables arises from sales to companies mainly relate to customers that are in financial difficulties and whose payments are not forthcoming.

The Group believes that the trade receivables that are past due but not impaired are collectible, based on historical payment behavior and credit worthiness of the customers.

29. FINANCIAL RISK MANAGEMENT (CONT'D)

Financial risk factors (Cont'd)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and having an adequate amount of committed credit facilities (Note 20) 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 and the Company 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. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	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 2014				
Trade and other payables	21,267	–	–	–
Borrowings	32,094	5,804	10,895	13,415
	53,361	5,804	10,895	13,415
31 December 2013				
Trade and other payables	17,593	–	–	–
Borrowings	26,617	5,925	9,914	13,729
	44,210	5,925	9,914	13,729
Company				
31 December 2014				
Trade and other payables	3,202	–	–	–
Corporate guarantees	56,821	–	–	–
	60,023	–	–	–
31 December 2013				
Trade and other payables	198	–	–	–
Corporate guarantees	47,792	–	–	–
	47,990	–	–	–

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. FINANCIAL RISK MANAGEMENT (CONT'D)

Financial risk factors (Cont'd)

(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.

Management monitors capital based on a gearing ratio. The Group's policy, which is unchanged from 2013, is to maintain gearing ratio of not exceeding 2.0 times.

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

	Group	
	2014	**2013**
	RM'000	**RM'000**
Total borrowings	54,332	48,338
Net equity	43,277	37,848
Gearing ratio (times)	1.26	1.28

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2013 and 2014.

(e) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet, except for the following:

	Group		**Company**	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Loans and receivables	35,530	27,399	6,593	4,338
Financial liabilities at amortised cost	75,599	65,931	3,202	198

30. NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the new or amended Standards and Interpretations that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2015 or later periods and which the Group has not early adopted:

- FRS 27 (revised 2011) Separate Financial Statements (effective for annual periods beginning on or after 1 January 2014)
- FRS 28 (revised 2011) Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2014)
- FRS 110 Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2014)
- FRS 111 Joint Arrangements (effective for annual periods beginning on or after 1 January 2014)
- FRS 112 Disclosures of Interest in Other Entities (effective for annual periods beginning on or after 1 January 2014
- Amendments to FRS 32 Financial Instruments: Offsetting of Financial Liabilities and Assets (effective for annual periods beginning on or after 1 January 2014)
- Amendments to FRS 36 Recoverable Amount Disclosures for Non-Financial Assets (effective for annual period beginning on or after 1 January 2014)
- Amendments to FRS 39 Novation of Derivatives and Continuation of Hedge Accounting (effective for annual period beginning on or after 1 January 2014)
- Amendments to FRS 110, FRS 111, FRS 112 and FRS 27(2011) and FRS 28(2011): Mandatory Effective Date (effective for annual periods beginning on or after 1 January 2014)
- Amendments to FRS 110, FRS 111, and FRS 112: Transition Guidance (effective for annual periods on or after 1 January 2014)
- Amendments to FRS 110, FRS 112 and FRS 27: Investment Entities (effective for annual periods beginning on or after 1 January 2014)

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 Company in the period of their initial adoption.

31. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Director of Mann Seng Metal International Limited on 31 March 2015.

STATISTICS OF **SHAREHOLDINGS**

As at 18 March 2015

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 Shareholders at 18 March 2015)

	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

Notes:

Messrs Chan Kee Sieng and Chan Kit Moi are shareholders of Triumphant Hope Sdn. Bhd. (each holding 50% 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 18 March 2015, approximately 26.38% 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 (CONT'D)

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

AS AT 18 MARCH 2015

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	1	0.81	3	0.00
100 - 1,000	1	0.81	1,000	0.00
1,001 - 10,000	29	23.38	228,000	0.25
10,001 - 1,000,000	87	70.16	13,406,623	14.90
1,000,001 AND ABOVE	6	4.84	76,364,374	84.85
TOTAL	**124**	**100.00**	**90,000,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS

AS AT 18 MARCH 2015

NO.	SHAREHOLDER'S NAME	NUMBER OF SHARES HELD	%
1	TRIUMPHANT HOPE SDN. BHD.	61,564,747	68.41
2	CIMB SECURITIES (SINGAPORE) PTE LTD	6,827,006	7.59
3	CHAN WEN CHAU	2,785,186	3.09
4	LIM CHYE HUAT @ BOBBY LIM CHYE HUAT	2,780,000	3.09
5	PHILLIP SECURITIES PTE LTD	1,325,000	1.47
6	CHAN WEN YAW	1,082,435	1.20
7	CHOO KOK CHENG	950,000	1.06
8	CHAN WEN YEE	883,810	0.98
9	ONG SENG JOO	883,810	0.98
10	LEE KAY HUAN HOLDINGS PTE LTD	840,000	0.93
11	KOK SHAW TERK (GUO SHAODE)	764,000	0.85
12	CHIN JIT SIN	750,000	0.83
13	KAM FOONG KENG	750,000	0.83
14	BNP PARIBAS SECURITIES SERVICES	703,003	0.78
15	LIM POH HOCK ERIC	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	361,000	0.40
19	CHUA KENG LOY	250,000	0.28
20	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	227,000	0.25
	TOTAL	**85,086,997**	**94.53**

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting ("AGM") of the Company will be held at SAF Yacht Club, Seminar Room, Second Floor, 110 Tanah Merah Coast Road, Singapore 498800 on Friday, 24 April 2015 at 10.30 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 2014 together with the Reports of the Directors and Auditors thereon. **Resolution 1**

2. To approve the Directors' fees of S$83,000 for the financial year ending 31 December 2015 (2014:S$83,000). **Resolution 2**

3. To re-elect Mr Wong Kok Seong who is retiring pursuant to Article 107 of the Company's Articles of Association. **Resolution 3**
   (See Explanatory Note 1)

4. To re-elect Mr Brian Wong Wye Pong who is retiring pursuant to Article 107 of the Company's Articles of Association. **Resolution 4**
   (See Explanatory Note 2)

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

6. To transact any other ordinary business which may be properly transacted at an AGM.

SPECIAL BUSINESS

To consider and, if thought fit, to 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, Chapter 50 of Singapore (the "Act") and Rule 806 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "SGX-ST") ("Catalist Rules"), the Directors of the Company be authorised and empowered to: **Resolution 6**

   (I) (i) allot and issue shares in the capital of the Company ("Shares") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

   (II) (notwithstanding that the authority conferred by this Resolution 6 may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors while this Resolution 6 was in force,

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

provided that:

(a) the aggregate number of Shares to be issued pursuant to this Resolution 6 (including Shares to be issued in pursuance of Instruments, made or granted pursuant to this Resolution 6), shall not exceed one hundred per cent (100%) of the total number of issued Shares in the capital of the Company (excluding treasury shares) (as calculated in accordance with sub-paragraph (b) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to the existing shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution 6) shall not exceed fifty per cent (50%) of the total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (b) below);

(b) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution 6) that may be issued under sub-paragraph (a) above, the percentage of the issued Shares shall be based on the total number of issued Shares (excluding treasury shares) at the time this Resolution 6 is passed, after adjusting for:

    (i) new Shares arising from the conversion or exercise of any convertible securities;

    (ii) new Shares arising from the exercise of share options or vesting of share awards which are outstanding and/or subsisting at the time of the passing of this Resolution 6, provided the share options or share awards (as the case may be) were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

    (iii) any subsequent bonus issue, consolidation or subdivision of Shares;

(c) in exercising the authority conferred by this Resolution 6, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Act and the Articles of Association for the time being of the Company; and

(d) the authority conferred by this Resolution 6 shall, unless revoked or varied by the Company in general meeting, continue to be in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

(See Explanatory Note 3)

By Order of the Board

Chan Kee Sieng
Executive Chairman
Singapore
8 April 2015

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Explanatory Notes:

1. Mr Wong Kok Seong, if elected, shall remain as an Independent Director, member of the Audit, Remuneration and Nominating Committees. Mr Wong Kok Seong is considered by the Board to be independent for the purpose of Rule 704(7) of the Catalist Rules. The detailed information of Mr Wong Kok Seong can be found under the section entitled "Board of Directors" of the Annual Report.

2. Mr Brian Wong Wye Pong, if elected, shall remain as an Independent Director, Chairman of the Audit Committee and member of the Remuneration and Nominating Committees. Mr Brian Wong Wye Pong is considered by the Board to be independent for the purpose of Rule 704(7) of the Catalist Rules. The detailed information of Mr Brian Wong Wye Pong can be found under the section entitled "Board of Directors" of the Annual Report.

3. The Ordinary Resolution 6 above, is to authorise the Directors of the Company from the date of the forthcoming AGM until the next AGM to issue shares and convertible securities in the Company 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 Catalist Rules 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 6 is passed (taking into account the conversion or exercise of any convertible securities or employee share options at the time that the Resolution 6 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 AGM of the Company.

Notes:

1. A member of the Company entitled to attend and vote at the AGM is entitled to appoint not more than 2 proxies to attend and vote on his/her behalf. A proxy need not be a member of the Company. Where there are two proxies, the number of shares to be represented by each proxy must be stated.

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 80 Robinson Road #02-00 Singapore 068898 not less than 48 hours before the time set for the AGM.

Personal data privacy:

By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

*and/or *(delete as appropriate)*

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either both of the persons, referred to above, the Chairman of the Annual General Meeting ("**AGM**"), 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 AGM of the Company to be held at SAF Yacht Club, Seminar Room, Second Floor, 110 Tanah Merah Coast Road, Singapore 498800 on Friday, 24 April 2015 at 10.30 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 AGM. 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 AGM)

No.	Ordinary Resolutions	For	Against
	ORDINARY BUSINESS		
Resolution 1	To receive and adopt the Financial Statements for the financial year ended 31 December 2014, the Directors' Report and the Auditors' Report thereon.		
Resolution 2	To approve the Directors' fees for the financial year ending 31 December 2015.		
Resolution 3	To re-elect Mr Wong Kok Seong as a Director of the Company.		
Resolution 4	To re-elect Mr Brian Wong Wye Pong as a Director of the Company.		
Resolution 5	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 6	To authorise Directors to allot and issue shares pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore.		

Dated this________ day of ________________ 2015

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 the AGM is entitled to appoint not more than 2 proxies to attend and vote on his/her behalf. A proxy needs 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 as 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 AGM 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 80 Robinson Road #02-00 Singapore 068898 not less than 48 hours before the time set for the AGM.

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 AGM as certified by The Central Depository (Pte) Limited to the Company.

Personal data privacy:

By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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

Principal Place of Business:
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