Company No: 651020 - T

FRONTKEN CORPORATION BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2014

FRONTKEN CORPORATION BERHAD
(Incorporated in Malaysia)

FINANCIAL STATEMENTS

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FRONTKEN CORPORATION BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors of **FRONTKEN CORPORATION BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activities of the Company are that of investment holding and provision of management services to its subsidiaries.

The principal activities of the subsidiaries are disclosed in Note 12 to the financial statements.

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

FINANCIAL RESULTS

	The Group RM	The Company RM
Profit after taxation for the financial year	23,188,120	1,609,481
Attributable to:		
Owners of the Company	18,775,293	1,609,481
Non-controlling interests	4,412,827	-
	23,188,120	1,609,481

DIVIDEND

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors do not recommend the payment of any dividends in respect of the current financial year.

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are disclosed in the financial statements.

ISSUES OF SHARES AND DEBENTURES

During the financial year,

(a) there were no changes in the authorised and issued and paid-up share capital of the Company; and

(b) there were no issues of debentures by the Company.

TREASURY SHARES

During the financial year, the Company repurchased 3,020,000 of its issued ordinary shares from the open market at an average price of RM0.122 per share. The total consideration paid for the repurchase including transaction costs amounted to RM369,268. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act 1965 and are presented as a deduction from total equity.

As at 31 December 2014, the Company held 4,866,600 treasury shares at a carrying amount of RM564,995. Relevant details on the treasury shares are disclosed in Note 22 to the financial statements.

OPTIONS GRANTED OVER UNISSUED SHARES

Warrants

The Company had issued 288,973,760 Warrants which were listed on Bursa Malaysia Securities Berhad on 16 March 2010 pursuant to the rights issue on the basis of two Warrants for every two Rights Shares subscribed.

The Warrants are constituted by a Deed Poll dated 22 January 2010 executed by the Company. Each Warrant entitles the registered holder during the exercise period to subscribe for one new ordinary share at the exercise price of RM0.18 per Warrant, subject to adjustment in accordance with the provisions of the Deed Poll. The Warrants not exercised at the date of maturity will thereafter lapse and cease to be valid for any purpose.

The summary of the movements of Warrants is as follows:

		Number of Warrants			
Issue date	**Expiry date**	**Balance as of 1.1.2014**	**Granted**	**Exercised**	**Balance as of 31.12.2014**
11.3.2010	10.3.2015	288,973,760	-	-	288,973,760

The ordinary shares to be issued upon the exercise of Warrants shall rank pari passu in all respects with the existing issued ordinary shares of the Company except that they shall not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment of the new shares arising from the exercise of Warrants.

OTHER FINANCIAL INFORMATION

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment losses on receivables; and

(b) to ensure that any current assets other than debts which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

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

(a) which would cause the amount written off for bad debts or the amount of allowance for impairment losses on receivables in the financial statements of the Group and of the Company to be inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

Other than the contingent liabilities as disclosed in Note 28 to the financial statements, at the date of this report, there does not exist:-

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

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

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the succeeding financial year other than those mentioned in Note 31 to the financial statements.

DIRECTORS

The following directors served on the Board of the Company since the date of the last report:

Ng Wai Pin
Dr. Tay Kiang Meng
Dato' Haji Johar Bin Murat @ Murad
Aaron Sim Kwee Lein
Jorg Helmut Hohnloser
Timo Fabian Seeberger (Alternate to Jorg Helmut Hohnloser)

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares in the Company and its related corporations during the financial year are as follows:

	Number of ordinary shares of RM0.10 each			
	Balance as of 1.1.2014	**Bought**	**Sold**	**Balance as of 31.12.2014**
Shares in the Company				
Direct Interests				
Ng Wai Pin	-	2,000,000	-	2,000,000
Dr. Tay Kiang Meng	9,404,808	-	-	9,404,808
Jorg Helmut Hohnloser	290,991,473	-	-	290,991,473

	Number of warrants 2010/2015			
	Balance as of 1.1.2014	**Bought**	**Sold**	**Balance as of 31.12.2014**
Warrants in the Company				
Direct Interest				
Dr. Tay Kiang Meng	1,187,088	-	-	1,187,088

By virtue of the above directors' interests in the shares of the Company, they are deemed to have interests in the shares of the subsidiaries to the extent the directors have their interests.

The other directors holding office at the end of the financial year had no interests in the shares of the Company or of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements, or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 19 to the financial statements.

Neither during nor at the end of the financial year was the Group or the Company a party to any arrangements whose object is to enable the certain directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 30 to the financial statements.

SUBSEQUENT EVENT AFTER THE FINANCIAL YEAR

The subsequent event after the financial year is disclosed in Note 31 to the financial statements.

AUDITORS

The auditors, Messrs. Crowe Horwath, have expressed their willingness to continue in office.

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

____
NG WAI PIN

____
DR. TAY KIANG MENG

23 April 2015

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF FRONTKEN CORPORATION BERHAD

(Incorporated in Malaysia)
Company No : 651020 - T

Report on the Financial Statements

We have audited the financial statements of Frontken Corporation Berhad, which comprise the statements of financial position as at 31 December 2014 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 10 to 101.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF FRONTKEN CORPORATION BERHAD (CONT'D)
(Incorporated in Malaysia)
Company No : 651020 - T

Opinion

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

Report on Other Legal and Regulatory Requirements

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 12 to the financial statements.

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

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF FRONTKEN CORPORATION BERHAD (CONT'D)
(Incorporated in Malaysia)
Company No : 651020 - T

Other Reporting Responsibilities

The supplementary information set out in Note 34 on page 102 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

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

Crowe Horwath
Firm No : AF 1018
Chartered Accountants

Cheong Tze Yuan
Approval No : 3034/04/16 (J)
Chartered Accountant

23 April 2015

Kuala Lumpur

FRONTKEN CORPORATION BERHAD
(Incorporated in Malaysia)

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

		The Group		The Company	
	Note	**2014**	**2013**	**2014**	**2013**
		RM	**RM**	**RM**	**RM**
Revenue	5	309,845,116	190,611,437	3,726,760	1,627,847
Cost of sales		(240,875,084)	(141,848,035)	-	-
Gross profit		68,970,032	48,763,402	3,726,760	1,627,847
Other income		7,471,374	2,474,785	719,568	633,779
Administrative expenses		(37,116,307)	(31,477,737)	(2,578,858)	(1,979,384)
Other expenses		(9,983,895)	(11,095,569)	(66,569)	(50,385)
Finance costs	6	(1,226,693)	(1,451,334)	(191,420)	(77,823)
Share of results in associates, net of tax		25,331	(1,302,740)	-	-
Profit before tax	7	28,139,842	5,910,807	1,609,481	154,034
Income tax expense	8	(4,951,722)	(5,446,128)	-	-
Profit after tax		23,188,120	464,679	1,609,481	154,034
Other comprehensive (expenses)/income, net of tax					
Items that will not be reclassified subsequently to profit or loss					
Actuarial (losses)/gains		(464,396)	86,928	-	-
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation		2,624,044	4,990,561	-	-
Total comprehensive income		25,347,768	5,542,168	1,609,481	154,034

The accompanying Notes form an integral part of these Financial Statements.

FRONTKEN CORPORATION BERHAD
(Incorporated in Malaysia)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

	Note	The Group 2014 RM	The Group 2013 RM	The Company 2014 RM	The Company 2013 RM
Profit/(Loss) after tax attributable to:					
Owners of the Company		18,775,293	(2,320,798)	1,609,481	154,034
Non-controlling interests		4,412,827	2,785,477	-	-
		23,188,120	464,679	1,609,481	154,034
Total comprehensive income attributable to:					
Owners of the Company		20,869,842	1,326,945	1,609,481	154,034
Non-controlling interests		4,477,926	4,215,223	-	-
		25,347,768	5,542,168	1,609,481	154,034
Earnings/(Loss) per ordinary share attributable to owners of the Company					
Basic (sen)	9	1.86	(0.23)		
Diluted (sen)	9	N/A	N/A		

The accompanying Notes form an integral part of these Financial Statements.

FRONTKEN CORPORATION BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS OF 31 DECEMBER 2014

	Note	The Group 2014 RM	The Group 2013 RM	The Company 2014 RM	The Company 2013 RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	10	135,551,006	144,054,490	95,946	97,863
Investments in subsidiaries	12	-	-	83,423,063	72,600,628
Investments in associates	13	1,732,711	1,665,319	-	-
Goodwill on consolidation	14	33,760,856	25,394,265	-	-
Deferred tax assets	15	1,062,816	665,109	-	-
Fixed deposits with licensed banks	16	911,587	-	-	-
Total Non-Current Assets		173,018,976	171,779,183	83,519,009	72,698,491
Current Assets					
Inventories	17	10,272,374	13,657,557	-	-
Amount owing by a contract customer	18	1,837,000	-	-	-
Trade receivables	19	101,841,731	71,276,490	-	-
Other receivables, deposits and prepaid expenses	19	5,284,164	5,270,088	64,296	23,571
Amount owing by subsidiaries	20	-	-	44,137,370	44,959,267
Amount owing by associates	13	1,183,762	1,346,669	-	-
Tax recoverable		-	345,229	-	-
Fixed deposits with licensed banks	16	11,368,846	1,647,742	8,008,049	950,000
Cash and bank balances		51,575,148	35,463,816	3,394,285	267,937
		183,363,025	129,007,591	55,604,000	46,200,775
Asset held for sale	11	-	1,371,418	-	-
Total Current Assets		183,363,025	130,379,009	55,604,000	46,200,775
Total Assets		356,382,001	302,158,192	139,123,009	118,899,266

The accompanying Notes form an integral part of these Financial Statements.

FRONTKEN CORPORATION BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS OF 31 DECEMBER 2014 (CONT'D)

		The Group		The Company	
	Note	**2014 RM**	**2013 RM**	**2014 RM**	**2013 RM**
EQUITY AND LIABILITIES					
Equity					
Share capital	21	101,140,816	101,140,816	101,140,816	101,140,816
Reserves	22	105,663,068	85,162,494	13,135,640	11,895,427
Equity attributable to owners of the company		206,803,884	186,303,310	114,276,456	113,036,243
Non-controlling interests		32,913,068	27,923,736	-	-
Total Equity		239,716,952	214,227,046	114,276,456	113,036,243
Non-Current Liabilities					
Term loans	23	24,346,498	24,129,289	6,065,730	-
Hire purchase payables	24	1,039,299	1,701,141	-	-
Deferred tax liabilities	15	2,571,891	3,653,351	-	-
Total Non-Current Liabilities		27,957,688	29,483,781	6,065,730	-
Current Liabilities					
Trade payables	25	36,836,178	21,370,123	-	-
Other payables and accrued expenses	25	35,975,693	25,074,408	1,832,062	168,411
Amount owing to subsidiaries	20	-	-	15,138,313	5,694,612
Bank borrowings	26	10,775,062	8,321,860	1,810,448	-
Hire purchase payables	24	1,377,295	2,131,297	-	-
Tax liabilities		3,743,133	1,549,677	-	-
Total Current Liabilities		88,707,361	58,447,365	18,780,823	5,863,023
Total Liabilities		116,665,049	87,931,146	24,846,553	5,863,023
Total Equity and Liabilities		356,382,001	302,158,192	139,123,009	118,899,266

The accompanying Notes form an integral part of these Financial Statements.

FRONTKEN CORPORATION BERHAD
(Incorporated in Malaysia)

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

The Group	Share capital RM	Share premium RM	Treasury shares RM	Foreign currency translation reserve RM	Warrant reserve RM	Statutory reserve RM	Retained earnings RM	Attributable to owners of the Company RM	Non-controlling interests RM	Total RM
	Non-distributable						Distributable			
Balance as of 1 January 2013	101,140,816	9,336,705	(194,860)	6,073,760	882,976	370,502	67,282,552	184,892,451	28,116,325	213,008,776
Other comprehensive income recognised for the financial year:										
- defined benefit plan actuarial gains	-	-	-	-	-	-	50,349	50,349	36,579	86,928
- foreign currency translation differences	-	-	-	3,597,394	-	-	-	3,597,394	1,393,167	4,990,561
Profit after tax for the financial year	-	-	-	-	-	-	(2,320,798)	(2,320,798)	2,785,477	464,679
Total comprehensive income for the financial year	-	-	-	3,597,394	-	-	(2,270,449)	1,326,945	4,215,223	5,542,168
Contributions by and distributions to owners of the Company:										
-Dividends:										
- by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	(409,315)	(409,315)
-Transfer to statutory reserve	-	-	-	-	-	310,202	(310,202)	-	-	-
-Purchase of treasury shares	-	-	(867)	-	-	-	-	(867)	-	(867)
-Loss on winding up of a subsidiary	-	-	-	-	-	-	(85,658)	(85,658)	(85,777)	(171,435)
-Changes in ownership interests in a subsidiary	-	-	-	-	-	-	170,439	170,439	(3,912,720)	(3,742,281)
Balance as of 31 December 2013	101,140,816	9,336,705	(195,727)	9,671,154	882,976	680,704	64,786,682	186,303,310	27,923,736	214,227,046

The accompanying Notes form an integral part of these Financial Statements.

The Group	Non-distributable						Distributable			
	Share capital RM	Share premium RM	Treasury shares RM	Foreign currency translation reserve RM	Warrant reserve RM	Statutory reserve RM	Retained earnings RM	Attributable to owners of the Company RM	Non-controlling interests RM	Total RM
Balance as of 1 January 2014	101,140,816	9,336,705	(195,727)	9,671,154	882,976	680,704	64,786,682	186,303,310	27,923,736	214,227,046
Other comprehensive income recognised for the financial year:										
- defined benefit plan actuarial loss	-	-	-	-	-	-	(268,978)	(268,978)	(195,418)	(464,396)
- foreign currency translation differences	-	-	-	2,363,527	-	-	-	2,363,527	260,517	2,624,044
Profit after tax for the financial year	-	-	-	-	-	-	18,775,293	18,775,293	4,412,827	23,188,120
Total comprehensive income for the financial year	-	-	-	2,363,527	-	-	18,506,315	20,869,842	4,477,926	25,347,768
Contributions by and distributions to owners of the Company:										
-Dividends:										
- by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	(3,212,123)	(3,212,123)
-Acquisition of a subsidiary	-	-	-	-	-	-	-	-	3,258,949	3,258,949
-Issue of shares by a subsidiary	-	-	-	-	-	-	-	-	464,580	464,580
-Transfer to statutory reserve	-	-	-	-	-	609,952	(609,952)	-	-	-
-Purchase of treasury shares	-	-	(369,268)	-	-	-	-	(369,268)	-	(369,268)
Balance as of 31 December 2014	101,140,816	9,336,705	(564,995)	12,034,681	882,976	1,290,656	82,683,045	206,803,884	32,913,068	239,716,952

The accompanying Notes form an integral part of these Financial Statements.

The Company	Non-distributable Share capital	Share premium	Treasury shares	Warrant reserve	Distributable Retained earnings	Total
	RM	RM	RM	RM	RM	RM
Balance as of 1 January 2013	101,140,816	9,336,705	(194,860)	882,976	1,717,439	112,883,076
Profit after taxation/Total comprehensive income for the financial year	-	-	-	-	154,034	154,034
Contribution by and distributions to owners of the Company:						
-Purchase of treasury shares	-	-	(867)	-	-	(867)
Balance as of 31 December 2013	101,140,816	9,336,705	(195,727)	882,976	1,871,473	113,036,243
Balance as of 1 January 2014	101,140,816	9,336,705	(195,727)	882,976	1,871,473	113,036,243
Profit after taxation/Total comprehensive income for the financial year	-	-	-	-	1,609,481	1,609,481
Contribution by and distributions to owners of the Company:						
-Purchase of treasury shares	-	-	(369,268)	-	-	(369,268)
Balance as of 31 December 2014	101,140,816	9,336,705	(564,995)	882,976	3,480,954	114,276,456

The accompanying Notes form an integral part of these Financial Statements.

FRONTKEN CORPORATION BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

	The Group		The Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
CASH FLOWS FROM/ (FOR) OPERATING ACTIVITIES				
Profit before tax	28,139,842	5,910,807	1,609,481	154,034
Adjustments for:				
Depreciation of property, plant and equipment	18,423,125	18,744,297	19,697	20,270
Interest expense	1,226,693	1,451,334	191,420	77,823
Allowance for impairment loss on plant and equipment	963,857	-	-	-
Unrealised (gain)/loss on foreign exchange	(1,215,953)	389,365	699,660	598,744
Allowance for impairment losses on receivables	823,534	1,199,949	-	-
Impairment loss on investment in subsidiaries	-	-	215,187	-
Allowance for impairment loss on inventories	937,972	-	-	-
Bad debts written off	427,195	1,421,170	-	-
Property, plant and equipment written off	325,553	149,714	-	-
Share of results in associates	(25,331)	1,302,740	-	-
Loss on disposal of asset held for sale	-	134,425	-	-
Interest income	(321,630)	(170,055)	(679,770)	(631,910)
Loss/(Gain) on disposal of property, plant and equipment	756,827	(55,727)	(1,200)	-
Reversal of allowance for impairment loss on amount owing by subsidiaries	-	-	(14,623)	-
Writeback of allowance for impairment losses on trade receivables	(148,158)	(361,136)	-	-
Gain on disposal of investment in associates	(2,945,303)	-	-	-
Gain on dilution on investment in subsidiaries	(65,203)	-	-	-
Dividend income from subsidiaries	-	-	(3,694,760)	(1,613,447)
Operating Profit/(Loss) Before Working Capital Changes	47,303,020	30,116,883	(1,654,908)	(1,394,486)

The accompanying Notes form an integral part of these Financial Statements.

	The Group		The Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Decrease/(Increase) in:				
Inventories	2,576,453	(2,221,540)	-	-
Amount owing by a contract customer	(1,837,000)	500,736	-	-
Trade receivables	(28,237,306)	(4,495,067)	-	-
Other receivables and prepaid expenses	(225,112)	201,814	(40,725)	2,246
Amount owing by associates	189,173	848,209	-	-
Increase/(Decrease) in:				
Trade payables	14,960,491	6,232,154	-	-
Other payables and accrued expenses	10,508,360	7,091,215	1,663,651	(39,026)
Amount owing to a director	-	(3,286)	-	-
Cash Generated From/ (For) Operations	45,238,079	38,271,118	(31,982)	(1,431,266)
Taxes paid	(4,566,029)	(1,590,281)	-	-
Net Cash From/(For) Operating Activities	40,672,050	36,680,837	(31,982)	(1,431,266)
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES				
Repayment from subsidiaries	-	-	836,520	1,086,089
Purchase of property, plant and equipment	(8,470,048)	(5,336,539)	(17,780)	(5,000)
Dividend received from subsidiaries	-	-	3,694,760	1,613,447
Acquisition of subsidiaries	-	(3,742,281)	(11,037,622)	(3,742,281)
Net cash outflow on acquisition of a subsidiary (Note 12)	(7,397,296)	-	-	-
Loss on winding up of a subsidiary	-	(171,435)	-	-
Proceeds from disposal of property, plant and equipment	539,776	110,927	1,200	-
Proceeds from disposal of asset held for sale	-	985,834	-	-
Proceeds from disposal of associates	4,414,900	-	-	-
Net (placement)/withdrawal of fixed deposits with licensed banks	(10,573,305)	(26,750)	(8,008,049)	-
Interest received	321,630	170,055	679,770	631,910
Net Cash For Investing Activities	(21,164,343)	(8,010,189)	(13,851,201)	(415,835)

The accompanying Notes form an integral part of these Financial Statements.

	Note	The Group 2014 RM	The Group 2013 RM	The Company 2014 RM	The Company 2013 RM
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES					
Decrease in amount owing to subsidiaries		-	-	8,677,189	(279,556)
Treasury shares acquired		(369,268)	(867)	(369,268)	(867)
Issue of shares by a subsidiary to non-controlling interests		529,783	-	-	-
Repayment of term loans		(9,233,494)	(28,780,397)	(123,822)	-
Interest paid		(1,226,693)	(1,451,334)	(191,420)	(77,823)
Dividend paid by a subsidiary to non-controlling interests		(3,212,123)	(409,315)	-	-
Drawdown of term loans		11,570,615	-	8,000,000	-
Payment of hire purchase payables		(2,484,662)	(3,463,099)	-	-
Net Cash (For)/From Financing Activities		(4,425,842)	(34,105,012)	15,992,679	(358,246)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		15,081,865	(5,434,364)	2,109,496	(2,205,347)
Effect of exchange rate changes		1,079,467	1,061,641	66,852	(639)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		36,413,816	40,786,539	1,217,937	3,423,923
CASH AND CASH EQUIVALENTS AT END OF YEAR	*	52,575,148	36,413,816	3,394,285	1,217,937

Note : During the financial year, the Group and the Company acquired property, plant and equipment at an aggregate cost of RM9,081,615 and RM17,780 (2013 : RM6,279,920 and RM5,000), respectively, of which RM611,567 and NIL (2013 : RM943,381 and NIL), respectively, was acquired under hire-purchase arrangements.

*

	The Group 2014 RM	The Group 2013 RM	The Company 2014 RM	The Company 2013 RM
CASH AND CASH EQUIVALENTS				
Cash and bank balances	51,575,148	35,463,816	3,394,285	267,937
Fixed deposits with licensed banks	12,280,433	1,647,742	8,008,049	950,000
	63,855,581	37,111,558	11,402,334	1,217,937
Less: Fixed deposits pledged with banks	(4,240,380)	(482,406)	(1,008,049)	-
Less: Fixed deposits with maturity period more than 3 months	(7,040,053)	(215,336)	(7,000,000)	-
Cash and cash equivalents	52,575,148	36,413,816	3,394,285	1,217,937

The accompanying Notes form an integral part of these Financial Statements.

FRONTKEN CORPORTION BERHAD
AND ITS SUBSIDIARIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

The principal activity of the Company is that of investment holding and provision of management services to its subsidiaries.

The principal activities of the subsidiaries are disclosed in Note 12 to the financial statements.

There have been no significant changes in the nature of the activities of the Company and of its subsidiaries during the financial year.

The registered office of the Company is located at B-11-10, Level 11, Megan Avenue II, Jalan Yap Kwan Seng, 50450 Kuala Lumpur, Malaysia.

The principal place of business of the Company is located at Suite 301, Block F, Pusat Dagangan Phileo Damansara 1, No. 9, Jalan 16/11, Off Jalan Damansara, 46350 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

The financial statements of the Group and of the Company have been authorised by the Board of Directors for issuance on 23 April 2015.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

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

2.1 During the current financial year, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments, if any):-

MFRSs and IC Interpretations (Including The Consequential Amendments)

Amendments to MFRS 10, MFRS 12 and MFRS 127 (2011): Investment Entities

Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities

Amendments to MFRS 136: Recoverable Amount Disclosures for Non-financial Assets

Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting

IC Interpretation 21 Levies

The adoption of the above accounting standards and interpretations (including the consequential amendments) did not have any material impact on the Group's financial statements.

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

2.2 The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2017
Amendments to MFRS 10 and MFRS 128 (2011): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 (2011): Investment Entities – Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 101: Presentation of Financial Statements – Disclosure Initiative	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture – Bearer Plants	1 January 2016
Amendments to MFRS 119: Defined Benefit Plans – Employee Contributions	1 July 2014
Amendments to MFRS 127 (2011): Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements to MFRSs 2010 – 2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011 – 2013 Cycle	1 July 2014
Annual Improvements to MFRSs 2012 – 2014 Cycle	1 January 2016

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

The above accounting standards and interpretations (including the consequential amendments) are not relevant to the Group's operations except as follows:-

(i) MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces the existing guidance in MFRS 139 and introduces a revised guidance on the classification and measurement of financial instruments, including a single forward-looking 'expected loss' impairment model for calculating impairment on financial assets, and a new approach to hedge accounting. Under this MFRS 9, the classification of financial assets is driven by cash flow characteristics and the business model in which a financial asset is held.

(ii) MFRS 15 establishes a single comprehensive model for revenue recognition and will supersede the current revenue recognition guidance and other related interpretations when it becomes effective. Under MFRS 15, an entity shall recognise revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customers. In addition, extensive disclosures are required by MFRS 15. The Group anticipates that the application of MFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the financial statements. However, it is not practicable to provide a reasonable estimate of the financial impacts of MFRS 15 until the Group performs a detailed review.

(iii) The amendments to MFRS 119 simplify the accounting treatment of contributions from employees and third parties to defined benefit plans. Contributions that are independent of the number of years of service shall be recognised as a reduction in the service cost in the period in which the related service is rendered. For contributions that are dependent on the number of years of service, the Group is required to attribute those contributions to periods of service using either based on the plan's contribution formula or on a straight-line basis, as appropriate. However, it is not practicable to provide a reasonable estimate of the financial impacts of MFRS 119 until the Group performs a detailed review.

3. SIGNIFICANT ACCOUNTING POLICIES

Critical Accounting Estimates And Judgements

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:

(i) Impairment of Goodwill

Goodwill is tested for impairment annually and at other times when such indicators exists. This requires management to estimate the expected future cash flows of the cash-generating unit to which goodwill is allocated and to apply a suitable discount rate in order to determine the present value of those cash flows. The future cash flows are most sensitive to budgeted gross margins, growth rates estimated and discount rate used. If the expectation is different from the estimation, such difference will impact the carrying value of goodwill.

(ii) Contract Customers

The Group recognises contract customers in the profit or loss by using the stage of percentage-of-completion method, which is the standard for similar industries.

The stage of completion is determined by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Estimated losses are recognised in full when determined. Contract costs estimates are reviewed and revised periodically as work progresses and as variation orders are approved.

Significant judgement is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue and costs as well as the recoverability of the project undertaken. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists. If the Group is unable to make reasonably dependable estimates, the Group would not recognise any profit before a contract is completed, but would recognise a loss as soon as the loss becomes evident.

Adjustments based on the percentage-of-completion method are reflected in contract revenue in the reporting period. To the extent that these adjustments result in a reduction or elimination of previously reported amount due from contract customers and contract revenue and costs, the Group recognises a charge or credit against current earnings and amounts in prior periods, if any, are not restated.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Critical Accounting Estimates And Judgements (Cont'd)

(iii) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(iv) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

(v) Impairment of Non-Financial Assets

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(vi) Impairment of Trade and Other Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Critical Accounting Estimates And Judgements (Cont'd)

(vii) Classification of Leasehold Land

The classification of leasehold land as a finance lease or an operating lease requires the use of judgement in determining the extent to which risks and rewards incidental to its ownership lie. Despite the fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated to the fair value of the land at the inception of the lease. Accordingly, management judged that the Group has acquired substantially all the risks and rewards incidental to the ownership of the land through a finance lease.

(viii) Fair Value Estimates for Certain Financial Assets and Liabilities

The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

(ix) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

Assets Held For Sale

Assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Upon classification as held for sale, assets or components of a disposal group are not depreciated and are measured at the lower of their carrying amount and fair value less cost to sell. Any differences are recognised in profit or loss.

Operating Segments

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

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Revenue Recognition

(i) Services

Revenue is recognised upon the rendering of services and when the outcome of the transaction can be estimated reliably. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

(ii) Sale of goods

Revenue is recognised upon delivery of goods and customers' acceptance and where applicable, net of returns and trade discounts.

(iii) Contracts

Revenue relating to contracts are accounted for under the percentage-of-completion method.

(iv) Management fee

Management fee is recognised on an accrual basis.

(v) Interest income

Interest income is recognised on an accrual basis using the effect interest method.

(vi) Dividend income

Dividend income from investment is recognised when the right to receive dividend payment is established.

Income Taxes

Income tax for the year comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the reporting period and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Income Taxes (Cont'd)

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

Government Grants

Grants from the government are recognised initially as deferred income at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Grants that compensate the Group for expenses incurred are recognised in profit or loss over the periods necessary to match the grants with the related costs which they are intended to compensate on a systematic basis.

Grants that compensate the Group for the cost of an asset are recognised in profit or loss over the expected useful life of the relevant asset on a systematic basis.

Borrowing Costs

Borrowing costs, directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

All other borrowing costs are recognised in profit or loss as expenses in the period in which they incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Contract Customers

When the outcome of a contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Employee Benefits

(i) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

(ii) Defined contribution plans

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

(iii) Defined benefit plans

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary using the projected unit credit with service increment method. When the calculation results in a benefit to the Group, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group of it is realisable during the life of the plan, or on settlement of the plan liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Employee Benefits (Cont'd)

(iii) Defined benefit plans (Cont'd)

When the benefits of a plan are improved, the portion of the increased benefit relating to the past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

The Group recognises all actuarial gains and losses arising from defined benefit plans in other comprehensive income and all expenses related to defined benefit plans in personnel expenses in profit or loss.

The Group recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, change in the present value of defined benefit obligation and any related actuarial gains and losses and past service cost that had not previously been recognised.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities (including structured entities) controlled by the Group. 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 consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

(a) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Consolidation (Cont'd)

(a) Business Combinations (Cont'd)

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

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

(b) Non-Controlling Interests

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

At the end of each reporting period, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

(c) Changes In Ownership Interests In Subsidiaries Without Change of Control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

(d) Loss of Control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Basis of Consolidation (Cont'd)

(d) Loss of Control (Cont'd)

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

Intangible Assets

Intangible assets, other than goodwill, that are acquired by the Group, which have finite useful lives, are measured at cost less any accumulated amortisation and any impairment losses.

Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

Goodwill

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised as a gain in profit or loss.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Functional and Foreign Currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

(ii) Transactions and balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

(iii) Foreign operations

Assets and liabilities of foreign operations are translated to RM at the rates of exchange ruling at the end of the reporting period. Revenues and expenses of foreign operations are translated at exchange rates ruling at the dates of the transactions. All exchange differences arising on translation are taken directly to other comprehensive income and accumulated in equity under translation reserve. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is reclassified from equity to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Instruments

Financial instruments are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(i) Financial assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

- Financial assets at fair value through profit or loss

  As at the end of the reporting period, there were no financial assets classified under this category.

- Held-to-maturity investments

  As at the end of the reporting period, there were no financial assets classified under this category.

- Loans and receivables financial assets

  Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Financial Instruments (Cont'd)

(i) Financial assets (Cont'd)

- Loans and receivables financial assets (Cont'd)

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

- Available-for-sale financial assets

  As at the end of the reporting period, there were no financial assets classified under this category.

(ii) Financial liabilities

All financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(iii) Equity instruments

Instruments classified as equity are measured at cost and are not remeasured subsequently.

- Ordinary shares

  Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from proceeds.

  Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

- Treasury Shares

  When the Company's own shares recognised as equity are bought back, the amount of the consideration paid, including all costs directly attributable, are recognised as a deduction from equity. Own shares purchased that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity. Where such shares are subsequently sold or reissued, any consideration received, net of any direct costs, is included in equity.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Financial Instruments (Cont'd)

(iv) Derecognition

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

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

Property, Plant and Equipment

Property, plant and equipment other than freehold land are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Freehold land is stated at cost less impairment losses, if any and is not depreciated.

Depreciation is charged to profit or loss (unless it is included in the carrying amount of another asset) on the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Freehold buildings	50 years
Long leasehold buildings	50 years
Leasehold land	47 - 60 years
Factory and office renovation	10%
Plant and machinery	10% - 20%
Workshop tools	20%
Office equipment	33.3% - 80%
Furniture and fittings	20% - 33.3%
Motor vehicles	14%
Computers	33% - 85.7%

Capital work-in-progress is stated at cost. Cost comprises the direct expenditure incurred on the construction and commissioning of the capital asset. Capital work-in-progress is not depreciated until its completion and availability for commercial use.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Property, Plant and Equipment (Cont'd)

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset is recognised in profit or loss.

Investments in Subsidiaries

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

Investments in Associates

An associate is an entity in which the Group has a long-term equity interest and where it exercises significant influence over the financial and operating policies.

The investment in an associate is accounted for in the consolidated statement of financial position using the equity method, based on the financial statements of the associate made up to 31 December 2014. The Group's share of the post-acquisition profits and other comprehensive income of the associate is included in the consolidated statement of comprehensive income after adjustment if any, to align the accounting policies with those of the Group, from the date that significant influence commences up to the effective date on which significant influence ceases or when the investment is classified as held for sale. The Group's interest in the associate is carried in the consolidated statement of financial position at cost plus the Group's share of the post-acquisition retained profits and reserves. The cost of investment includes transaction costs.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Investments in Associates (Cont'd)

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation.

Unrealised gains on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are eliminated unless cost cannot be recovered.

When the Group ceases to have significant influence over an associate and the retained interest in the former associate is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as the initial carrying amount of the financial asset in accordance with MFRS 139. Furthermore, the Group also reclassifies its share of the gain or loss previously recognised in other comprehensive income of that associate to profit or loss when the equity method is discontinued. However, the Group will continue to use the equity method if the dilution does not result in a loss of significant influence or when an investment in a joint venture becomes an investment in an associate. Under such changes in ownership interest, the retained investment is not remeasured to fair value but a proportionate share of the amounts previously recognised in other comprehensive income of the associate will be reclassified to profit or loss where appropriate. All dilution gains or losses arising in investments in associates are recognised in profit or loss.

Impairment

(i) Impairment of Financial Assets

All financial assets (other than those categorised at fair value through profit or loss) are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Impairment of Non-Financial assets (Cont'd)

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value in use, which is measured by reference to discounted future cash flow.

An impairment loss is recognised in profit or loss immediately.

In respect of assets other than goodwill, when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised.

Assets Under Finance Leases and Hire Purchase

Leases of plant and equipment where substantially all the benefits and risks of ownership are transferred to the Group are classified as finance leases. Plant and equipment acquired under finance lease and hire purchase are capitalised in the financial statements at the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease and hire purchase payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding outstanding obligations due under the finance lease and hire purchase after deducting finance charges are included as liabilities in the financial statements.

Finance charges are recognised in profit or loss over the period of the respective lease and hire purchase agreements.

Plant and equipment acquired under finance leases and hire purchase are depreciated over the useful lives of the assets. If there is no reasonable certainty that the ownership will be transferred to the Group, the assets are depreciated over the shorter of the lease terms and their useful lives.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in-first-out basis and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less the estimated costs necessary to make the sale.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturities period three months or less.

During the current financial year, the Group excluded deposits pledged to financial institutions from cash and cash equivalents for the purpose of the statements of cash flows. This change has been applied retrospectively with an adjustment made against the opening balance of the cash and cash equivalents as at 1 January 2013.

Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle that obligation, and when a reliable estimate of the amount can be made. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

At end of each reporting period, the provisions are reviewed by the directors and adjusted to reflect the current best estimate. The provisions are reversed if it is no longer probable that the Group and the Company will be required to settle the obligation. The unwinding of the discount is recognised as interest expense in profit or loss.

Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market's participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

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

Level 2: Inputs other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Related Parties

A party is related to an entity (referred to as the "reporting entity") if:-

(a) A person or a close member of that person's family is related to a reporting entity if that person:-

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:-

- (i) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) both entities are joint ventures of the same third party.
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) the entity is controlled or jointly controlled by a person identified in (a) above.
- (vii) a person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

4. OPERATING SEGMENTS

The Group has one reportable segment as the Group is principally engaged in one business segment which is the provision of engineering services.

The Group Chief Executive Officer (the chief operating decision maker) review internal management report at least on a quarterly basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

The Group is organised into the following geographical segments:
- Malaysia
- Singapore
- Philippines
- Taiwan
- China
- Indonesia

4. OPERATING SEGMENTS (CONT'D)

The Group 2014	Malaysia RM	Singapore RM	Philippines RM	Taiwan RM	China RM	Indonesia RM	Elimination RM	Reportable segment Total RM
	← Geographical segment					→		
Revenue								
External sales	147,124,091	58,627,594	10,289,216	91,621,197	214,246	1,968,772	-	309,845,116
Inter-segment sales	821,422	8,371,800	1,255,871	645,967	-	117,971	(11,213,031)	-
Total revenue	147,945,513	66,999,394	11,545,087	92,267,164	214,246	2,086,743	(11,213,031)	309,845,116
Results								
Segment results	16,378,607	1,222,285	1,617,650	15,091,782	(2,883,258)	(418,239)	(4,934,556)	26,074,271
Share of results in associates								25,331
Interest income								321,630
Gain on disposal of investment in associates								2,945,303
Finance costs								(1,226,693)
Profit before tax								28,139,842
Income tax expense								(4,951,722)
Profit after tax								23,188,120

4. OPERATING SEGMENTS (CONT'D)

The Group 2014	Malaysia RM	Singapore RM	Philippines RM	Taiwan RM	China RM	Indonesia RM	Elimination RM	Reportable segment Total RM
	← Geographical segment					→		
Assets								
Non-current assets								
- Property, plant and equipment	33,277,936	43,177,243	3,917,065	51,703,705	-	3,475,057	-	135,551,006
- Investment in associates	-	1,732,711	-	-	-	-	-	1,732,711
	33,277,936	44,909,954	3,917,065	51,703,705	-	3,475,057	-	137,283,717
- Deferred tax assets	-	-	-	1,062,816	-	-	-	1,062,816
- Others	34,672,443	-	-	-	-	-	-	34,672,443
Current assets	90,760,581	80,448,412	8,912,829	54,229,563	1,060,555	921,101	(52,970,016)	183,363,025
Consolidated total assets								356,382,001
Liabilities								
Tax liabilities	1,045,910	2,727,992	163,235	2,377,887	-	-	-	6,315,024
Segment liabilities	91,270,779	32,636,762	3,088,015	63,164,763	49,495	7,475,746	(87,335,535)	110,350,025
Consolidated total liabilities								116,665,049
Other Information								
Capital expenditure	1,616,578	1,011,166	105,806	6,320,836	-	27,229	-	9,081,615
Depreciation	5,920,995	7,754,706	814,899	3,395,477	226,290	310,758	-	18,423,125
Other non-cash items								
-income	(139,242)	979,292	196,065	230,623	-	97,373	-	1,364,111
-expenses	1,573,558	955,979	-	469,347	1,236,054	-	-	4,234,938

4. OPERATING SEGMENTS (CONT'D)

The Group 2013	Geographical segment Malaysia RM	Singapore RM	Philippines RM	Taiwan RM	China RM	Indonesia RM	Elimination RM	Reportable segment Total RM
Revenue								
External sales	33,606,465	74,094,343	13,305,053	65,305,578	2,579,049	1,720,949	-	190,611,437
Inter-segment sales	99,037	5,653,555	636,649	424,239	-	18,733	(6,832,213)	-
Total revenue	33,705,502	79,747,898	13,941,702	65,729,817	2,579,049	1,739,682	(6,832,213)	190,611,437
Results								
Segment results	(665,499)	2,471,708	1,875,057	9,441,603	(1,175,610)	(1,617,939)	(1,834,494)	8,494,826
Share of results in associates								(1,302,740)
Interest income								170,055
Finance costs								(1,451,334)
Profit before tax								5,910,807
Income tax expense								(5,446,128)
Profit after tax								464,679

4. OPERATING SEGMENTS (CONT'D)

The Group 2013	Malaysia RM	Singapore RM	Philippines RM	Taiwan RM	China RM	Indonesia RM	Elimination RM	Reportable segment Total RM
	Geographical segment							
Assets								
Non-current assets								
- Property, plant and equipment	36,602,307	49,360,231	4,428,801	48,843,482	1,240,433	3,579,236	-	144,054,490
- Investment in associates	-	1,665,319	-	-	-	-	-	1,665,319
	36,602,307	51,025,550	4,428,801	48,843,482	1,240,433	3,579,236	-	145,719,809
- Deferred tax assets	-	-	-	665,109	-	-	-	665,109
- Others	25,394,265	-	-	-	-	-	-	25,394,265
Current assets	47,833,198	67,163,673	9,130,810	48,726,035	2,354,629	897,577	(45,726,913)	130,379,009
Consolidated total assets								302,158,192
Liabilities								
Tax liabilities	207,000	3,166,120	189,447	1,640,461	-	-	-	5,203,028
Segment liabilities	47,444,662	30,917,616	5,685,282	62,443,088	1,047,195	6,954,765	(71,764,490)	82,728,118
Consolidated total liabilities								87,931,146
Other Information								
Capital expenditure	1,564,761	1,082,014	60,995	3,494,583	57,681	19,886	-	6,279,920
Depreciation	5,750,452	8,145,615	973,549	3,421,758	149,615	303,308	-	18,744,297
Other non-cash items								
-income	227,514	45,816	-	143,533	-	-	-	416,863
-expenses	2,989,409	147,130	116,262	(820,058)	-	861,880	-	3,294,623

4. OPERATING SEGMENTS (CONT'D)

Other significant non-cash expenses/(income) consists of the following:-

	The Group	
	2014	2013
	RM	RM
Allowance for impairment losses on		
- Plant and equipment	963,857	-
- Receivables	823,534	1,199,949
- Inventories	937,972	-
Bad debts written off	427,195	1,421,170
Unrealised loss on foreign exchange - net	-	389,365
Property, plant and equipment written off	325,553	149,714
Loss on disposal of asset held for sale	-	134,425
Loss on disposal of property, plant and equipment	756,827	-
	4,234,938	3,294,623
Writeback of allowance for impairment losses on trade receivables	(148,158)	(361,136)
Unrealised gain on foreign exchange - net	(1,215,953)	-
Gain on disposal of property, plant and equipment	-	(55,727)
	(1,364,111)	(416,863)

Major customers

Revenue from one major customer, with revenue equal or more than 10% of the Group's revenue, amounted to RM87,127,641 (2013: Nil).

5. REVENUE

	The Group		The Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Provision of services	123,253,851	151,565,176	-	-
Contract customers	93,886,515	25,201,256	-	-
Sale of goods	92,704,750	13,845,005	-	-
Dividend income from subsidiaries	-	-	3,694,760	1,613,447
Management fee from subsidiaries	-	-	32,000	14,400
	309,845,116	190,611,437	3,726,760	1,627,847

6. FINANCE COSTS

	The Group		The Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Interest expense on:				
Term loans	839,515	975,215	112,390	-
Hire purchase	271,881	401,074	-	-
Money market loan	92,478	75,045	-	-
Bank overdrafts	22,819	-	-	-
	1,226,693	1,451,334	112,390	-
Amount owing to subsidiaries	-	-	79,030	77,823
	1,226,693	1,451,334	191,420	77,823

7. PROFIT BEFORE TAX

Profit before tax is arrived at after crediting/(charging) the following:

	The Group		The Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Interest income from:				
Subsidiaries	-	-	480,371	499,983
Third parties	321,630	170,055	199,399	131,927
Dividend income from subsidiaries	-	-	3,694,760	1,613,447
Reversal of impairment loss on amount owing by subsidiaries	-	-	14,623	-
Writeback of allowance for impairment losses on trade receivables	148,158	361,136	-	-
Gain on disposal of investment in associates	2,945,303	-	-	-
Gain on dilution on investment in subsidiaries	65,203	-	-	-
Gain/(Loss) on foreign exchange - net:				
Unrealised	1,215,953	(389,365)	(699,660)	(598,744)
Realised	790,733	165,685	23,975	1,869
(Loss)/Gain on disposal of property, plant and equipment	(756,827)	55,727	1,200	-
Staff costs	(68,309,517)	(62,203,490)	(691,918)	(570,791)
Sub-contractor works	(89,630,245)	(20,637,799)	-	-
Depreciation of property, plant and equipment	(18,423,125)	(18,744,297)	(19,697)	(20,270)

7. PROFIT BEFORE TAX (CONT'D)

Profit before tax is arrived at after crediting/(charging) the following: (Cont'

Directors' remuneration:				
Fees:				
Executive Directors	(30,930)	-	-	-
Non-executive Directors	(130,402)	(130,398)	(130,402)	(130,398)
Salaries and other emoluments:				
Executive Directors	(3,038,700)	(2,654,539)	(90,710)	(82,679)
Auditors' remuneration				
- current year	(569,168)	(602,187)	(77,000)	(74,000)
Property, plant and equipment written off	(325,553)	(149,714)	-	-
Loss on disposal of asset held for sale	-	(134,425)	-	-
Allowance for impairment loss on plant and equipment	(963,857)	-	-	-
Allowance for impairment losses on receivables	(823,534)	(1,199,949)	-	-
Impairment loss on investment in subsidiaries	-	-	(215,187)	-
Allowance for impairment loss on inventories	(937,972)	-	-	-
Bad debts written off	(427,195)	(1,421,170)	-	-

(a) **Staff costs**

Staff costs include salaries, bonuses, contributions to statutory defined contribution plans, defined benefits plan and all other staff related expenses. Contributions to statutory defined contribution plans and defined benefits plan, included in staff costs, made by the Group and by the Company during the financial year are as follows:

	The Group		**The Company**	
	2014	**2013**	**2014**	**2013**
	RM	**RM**	**RM**	**RM**
Defined contribution plan	4,020,555	3,711,726	82,257	67,930
Defined benefits plan	361,884	101,416	-	-

(b) **Key management personnel compensation**

The remuneration of the members of key management included in staff costs is as follows:

	The Group		**The Company**	
	2014	**2013**	**2014**	**2013**
	RM	**RM**	**RM**	**RM**
Short-term employee benefits	7,327,250	6,047,754	395,744	346,648

7. PROFIT BEFORE TAX (CONT'D)

(c) Directors' remuneration

Contributions to provident fund, included in directors' remuneration, made by the Group and Company during the current financial year amounted to RM43,350 (2013: RM150,757) and RM13,090 (2013: RM11,934) respectively.

The estimated monetary value of benefits-in-kind received and receivable by the directors otherwise than in cash from the Group amounted to NIL (2013: RM44,404).

8. INCOME TAX EXPENSE

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Estimated current tax payable:				
Malaysian:				
- Current year	2,835,454	281,000	-	-
- (Over)/Underprovision in prior years	(14,179)	46,028	-	-
	2,821,275	327,028	-	-
Foreign:				
- Current year	3,327,342	1,687,774	-	-
- Underprovision in prior years	256,484	455,904	-	-
	3,583,826	2,143,678	-	-
	6,405,101	2,470,706	-	-
Deferred tax (Note 15):				
- Current year	(852,440)	94,315	-	-
- (Over)/Underprovision in prior years	(600,939)	2,881,107	-	-
	(1,453,379)	2,975,422	-	-
	4,951,722	5,446,128	-	-

8. INCOME TAX EXPENSE (CONT'D)

A reconciliation of income tax expense at the applicable statutory income tax rate to income tax expense at the effective income tax rate is as follows:

	The Group		The Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Profit before tax	28,139,842	5,910,807	1,609,481	154,034
Tax at the applicable tax rate of 25% (2013 : 25%)	7,034,961	1,477,702	402,370	38,509
Effect of different tax rates of other tax jurisdictions	(1,564,212)	(1,244,547)	-	-
Tax effects of:				
Non-deductible expenses	1,281,652	1,716,149	521,320	364,853
Income not subject to tax	(483,479)	(188,672)	(923,690)	(403,362)
Utilisation of deferred tax assets previously not recognised	(692,523)	(517,564)	-	-
Utilisation of unabsorbed reinvestment allowances	(806,000)	-	-	-
Tax incentives	(133,922)	(117,247)	-	-
Income tax exemption	(183,707)	(97,838)	-	-
Deferred tax assets not recognised during the year	863,919	709,928	-	-
Under/(Over)provision in prior years				
- Current tax	242,305	501,932	-	-
- Deferred tax	(600,939)	2,881,107	-	-
Effect of share of results in associates	(6,333)	325,178	-	-
Income tax expense	4,951,722	5,446,128	-	-

The statutory tax rate will be reduced to 24% from the current financial year's rate of 25%, effective year of assessment 2016.

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing profit/(loss) for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

		The Group	
		2014	**2013**
Profit/(Loss) for the year attributable to owners of the Company	(RM)	18,775,293	(2,320,798)
Number of shares in issue as of January 1		1,011,408,160	1,011,408,160
Effects of:			
Treasury shares acquired		(2,493,970)	(1,840,055)
Weighted average number of ordinary shares for basic earnings per share computation		1,008,914,190	1,009,568,105
Effects of dilution - warrants		-	-
Weighted average number of ordinary shares for diluted earnings per share computation		1,008,914,190	1,009,568,105
Basic earnings/(loss) per ordinary share attributable to equity holders of the Company(sen)		1.86	(0.23)

The diluted earnings per share at the end of the reporting period was not presented as the average market value of the ordinary shares of the Company is lower than the exercise price for the outstanding warrants and any exercise of warrants would be antidilutive.

10. PROPERTY, PLANT AND EQUIPMENT

The Group	As at 1 January 2013 RM	Foreign currency translation differences RM	Reclassifications RM	Additions RM	Write-offs RM	Disposals RM	As at 31 December 2013 RM
	COST						
Freehold land	16,566,714	610,965	-	-	-	-	17,177,679
Freehold buildings	36,567,680	1,600,771	111,743	490,130	-	-	38,770,324
Long leasehold land	3,664,274	-	711,823	-	-	-	4,376,097
Long leasehold buildings	34,496,136	1,039,613	636,136	-	-	-	36,171,885
Factory and office renovation	22,460,206	397,531	409,824	103,357	(98,000)	-	23,272,918
Plant and machinery	143,305,233	3,331,739	2,505,054	2,493,653	(932,789)	(181,225)	150,521,665
Workshop tools	2,448,106	3,776	-	63,335	(6,650)	-	2,508,567
Office equipment	11,473,027	383,635	-	221,203	(128,592)	(278,030)	11,671,243
Furniture and fittings	908,804	(3,139)	-	6,717	(906)	-	911,476
Motor vehicles	5,456,433	168,926	-	148,000	-	(294,367)	5,478,992
Computers	2,782,771	84,891	-	358,981	(70,914)	-	3,155,729
Capital work-in-progress	2,722,626	(292,638)	(4,374,580)	2,394,544	(25,872)	-	424,080
Total	282,852,010	7,326,070	-	6,279,920	(1,263,723)	(753,622)	294,440,655

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

The Group	As at 1 January 2014	Arising from acquisition of a subsidiary	Foreign currency translation differences	Reclassifications	Additions	Write-offs	Disposals	As at 31 December 2014
	COST							
	RM	RM	RM	RM	RM	RM	RM	RM
Freehold land	17,177,679	-	75,697	-	-	-	-	17,253,376
Freehold buildings	38,770,324	-	201,557	99,614	310,574	(71,787)	-	39,310,282
Long leasehold land	4,376,097	297,217	31,754	-	-	-	-	4,705,068
Long leasehold buildings	36,171,885	-	604,549	-	-	-	-	36,776,434
Factory and office renovation	23,272,918	135,518	345,912	-	53,113	(70,500)	-	23,736,961
Plant and machinery	150,521,665	988,569	1,940,372	2,726,445	2,342,931	(3,866,733)	(1,967,630)	152,685,619
Workshop tools	2,508,567	-	2,317	-	80,281	(75,443)	-	2,515,722
Office equipment	11,671,243	297,905	189,552	-	351,108	(5,213,702)	(216,575)	7,079,531
Furniture and fittings	911,476	-	7,384	-	29,658	-	-	948,518
Motor vehicles	5,478,992	1,368,283	49,518	-	396,806	(249,943)	(390,131)	6,653,525
Computers	3,155,729	-	20,813	-	197,819	(3,050)	-	3,371,311
Capital work-in-progress	424,080	-	1,274	(2,826,059)	5,319,325	(11,302)	-	2,907,318
Total	294,440,655	3,087,492	3,470,699	-	9,081,615	(9,562,460)	(2,574,336)	297,943,665

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

	ACCUMULATED DEPRECIATION					
The Group	**As at 1 January 2013** RM	**Foreign currency translation differences** RM	**Charge for the year** RM	**Write-offs** RM	**Disposals** RM	**As at 31 December 2013** RM
Freehold land	-	-	-	-	-	-
Freehold buildings	11,224,483	530,303	953,721	-	-	12,708,507
Long leasehold land	359,402	-	61,966	-	-	421,368
Long leasehold buildings	7,499,510	281,512	1,228,070	-	-	9,009,092
Factory and office renovation	8,413,730	201,658	1,876,611	(13,067)	-	10,478,932
Plant and machinery	85,326,199	2,613,814	12,104,775	(896,697)	(154,894)	98,993,197
Workshop tools	1,601,962	2,777	313,379	(4,212)	-	1,913,906
Office equipment	7,656,343	289,725	1,593,954	(128,482)	(249,161)	9,162,379
Furniture and fittings	642,472	(1,374)	103,378	(906)	-	743,570
Motor vehicles	4,061,756	135,918	325,829	-	(294,367)	4,229,136
Computers	2,531,770	82,339	182,614	(70,645)	-	2,726,078
Capital work-in-progress	-	-	-	-	-	-
Total	129,317,627	4,136,672	18,744,297	(1,114,009)	(698,422)	150,386,165

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

The Group	ACCUMULATED DEPRECIATION: As at 1 January 2014 RM	Arising from acquisition of a subsidiary RM	Foreign currency translation differences RM	Charge for the year RM	Write-offs RM	Disposals RM	As at 31 December 2014 RM	IMPAIRMENT LOSS: As at 31 December 2014 RM	NET BOOK VALUE: As at 31 December 2014 RM	As at 31 December 2013 RM
Freehold land	-	-	-	-	-	-	-	-	17,253,376	17,177,679
Freehold buildings	12,708,507	-	93,474	1,059,486	(12,256)	-	13,849,211	-	25,461,071	26,061,817
Long leasehold land	421,368	27,930	-	65,656	-	-	514,954	-	4,190,114	3,954,729
Long leasehold buildings	9,009,092	-	190,833	1,252,455	-	-	10,452,380	-	26,324,054	27,162,793
Factory and office renovation	10,478,932	2,661	178,097	1,808,023	(705)	-	12,467,008	-	11,269,953	12,793,986
Plant and machinery	98,993,197	329,693	1,409,801	11,576,175	(3,689,872)	(719,693)	107,899,301	963,857	43,822,461	51,528,468
Workshop tools	1,913,906	-	2,172	274,991	(69,649)	-	2,121,420	-	394,302	594,661
Office equipment	9,162,379	127,170	181,476	1,531,850	(5,211,432)	(216,575)	5,574,868	-	1,504,663	2,508,864
Furniture and fittings	743,570	-	6,694	82,696	-	-	832,960	-	115,558	167,906
Motor vehicles	4,229,136	521,267	43,797	425,791	(249,943)	(341,465)	4,628,583	-	2,024,942	1,249,856
Computers	2,726,078	-	19,087	346,002	(3,050)	-	3,088,117	-	283,194	429,651
Capital work-in-progress	-	-	-	-	-	-	-	-	2,907,318	424,080
Total	150,386,165	1,008,721	2,125,431	18,423,125	(9,236,907)	(1,277,733)	161,428,802	963,857	135,551,006	144,054,490

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

The Company	COST: As at 1 January 2013 RM	Additions RM	Write-offs RM	As at 31 December 2013 RM	Additions RM	Disposal RM	As at 31 December 2014 RM
Office renovation	151,775	-	-	151,775	-	-	151,775
Office equipment	43,617	2,700	(250)	46,067	14,600	(24,000)	36,667
Furniture and fittings	71,638	2,300	(906)	73,032	-	-	73,032
Computers	52,515	-	-	52,515	3,180	-	55,695
Total	319,545	5,000	(1,156)	323,389	17,780	(24,000)	317,169

The Company	ACCUMULATED DEPRECIATION: As at 1 January 2013 RM	Charge for the year RM	Write-offs RM	As at 31 December 2013 RM	Charge for the year RM	Disposal RM	As at 31 December 2014 RM	NET BOOK VALUE: As at 31 December 2014 RM	As at 31 December 2013 RM
Office renovation	45,580	15,178	-	60,758	15,177	-	75,935	75,840	91,017
Office equipment	43,578	339	(250)	43,667	2,117	(24,000)	21,784	14,883	2,400
Furniture and fittings	68,026	1,466	(906)	68,586	1,696	-	70,282	2,750	4,446
Computers	49,228	3,287	-	52,515	707	-	53,222	2,473	-
Total	206,412	20,270	(1,156)	225,526	19,697	(24,000)	221,223	95,946	97,863

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

As of 31 December 2014, freehold land and buildings, long leasehold land and buildings and plant and machinery of the Group with a total net book value of RM69,163,072 (2013: RM70,570,104) have been charged as collateral to certain banks for term loans and bank borrowings granted to the Group as mentioned in Note 23 to the financial statements.

Included in property, plant and equipment of the Group are plant and equipment acquired under hire purchase arrangements with net book value totalling RM7,994,418 (2013: RM9,221,768).

11. ASSET HELD FOR SALE

On 8 November 2013, Frontken (Singapore) Pte Ltd, a wholly-owned subsidiary of the Company, entered into an agreement to dispose of 1,397,400 ordinary shares, representing its entire 20% equity interest in Chinyee Engineering & Machinery Pte. Ltd. to Mencast Holdings Ltd. for a cash consideration of SGD1.7 million. The disposal was completed in March 2014. Accordingly, the carrying value of the investment amounting to RM1,371,418 is classified as asset held for sale.

In the previous financial year, the assets held for sale was disposed of to a third party with a total consideration of RM985,834 resulting in a loss of RM134,425.

12. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2014	**2013**
	RM	**RM**
Quoted shares outside Malaysia - at cost	32,175,037	32,175,037
Unquoted shares - at cost	52,445,878	41,408,256
	84,620,915	73,583,293
Impairment of investments in subsidiaries	(1,197,852)	(982,665)
	83,423,063	72,600,628
Market value of quoted shares	31,910,097	19,357,227
Unquoted shares - at cost:-		
At beginning of the year	41,408,256	41,408,256
Addition during the year	11,037,622	-
At end of the year	52,445,878	41,408,256
Impairment of investments in subsidiaries:-		
At beginning of the year	(982,665)	(982,665)
Addition during the year	(215,187)	-
At end of the year	(1,197,852)	(982,665)

12. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Effective Equity Interest 2014 %	Effective Equity Interest 2013 %	Principal Activities
Direct Subsidiaries				
Frontken (Singapore) Pte. Ltd. [1]	Singapore	100	100	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.
Frontken Technology Corporation [1]	Taiwan	100	100	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.
PT Frontken Indonesia [1]	Indonesia	95	95	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.
Frontken MIC Co. Limited ("FMIC")[1,3]	Hong Kong	40.43	41.61	Investment holding and provision of management services.
Frontken Malaysia Sdn. Bhd.[2]	Malaysia	100	100	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.
TTES Frontken Integrated Services Sdn. Bhd. (formerly known as TTES Team & Specialist Sdn. Bhd.)[2,3]	Malaysia	45	-	Engaged in the business of turbo machinery technical engineering services.

12. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of Subsidiaries	Country of Incorporation	Effective Equity Interest 2014 %	Effective Equity Interest 2013 %	Principal Activities
Indirect Subsidiaries				
Frontken Philippines Inc [1]	Philippines	99.99	99.99	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.
Frontken (East Malaysia) Sdn. Bhd. [2]	Malaysia	100	100	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.
Frontken (Johor) Sdn. Bhd. [2]	Malaysia	100	100	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes, including mechanical and chemical engineering services.
Frontken-MIC (Wuxi) Co. Ltd. [1]	China	40.43	41.61	Provision of cleaning of specialised equipment for semiconductor devices, integrated circuits and components, and research and development of semiconductor cleaning technology.
Frontken Petroleum Sdn. Bhd.[2]	Malaysia	60.07	60.07	Dormant.

12. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of Subsidiaries	Country of Incorporation	Effective Equity Interest 2014 %	Effective Equity Interest 2013 %	Principal Activities
Indirect Subsidiaries				
Frontship Pte. Ltd. [1]	Singapore	100	100	Procurement of materials, equipment consumable parts and engineering services.
Ares Green Technology Corporation [1]	Taiwan	57.92	57.92	Provision of surface treatment and advanced precision cleaning for the TFT - LCD (Thin Film Transistor - Liquid Crystal display) and semi-conductor industries.
Ares Green International Corporation[1]	Samoa	57.92	57.92	Investment holding.
Frontken Projects Pte. Ltd.[1]	Singapore	51	51	General contractors and process and individual plant engineering services.

1 The financial statements of the subsidiaries are audited by auditors other than the auditors of the Company.

2 The financial statements of the subsidiaries are audited by Messrs. Crowe Horwath.

3 FMIC and TTES are considered a subsidiary of the Group as the Group has control over the operating and management policies of these subsidiaries via the board of directors appointed by the Group.

The non-controlling interests at the end of the reporting period comprise the following:-

	The Group 2014 RM	The Group 2013 RM
Ares Green Technology Corporation	29,115,223	26,075,334
TTES Frontken Integrated Services Sdn. Bhd. (formerly known as TTES Team & Specialist Sdn. Bhd.)	3,278,556	-
Frontken Projects Pte. Ltd.	2,034,306	2,123,565
Other individually immaterial subsidiaries	(1,515,017)	(275,163)
	32,913,068	27,923,736

12. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The summarised financial information (before intra-group elimination) for each subsidiary that has non-controlling interests that are material to the Group is as follows:-

	Ares Green Technology Corporation	
	2014	**2013**
	RM	**RM**
At 31 December		
Non-current assets	56,341,125	52,270,713
Current assets	54,081,905	48,642,529
Non-current liabilities	(7,836,545)	(11,090,658)
Current liabilities	(32,996,213)	(27,456,192)
Net assets	69,590,272	62,366,392
Financial year ended 31 December		
Revenue	92,267,164	65,729,817
Profit for the financial year	11,677,553	6,520,459
Total comprehensive income	11,720,560	9,252,435
Total comprehensive income attributable to non-controlling interests	4,932,011	4,236,951
Dividends paid to non-controlling interests	(1,892,123)	(409,315)
Net cash from operating activities	13,317,114	18,819,565
Net cash for investing activities	(5,363,664)	(3,078,129)
Net cash for financing activities	(8,664,316)	(12,696,259)

	TTES Frontken Integrated Services Sdn. Bhd. (formerly known as TTES Team & Specialist Sdn. Bhd.)	
	2014	**2013**
	RM	**RM**
At 31 December		
Non-current assets	2,854,375	-
Current assets	8,444,495	-
Non-current liabilities	(359,046)	-
Current liabilities	(4,978,812)	-
Net assets	5,961,012	-
Financial period from 1 June to 31 December		
Revenue	19,791,906	-
Profit for the financial year	2,435,650	-
Total comprehensive income	2,435,650	-

12. INVESTMENTS IN SUBSIDIARIES (CONT'D)

	TTES Frontken Integrated Services Sdn. Bhd. (formerly known as TTES Team & Specialist Sdn. Bhd.)	
	2014	**2013**
	RM	**RM**
Total comprehensive income attributable to non-controlling interests	1,339,608	-
Dividends paid to non-controlling interests	(1,320,000)	-
Net cash from operating activities	209,311	-
Net cash for investing activities	(245,274)	-
Net cash for financing activities	(1,422,942)	-

	Frontken Projects Pte. Ltd.	
	2014	**2013**
	RM	**RM**
At 31 December		
Non-current assets	363,954	521,097
Current assets	13,762,737	13,629,089
Non-current liabilities	(115,401)	(71,024)
Current liabilities	(9,859,645)	(9,745,355)
Net assets	4,151,645	4,333,807
Financial year ended 31 December		
Revenue	13,023,012	25,211,017
(Loss)/Profit for the financial year	(259,893)	1,755,614
Total comprehensive (expenses)/income	(182,161)	1,895,112
Total comprehensive (expenses)/income attributable to non-controlling interests	(89,259)	928,605
Net cash from operating activities	(993,054)	132,573
Net cash for investing activities	(6,604)	(220,475)
Net cash from/(for) financing activities	83,410	(254,740)

12. **INVESTMENTS IN SUBSIDIARIES (CONT'D)**

(i) On 28 August 2014, Frontken MIC Co. Limited ("FMIC"), a subsidiary of the Company, increased its issued and paid-up capital from HKD14,990,812 to HKD18,173,025 by the allotment and issuance of 3,182,213 new ordinary shares of HKD1 each at par for cash.

Pursuant to the above allotment of 3,182,213 new ordinary shares, the Company's effective equity interest in FMIC, held directly and indirectly by the Company diluted from 41.61% to 40.43%.

(ii) On 30 April 2014, the Company entered into a Sale and Purchase Agreement to acquire 900,000 ordinary shares of RM1.00 each ("TTES Shares") representing 45% of the issued and paid-up share capital of TTES Frontken Integrated Services Sdn. Bhd. (formerly known as TTES Team & Specialist Sdn. Bhd.) ("TTES") for a total cash consideration of approximately RM11 million or approximately RM12.22 per TTES Share.

The details of the assets, liabilities and cash flows arising from the acquisition of TTES were as follows:

	The Group 2014 RM
Property, plant and equipment	2,078,771
Trade and other receivables	1,454,495
Cash and cash equivalents	3,635,707
Trade and other payables	(295,764)
Hire purchase payables	(410,581)
Tax liabilities	(537,267)
Fair value of net identifiable assets	5,925,361
Less : Non-controlling interests	(3,258,949)
Add: Goodwill on acquisition (Note 14)	8,366,591
Total cost of acquisition	11,033,003
Less: Cash and cash equivalents in subsidiary acquired	(3,635,707)
Net cash outflow on acquisition	7,397,296

The acquired subsidiary has contributed the following results to the Group:-

	2014 RM
Revenue	19,791,906
Profit after tax	2,435,650

If the acquisition had taken place at the beginning of the financial year, the Group's revenue and profit after tax would have been RM320,679,057 and RM25,188,173 respectively.

12. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(iii) In August 2013, the Company acquired 18,000 ordinary shares of NT$10 each representing 0.05% of the issued and paid-up share capital of Ares Green Technology Corporation ("AGTC") for a total cash consideration of NT$217,110 (including incidental costs) (equivalent to RM23,509). In December 2013, the Company acquired a total of 2,109,000 ordinary shares of NT$10 each representing 6.38% of the issued and paid-up share capital of AGTC for a total cash consideration of NT$33,858,505 (including incidental costs) (equivalent to RM3,718,772), of which 2,031,000 shares representing 6.14% were acquired from Mr Jorg Helmut Hohnloser for a total cash consideration of NT$32,689,304 (including incidental costs). Mr Jorg Helmut Hohnloser is a director and shareholder of the Company and AGTC.

Following the acquisition, the Group's interest in AGTC increased from 51.49% to 57.92%. Further to that acquisition the Company's effective equity interest in Frontken MIC Co. Limited ("FMIC"), held directly by the Company and through AGTC, increased from 38.80% to 41.61%.

13. INVESTMENTS IN ASSOCIATES

	The Group	
	2014	**2013**
	RM	**RM**
Unquoted shares - at cost	1,193,279	4,577,697
Share of post- acquisition results	365,641	(1,665,499)
Foreign currency translation differences	173,791	124,539
	1,732,711	3,036,737
Carrying value reclassified to asset held for sale (Note 11)	-	(1,371,418)
	1,732,711	1,665,319

13. INVESTMENTS IN ASSOCIATES (CONT'D)

The summarised financial information for associate that is material to the Group is as follows:-

	The Group 2014 RM	The Group 2013 RM
Current assets	1,374,866	1,151,935
Non-current assets	4,032,407	3,870,208
Current liabilities	(1,694,650)	(1,921,433)
Non-current liabilities	(372,617)	(16,820)
Net assets	3,340,006	3,083,890
Revenue	2,030,737	15,879,262
Profit/(Loss) for the year	51,696	(6,594,672)
Group's share of results for the year	25,331	(1,302,740)

Details of the associates are as follows:

Name of Associates	Country of Incorporation	Effective Equity Interest 2014 %	Effective Equity Interest 2013 %	Principal Activities
Indirect Associates				
Frontken (Thailand) Co., Ltd.	Thailand	49	49	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.
Chinyee Engineering & Machinery Pte. Ltd.	Singapore	-	20	Provider of structural components, assemblies and kits to the aerospace and technology industries.

On 8 November 2013, Frontken (Singapore) Pte. Ltd., a wholly-owned subsidiary of the Company, entered in to an agreement to dispose of 1,397,400 ordinary shares, representing its entire 20% equity interest in Chinyee Engineering & Machinery Pte. Ltd. to Mencast Holdings Ltd for a total cash consideration of SGD1.7 million. The disposal was completed in March 2014. Accordingly, the carrying value of the investment amounting to RM1,371,418 is classified as asset held for sale (Note 11).

13. INVESTMENTS IN ASSOCIATES (CONT'D)

Amount owing by associates

	The Group	
	2014	**2013**
	RM	**RM**
Amount owing by associates		
- Trade	827,467	997,738
- Non-trade	356,295	348,931
	1,183,762	1,346,669

The normal trade credit terms granted to associates range from 30 to 90 days (2013: 30 to 90 days).

The non-trade balance is unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash

Transactions undertaken with associates during the financial year are as follows:

	The Group	
	2014	**2013**
	RM	**RM**
Frontken (Thailand) Co., Ltd.		
Purchases	142,888	-
Chinyee Engineering & Machinery Pte. Ltd.		
Sales	-	731,280
Purchases	-	73,634

14. GOODWILL ON CONSOLIDATION

	The Group	
	2014	**2013**
	RM	**RM**
At beginning of year	25,394,265	25,394,265
Arising from acquisition of a subsidiary (Note 12)	8,366,591	-
At end of year	33,760,856	25,394,265

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating unit ("CGU") that is expected to benefit from that business combination. The carrying amount of the goodwill had been allocated as follows:

14. GOODWILL ON CONSOLIDATION (CONT'D)

	The Group	
	2014	**2013**
	RM	**RM**
Frontken (East Malaysia) Sdn. Bhd.	805,812	805,812
Ares Green Technology Corporation	24,588,453	24,588,453
TTES Frontken Integrated Services Sdn. Bhd. (formerly known as TTES Team & Specialist Sdn. Bhd.)	8,366,591	-
	33,760,856	25,394,265

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the CGU is determined from value-in-use calculation. The key assumptions for the value-in-use calculation are those regarding the expected changes to pricing and direct costs, growth rates and discount rates during the period.

	2014	**2013**
	%	**%**
Budgeted gross margin	26 to 37	26 to 37
Growth rates	0.0 to 5.0	0.0 to 5.0
Pre-tax discount rate	10.20	10.27

The calculation of value-in-use for CGU are most sensitive to the following assumptions:

(i) Budgeted gross margin — Management determines budgeted gross margin based on past performance and its expectations of market development.

(ii) Growth rates — The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. These calculations use pre-tax cash flow projections based on financial budgets approved by management and extrapolated cash flows for a three-year period based on growth rates consistent with the long-term average growth rate for the industry.

(iii) Discount rate — Management estimates discount rate using pre-tax rate that reflect current market assessments of the time value of money and the risk specific to the CGU. The rate used to discount the forecasted cash flows reflects specific risks and expected returns relating to the industry.

The management believes that no reasonable change in the above key assumptions would cause the carrying amount of the goodwill to exceed its recoverable amounts.

15. DEFERRED TAX ASSETS/LIABILITIES

	The Group	
	2014	2013
	RM	RM
Deferred tax assets		
At beginning of year	665,109	440,887
Transfer from profit or loss (Note 8)	289,118	215,160
Transfer to other comprehensive expenses	95,117	(17,809)
Foreign currency translation differences	13,472	26,871
At end of year	1,062,816	665,109
Deferred tax liabilities		
At beginning of year	3,653,351	363,290
Transfer (to)/from profit or loss (Note 8)	(1,164,261)	3,190,582
Arising from acquisition of a subsidiary	48,932	-
Foreign currency translation differences	33,869	99,479
At end of year	2,571,891	3,653,351

The net deferred tax liabilities and assets are in respect of the tax effects of the following:

	The Group Deferred Tax (Assets)/Liabilities	
	2014	2013
	RM	RM
Temporary differences arising from property, plant and equipment	2,272,694	3,381,499
Others	(763,619)	(393,257)
	1,509,075	2,988,242

As mentioned in Note 3, the tax effects of deductible temporary differences, unused tax losses and unused tax credits which would give rise to deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. As of 31 December 2014, the estimated amount of net deferred tax assets, calculated at the current tax rate which has not been recognised in the financial statements of the Group due to uncertainty of its realisation, is as follows:

15. DEFERRED TAX ASSETS/LIABILITIES (CONT'D)

	Deferred Tax Assets/(Liabilities) The Group	
	2014	2013
	RM	RM
Unutilised tax losses	3,545,134	2,512,124
Unabsorbed capital allowances	279,451	737,257
Temporary differences arising from property, plant and equipment	(353,527)	(905,000)
Unutilised reinvestment allowances	148,000	841,000
Others	(143,406)	28,000
	3,475,652	3,213,381

The unutilised tax losses and unabsorbed capital allowances are subject to the agreement of the tax authorities.

16. FIXED DEPOSITS WITH LICENSED BANKS

Fixed deposits with licensed banks of the Group and of the Company earn effective interests ranging from 0.25% to 3.50% (2013: 0.25% to 3.10%) and 2.90% to 3.60% (2013: 2.87% to 2.93%) per annum. The fixed deposits of the Group and of the Company have average maturity periods ranging from 14 to 365 (2013: 7 to 365) and 14 to 93 days (2013: 7 to 22 days).

The fixed deposits of the Group and of the Company amounting to RM4,240,380 (2013: RM482,406) and RM1,008,049 (2013: Nil) are pledged to licensed banks as security for banking facilities granted to the Group and the Company.

Pursuant to the Services Agreement ("SA") entered between TTES Frontken Integrated Services Sdn. Bhd. (formerly known as TTES Team & Specialist Sdn. Bhd.) ("TTES") and its customers, TTES is required to pledge the fixed deposits with licensed banks as security for the projects that are secured by TTES. Based on the SA, the projects will be completed by 2016. Hence, the fixed deposits are classified as non-current assets.

17. INVENTORIES

	The Group	
	2014	2013
	RM	RM
At cost:		
Raw materials	4,001,682	5,596,649
Work-in-progress	6,125,305	2,596,323
Finished goods	145,387	5,464,585
	10,272,374	13,657,557
Recognised in profit or loss:		
Inventories recognised as cost of sales	10,851,404	7,707,691
Allowance for impairment loss in inventories	937,972	-

None of the inventories is carried at net realisable value.

18. AMOUNT OWING BY A CONTRACT CUSTOMER

	The Group	
	2014	2013
	RM	RM
Contract costs incurred plus recognised profits	88,659,311	1,531,670
Less: Progress billings	(86,822,311)	(1,531,670)
	1,837,000	-
Presented as:		
Amount due from contract customers	1,837,000	-

19. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

Trade receivables of the Group comprise amounts outstanding for the provision of services and sale of goods. The credit periods granted to the customers range from 30 to 90 days (2013: 30 to 90 days).

	The Group	
	2014	2013
	RM	RM
Trade receivables	104,497,984	73,271,056
Allowance for impairment losses	(2,656,253)	(1,994,566)
	101,841,731	71,276,490

Movement in allowance for impairment losses on trade receivables is as follows:

	The Group	
	2014	2013
	RM	RM
At 1 January	1,994,566	1,623,936
Allowance for impairment losses	823,534	1,199,949
Write-back of allowance for impairment losses	(148,158)	(361,136)
Written off as bad debts	(23,713)	(481,649)
Exchange difference	10,024	13,466
	2,656,253	1,994,566

19. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES (CONT'D)

Included in trade receivables of the Group are the following amounts owing from the related parties:

	The Group	
	2014 RM	2013 RM
A & I Engine Rebuilders Sdn. Bhd.	20	200
AMT Engineering Sdn. Bhd.	-	13,791
Cleanpart Dresden GmbH & Co. Kg	20,087	-
	20,107	13,991

The said amount, which arose mainly from trade transactions, is unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash.

The related parties and their relationships with the Group are as follows:

Name of related parties	Relationship
A & I Engine Rebuilders Sdn. Bhd.	A company in which Sia Chiok Meng, a director of a subsidiary, is also a director and has a financial interest.
AMT Engineering Sdn. Bhd.	A company in which Sia Chiok Meng, a director of a subsidiary, is also a director and has a financial interest.
Tenaga-Tech (M) Sdn. Bhd.	A company in which Mohd Shukri Bin Hitam and Fauziah Binti Hamlawi, directors of a subsidiary, are also directors and have financial interest.
Cleanpart Dresden GmbH & Co. Kg	Jorg Helmut Hohnloser, a director and shareholder of the Company, is also a director and shareholder of Cleanpart Dresden GmbH & Co. Kg.
Frontken (Thailand) Co. Ltd.	An associated company.
Chinyee Engineering & Machinery Pte. Ltd.	An associated company.

19. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES (CONT'D)

Transactions undertaken with related parties during the financial year are as follows:

	The Group	
	2014	2013
	RM	RM
A& I Engine Rebuilders Sdn. Bhd.		
Sales	3,190	1,735
AMT Engineering Sdn. Bhd.		
Sales	75,789	61,430
Purchases	22,447	1,830
Rental expense	144,000	144,000
Tenaga-Tech (M) Sdn. Bhd.		
Purchases	609,492	-
Rental expense	57,338	-
Cleanpart Dresden GmbH & Co. Kg		
Sales	110,795	-
Frontken (Thailand) Co., Ltd.		
Purchases	142,888	-
Chinyee Engineering & Machinery Pte. Ltd.		
Sales	-	731,280
Purchases	-	73,634

Other receivables, deposits and prepaid expenses consist of:

	The Group		The Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Other receivables	3,350,833	3,802,610	38,602	2,353
Allowance for impairment losses	(1,006,445)	(1,006,445)	-	-
	2,344,388	2,796,165	38,602	2,353
Deposits	1,806,628	1,212,907	4,830	3,720
Prepayments	1,133,148	1,261,016	20,864	17,498
	5,284,164	5,270,088	64,296	23,571

19. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES (CONT'D)

Included in prepayments are employee benefits as detailed below:

	The Group	
	2014	2013
	RM	RM
Fair value of plan assets	-	3,947,697
Present value of plan obligations	-	(3,381,916)
	-	565,781

The Group contributes to a defined benefit plan that provides retirement benefits for employees upon retirement based on the following:-

a) 2 months average salary for each year for the first 15 years of working; and

b) 1 month average salary for each year subsequent to 15 years of working.

A maximum entitlement for a retired employee is 45 months average salary. The average salary of a retired employee is calculated based on the average 6 months' salary prior to his retirement date.

Plan assets comprise:

	The Group	
	2014	2013
	RM	RM
Cash at bank	792,434	902,444
Short-term investments	105,265	161,856
Debentures	485,482	369,899
Fixed income investments	618,115	714,928
Equity securities	2,040,455	1,767,384
Others	168,845	31,186
	4,210,596	3,947,697

19. **TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES (CONT'D)**

The Group accrued employee benefits expenses based on the actuarial valuation performed by an independent actuary adopting the Projected Unit Credit With Service Increment method, with the following principal actuarial assumptions:

		The Group	
		2014	**2013**
i)	Mortality rate		
	- below 25	0.00029	0.00029
	- between age 25 to 30	0.00068	0.00068
	- between age 30 to 35	0.00090	0.00090
	- between age 35 to 40	0.00133	0.00133
	- between age 40 to 45	0.00197	0.00197
	- between age 45 to 50	0.00303	0.00303
	- between age 50 to 55	0.00448	0.00448
	- between age 55 to 60	0.00664	0.00664
	- between age 60 to 65	0.01026	0.01026
ii)	Retirement age	65	65
iii)	Disability rate (per annum)	10% of mortality rate	10% of mortality rate
iv)	Discount rate (per annum)	1.88%	2.00%
v)	Expected return on plan assets	2.00%	2.00%
vi)	Expected rate of salary increases (per annum)	3.00%	3.00%

Movement in the present value of defined benefit obligations:

	The Group	
	2014	**2013**
	RM	**RM**
At 1 January	3,381,916	3,680,528
Current service costs and interest	1,324,775	179,979
Actuarial losses/(gain) in other comprehensive income	575,303	(137,369)
Defined plan payable	-	(496,363)
Exchange difference	67,099	155,141
At 31 December	5,349,093	3,381,916

19. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES (CONT'D)

Movement in the fair value of plan assets:

	The Group	
	2014	**2013**
	RM	**RM**
At 1 January	3,947,697	4,079,822
Expected return on plan assets	78,811	78,563
Actuarial losses in other comprehensive income	15,790	(28,900)
Contribution paid into the plan	141,065	140,021
Defined plan payable	-	(496,363)
Exchange difference	27,233	174,554
At 31 December	4,210,596	3,947,697

Expenses recognised in profit or loss:

	The Group	
	2014	**2013**
	RM	**RM**
Current service costs and interests	440,695	179,979
Expected return on plan assets	(78,811)	(78,563)
Net benefit expense	361,884	101,416

Actuarial gains and losses recognised directly in other comprehensive income:

	The Group	
	2014	**2013**
	RM	**RM**
Actuarial (losses)/gain recognised during the year	(464,396)	86,928

20. AMOUNTS OWING BY/TO SUBSIDIARIES

	The Company	
	2014	**2013**
	RM	**RM**
Amount owing by:-		
Advances	39,801,180	40,887,700
Non-trade balances	5,834,561	5,584,561
	45,635,741	46,472,261
Allowance for impairment losses	(1,498,371)	(1,512,994)
	44,137,370	44,959,267
Amount owing to:-		
Advances	2,715,810	2,663,854
Non-trade balances	12,422,503	3,030,758
	15,138,313	5,694,612
Allowance for impairment losses:-		
At beginning of the year	(1,512,994)	(1,512,994)
Reversal during the financial year	14,623	-
At end of the year	(1,498,371)	(1,512,994)

The amounts owing by/to the subsidiaries arose mainly from unsecured advances and payments made on behalf. The amount arising from unsecured advances bear interest at 3% (2013: 3%) per annum and is repayable on demand whilst the amount arising from payments made on behalf is interest-free.

21. SHARE CAPITAL

	The Company			
	2014	**2013**	**2014**	**2013**
	Number of shares		**RM**	**RM**
Ordinary shares of RM0.10 each :				
Authorised				
At beginning/end of year	5,000,000,000	5,000,000,000	500,000,000	500,000,000
Issued and fully paid-up				
At beginning/end of year	1,011,408,160	1,011,408,160	101,140,816	101,140,816

22. RESERVES

	The Group		The Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Non-distributable:				
Share premium	9,336,705	9,336,705	9,336,705	9,336,705
Treasury shares	(564,995)	(195,727)	(564,995)	(195,727)
Foreign currency translation reserve	12,034,681	9,671,154	-	-
Warrant reserve	882,976	882,976	882,976	882,976
Statutory reserve	1,290,656	680,704	-	-
Distributable:				
Retained earnings	82,683,045	64,786,682	3,480,954	1,871,473
	105,663,068	85,162,494	13,135,640	11,895,427

Share premium

The share premium is not distributable by way of dividends and may be utilised in the manner set out in Section 60(3) of the Companies Act 1965.

Treasury shares

During the financial year, the Company repurchased 3,020,000 of its issued ordinary shares from the open market at an average price of RM0.122 per share. The total consideration paid for the repurchase including transaction costs amounted to RM369,268. The total consideration paid for the repurchase was financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act 1965 and are presented as a deduction from total equity.

As at 31 December 2014, the Company held 4,866,600 treasury shares at a carrying amount of RM564,995.

As at 31 December 2014, the number of outstanding ordinary shares in issue after the set off of 4,866,600 treasury shares held by the Company is 1,006,541,560 ordinary shares of RM0.10 each.

Foreign currency translation reserve

Foreign currency translation differences arising from the translation of the financial statements of foreign subsidiaries are taken to the foreign currency translation reserve as described in the significant accounting policies.

Warrant reserve

The warrant reserve arose from 288,973,760 free new detachable warrants ("Warrants") which were listed on Bursa Malaysia Securities Berhad on 16 March 2010 pursuant to the rights issue.

22. RESERVES (CONT'D)

Statutory reserve

The statutory reserve is maintained by the Group's subsidiary in Taiwan in accordance with the regulations in that country.

Retained earnings

Under the single tier tax system, tax on the Company's profits is the final tax and accordingly, any dividends to the shareholders are not subject to tax.

23. TERM LOANS

	The Group		The Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Principal outstanding	28,906,045	29,356,849	7,876,178	-
Less: Portion due within one year (Note 26)	(4,559,547)	(5,227,560)	(1,810,448)	-
Non-current portion	24,346,498	24,129,289	6,065,730	-

The non-current portion is repayable as follows:

	The Group		The Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Later than one year but not later than five years	22,700,494	17,394,306	6,065,730	-
Later than five years	1,646,004	6,734,983	-	-
	24,346,498	24,129,289	6,065,730	-

As of 31 December 2014, the Company and the Group have the following term loan facility:

(a) During the year, one (2013: NIL) term loan facility totalling RM8,000,000 (2013: NIL) obtained by the Company which bear interest at 6.79% (2013: NIL) per annum and repayable in equal monthly instalments over 48 months (2013: NIL);

(b) One (2013: Two) term loan facility totalling RM4,909,627 (2013: RM6,190,240), obtained by a locally incorporated subsidiary, which bear interest at 5.89% (2013: 4.97%) per annum and are repayable in equal monthly instalments over 56 months (2013: 6 to 68 months). One of the term loan was fully repaid during the financial year;

23. **TERM LOANS (CONT'D)**

(c) One (2013: Two) term loan facility totalling RM10,611,176 (2013: RM10,611,176), obtained by a subsidiary incorporated in Singapore, which bear interest rates ranging from 1.71% to 2.19% (2013: 1.71% to 2.18%) per annum and repayable in equal monthly instalments over 66 months (2013: 7 to 78 months). One of the term loan facility was fully repaid during the year;

(d) One (2013: One) term loan facility totalling RM290,939 (2013: RM596,689) obtained by another subsidiary incorporated in Singapore, bears interest of 3.75% (2013: 3.75%) per annum and is repayable in equal monthly instalments over 11 months (2013: 23 months); and

(e) One (2013: Two) term loan facilities totalling RM7,747,740 (2013: RM11,958,744), obtained by a subsidiary incorporated in Taiwan, which bear interest at rates ranging from 1.68% (2013: 1.68% to 1.82%) per annum and are repayable in 17 quarterly (2013: 3 to 17 quarterly) instalments. One of the term loan was fully repaid during the financial year.

The term loans and bank borrowings as mentioned in Note 26 are secured by:-

(a) legal charges over certain freehold land and buildings of the Group as disclosed in Note 10 to the financial statements;

(b) legal charges over the long leasehold land and buildings of the Group as disclosed in Note 10 to the financial statements;

(c) corporate guarantees of the Company; and

(d) fixed deposits as disclosed in Note 16 to the financial statements.

24. HIRE PURCHASE PAYABLES

	The Group	
	2014	2013
	RM	RM
Total outstanding	2,611,819	4,169,004
Less: Interest-in-suspense	(195,225)	(336,566)
Present value of payments	2,416,594	3,832,438
Less: Amount due within 12 months (included under current liabilities)	(1,377,295)	(2,131,297)
Non-current portion	1,039,299	1,701,141

The non-current portion is payable as follows:

	The Group	
	2014	2013
	RM	RM
Later than one year but not later than five years	969,832	1,701,141
After five years	69,467	-
	1,039,299	1,701,141

It is the Group's policy to acquire certain of its plant and equipment under hire purchase arrangements. The average term of the hire purchase is about 1 to 7 years (2013: 1 to 7 years). The interest rates implicit in the hire purchase obligations range from 1.51% to 7.42% (2013: 2.43% to 6.89%) per annum.

The Group's hire purchase payables are secured by the financial institutions' charge over the assets under hire purchase as disclosed in Note 10 to the financial statements.

25. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

Trade payables of the Group comprise amounts outstanding for trade purchases. The credit periods granted to the Group for trade purchases range from 30 to 90 days (2012: 30 to 90 days). Included in trade payables is RM59,363 (2013: Nil) owing to related parties.

Other payables and accrued expenses consist of:

	The Group		The Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Other payables	18,097,713	14,479,306	1,527,580	23,580
Accrued expenses	17,877,980	10,595,102	304,482	144,831
	35,975,693	25,074,408	1,832,062	168,411

25. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

Included in accrued expenses are employee benefits as detailed below:

	The Group	
	2014	2013
	RM	RM
Fair value of plan assets (Note 19)	(4,210,596)	-
Present value of plan obligations (Note 19)	5,349,093	-
Past service cost not yet recognised	(906,875)	-
	231,622	-

26. BANK BORROWINGS

	The Group		The Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Short-term borrowings				
- Money market security	6,215,515	2,594,300	-	-
- Revolving credit	-	500,000	-	-
Term loans - current portion (Note 23)	4,559,547	5,227,560	1,810,448	-
	10,775,062	8,321,860	1,810,448	-

The short-term borrowings represent money market loan and revolving credit facilities obtained by two subsidiaries incorporated in Singapore and Malaysia which are rolled over every month and three months respectively. The revolving credit facilities were fully repaid during the financial year. The money market loan and revolving credit facilities bear effective interest rates ranging from 2.12% to 2.39% (2013: 2.07% to 2.15%) per annum and NIL (2013: 4.90%) per annum respectively.

The security for the bank borrowings are disclosed in Note 23 to the financial statements.

27. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Financial Risk Management Policies

The Group's policies in respect of the major areas of treasury activity are as follows:-

(i) Foreign currency risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in foreign currencies. The currencies giving rise to this risk are primarily United States Dollar and Singapore Dollar. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

27. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Foreign currency risk (Cont'd)

The Group's exposure to foreign currency is as follows:-

The Group 2014	Singapore Dollar RM	Ringgit Malaysia RM	United States Dollar RM	Philippine Peso RM	New Taiwan Dollar RM	Others* RM	Total RM
Financial assets							
Amount owing by a contract customers	-	-	1,837,000	-	-	-	1,837,000
Trade receivables	16,967,338	18,470,703	28,464,530	602,622	36,945,874	390,664	101,841,731
Other receivables and deposits	1,017,694	789,382	312,000	570,098	1,243,187	218,655	4,151,016
Amount owing by associates	1,166,892	-	16,870	-	-	-	1,183,762
Fixed deposits with licensed banks	442,380	11,838,053	-	-	-	-	12,280,433
Cash and bank balances	4,371,141	21,045,618	12,011,700	458,718	12,684,952	1,003,019	51,575,148
	23,965,445	52,143,756	42,642,100	1,631,438	50,874,013	1,612,338	172,869,090
Financial liabilities							
Trade payables	5,155,734	22,601,922	733,822	221,481	7,874,417	248,802	36,836,178
Other payables	5,591,902	6,625,810	1,522,476	425,881	21,721,239	88,385	35,975,693
Bank borrowings							
- Term loans	8,372,500	12,785,805	-	-	7,747,740	-	28,906,045
- Short term borrowings	6,215,515	-	-	-	-	-	6,215,515
Hire purchase payables	1,456,022	960,572	-	-	-	-	2,416,594
	26,791,673	42,974,109	2,256,298	647,362	37,343,396	337,187	110,350,025
Net financial (liabilities)/assets	(2,826,228)	9,169,647	40,385,802	984,076	13,530,617	1,275,151	62,519,065
Less: Net financial liabilities/(assets) denominated in the respective entities' functional currencies	2,395,755	(9,169,647)	(13,797)	(984,076)	(13,496,081)	(1,266,502)	(22,534,348)
Currency exposure	(430,473)	-	40,372,005	-	34,536	8,649	39,984,717

* Denominated in Euro, Great Britain Pound, Chinese Renminbi and Indonesian Rupiah.

27. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Foreign currency risk (Cont'd)

The Group 2013	Singapore Dollar RM	Ringgit Malaysia RM	United States Dollar RM	Philippine Peso RM	New Taiwan Dollar RM	Others* RM	Total RM
Financial assets							
Trade receivables	20,177,934	12,473,304	9,466,950	444,181	26,977,920	1,736,201	71,276,490
Other receivables and deposits	1,309,003	954,686	22,472	703,767	470,330	548,814	4,009,072
Amount owing by associates	1,323,666	-	23,003	-	-	-	1,346,669
Fixed deposits with licensed banks	432,838	1,038,757	-	-	176,147	-	1,647,742
Cash and bank balances	4,184,038	5,983,962	10,672,434	69,682	13,283,373	1,270,327	35,463,816
	27,427,479	20,450,709	20,184,859	1,217,630	40,907,770	3,555,342	113,743,789
Financial liabilities							
Trade payables	10,330,822	2,072,326	1,580,653	608,457	6,123,926	653,939	21,370,123
Other payables	3,925,260	1,905,191	42,921	250,451	18,358,605	591,980	25,074,408
Bank borrowings							
- Term loans	11,207,865	6,190,240	-	-	11,958,744	-	29,356,849
- Short term borrowings	2,594,300	500,000	-	-	-	-	3,094,300
Hire purchase payables	2,392,783	1,439,655	-	-	-	-	3,832,438
	30,451,030	12,107,412	1,623,574	858,908	36,441,275	1,245,919	82,728,118
Net financial (liabilities)/assets	(3,023,551)	8,343,297	18,561,285	358,722	4,466,495	2,309,423	31,015,671
Less: Net financial liabilities/(assets) denominated in the respective entities' functional currencies	4,865,818	(8,343,297)	5,140	(358,722)	(4,412,375)	(2,309,423)	(10,552,859)
Currency exposure	1,842,267	-	18,566,425	-	54,120	-	20,462,812

* Denominated in Chinese Renminbi and Indonesian Rupiah.

27. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Foreign currency risk (Cont'd)

The Company **2014**	**Singapore Dollar RM**	**Ringgit Malaysia RM**	**United States Dollar RM**	**Indonesian Rupiah RM**	**New Taiwan Dollar RM**	**Total RM**
<u>Financial assets</u>						
Amount owing by subsidiaries	-	41,735,171	-	2,402,199	-	44,137,370
Cash and bank balances	-	2,596,825	762,925	-	34,535	3,394,285
	-	44,331,996	762,925	2,402,199	34,535	47,531,655
<u>Financial liabilities</u>						
Amount owing to subsidiaries	5,868,409	7,256	9,262,648	-	-	15,138,313
Net financial (liabilities)/assets	(5,868,409)	44,324,740	(8,499,723)	2,402,199	34,535	32,393,342
Less: Net financial assets denominated in the entity's functional currency	-	(44,324,740)	-	-	-	(44,324,740)
Currency exposure	(5,868,409)	-	(8,499,723)	2,402,199	34,535	(11,931,398)

27. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Foreign currency risk (Cont'd)

The Company **2013**	**Singapore Dollar RM**	**Ringgit Malaysia RM**	**Indonesian Rupiah RM**	**New Taiwan Dollar RM**	**Total RM**
Financial assets					
Amount owing by subsidiaries	-	42,740,011	2,219,256	-	44,959,267
Cash and bank balances	-	213,817	-	54,120	267,937
	-	42,953,828	2,219,256	54,120	45,227,204
Financial liabilities					
Amount owing to subsidiaries	5,673,794	20,818	-	-	5,694,612
Net financial (liabilities)/assets	(5,673,794)	42,933,010	2,219,256	54,120	39,532,592
Less: Net financial assets denominated in the entity's functional currency	-	(42,933,010)	-	-	(42,933,010)
Currency exposure	(5,673,794)	-	2,219,256	54,120	(3,400,418)

27. **FINANCIAL INSTRUMENTS (CONT'D)**

(a) Financial Risk Management Policies (Cont'd)

(i) Foreign currency risk (Cont'd)

Foreign currency risk sensitivity analysis

The following table details the sensitivity analysis on profit after taxation/equity to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:-

	The Group		The Company	
	2014 Increase/ (Decrease) RM	2013 Increase/ (Decrease) RM	2014 Increase/ (Decrease) RM	2013 Increase/ (Decrease) RM
Effects on profit after taxation/equity				
Singapore Dollar:-				
- strengthened by 5%	(21,524)	92,113	(293,420)	(283,690)
- weakened by 5%	21,524	(92,113)	293,420	283,690
New Taiwan Dollar				
- strengthened by 5%	1,727	2,706	1,727	2,706
- weakened by 5%	(1,727)	(2,706)	(1,727)	(2,706)
United States Dollar				
- strengthened by 5%	2,018,600	928,321	(424,986)	-
- weakened by 5%	(2,018,600)	(928,321)	424,986	-
Others*				
- strengthened by 5%	432	-	120,110	110,963
- weakened by 5%	(432)	-	(120,110)	(110,963)

* Denominated in Euro, Great Britain Pound, Chinese Renminbi and Indonesian Rupiah.

27. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities. The Group's policy is to obtain the most favourable interest rates available. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

Information relating to the Company's exposure to the interest rate risk of the financial liabilities is disclosed in Note 27(a)(v) to the financial statements.

<u>Interest rate risk sensitivity analysis</u>

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss, a 100 basis points strengthening in the interest rate as at the end of the reporting period would have decreased profit after taxation/equity by RM229,692 (2013 : RM219,440) and RM59,071 (2013 : NIL) and respectively. A 100 basis points weakening would have had an equal but opposite effect on the profit after taxation/equity. This assumes that all other variables remain constant.

(iii) Equity price risk

The Group does not have any investment that is exposed to equity price risk.

(iv) Credit risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

<u>Credit risk concentration profile</u>

The Group's major concentration of credit risk relates to the amount owing by one (1) customer which constituted approximately 13% of its trade receivables as at the end of the reporting period.

27. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(iv) Credit risk (Cont'd)

Exposure to credit risk

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting period.

Ageing analysis

The ageing of the Group's trade receivables as at end of the reporting period was:-

The Group	**Gross Amount RM**	**Individual Impairment RM**	**Collective Impairment RM**	**Carrying Value RM**
2014				
Not past due	90,046,306	-	-	90,046,306
Past due:-				
- Less than 1 month	5,990,105	(163,605)	-	5,826,500
- 1 to 9 months	6,431,343	(253,767)	(418,373)	5,759,203
- over 9 months	2,030,230	(1,778,082)	(42,426)	209,722
	104,497,984	(2,195,454)	(460,799)	101,841,731
2013				
Not past due	58,948,188	-	-	58,948,188
Past due:-				
- Less than 1 month	4,685,081	-	-	4,685,081
- 1 to 9 months	5,244,274	-	(197,927)	5,046,347
- over 9 months	4,393,513	(1,643,573)	(153,066)	2,596,874
	73,271,056	(1,643,573)	(350,993)	71,276,490

At the end of the reporting period, trade receivables that are individually impaired are those which have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

The collective impairment allowance is determined based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

27. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(iv) Credit risk (Cont'd)

Trade receivables that are past due but not impaired

The Group believes that no impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

Trade receivables that are neither past due nor impaired

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

(v) Liquidity risk

Liquidity risk arises mainly from general funding and business activities. The Group practices prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

27. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(v) Liquidity risk (Cont'd)

The Group	**Weighted average effective rate %**	**Carrying amount RM**	**Contractual undiscounted cash flows RM**	**Within 1 year RM**	**1 – 5 years RM**	**Over 5 years RM**
2014						
Hire purchase payables	1.51 – 7.42	2,416,594	2,611,819	1,489,531	1,050,388	71,900
Term loans	1.68 – 6.79	28,906,045	31,639,810	5,611,295	24,372,129	1,656,386
Short-term borrowings	2.12 – 2.39	6,215,515	6,215,515	6,215,515	-	-
Trade payables	-	36,836,178	36,836,178	36,836,178	-	-
Other payables	-	35,975,693	35,975,693	35,975,693	-	-
		110,350,025	113,279,015	86,128,212	25,422,517	1,728,286
2013						
Hire purchase payables	2.43 – 6.89	3,832,438	4,169,004	2,521,610	1,647,394	-
Term loans	1.68 – 4.97	29,356,849	31,818,138	5,933,839	19,043,772	6,840,527
Short-term borrowings	2.07 – 4.90	3,094,300	3,094,300	3,094,300	-	-
Trade payables	-	21,370,123	21,370,123	21,370,123	-	-
Other payables	-	25,074,408	25,074,408	25,074,408	-	-
		82,728,118	85,525,973	57,994,280	20,691,166	6,840,527

27. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(v) Liquidity risk (Cont'd)

The Company	**Weighted average effective rate %**	**Carrying amount RM**	**Contractual undiscounted cash flows RM**	**Within 1 year RM**	**1 – 5 years RM**
2014					
Term loan	6.79	7,876,178	8,995,090	2,289,498	6,705,592
Other payables	-	1,832,062	1,832,062	1,832,062	-
Amount owing to subsidiaries					
- interest bearing	3.00	2,715,810	2,715,810	2,715,810	-
- interest free	-	12,422,503	12,422,503	12,422,503	-
		24,846,553	25,965,465	19,259,873	6,705,592
2013					
Other payables	-	168,411	168,411	168,411	-
Amount owing to subsidiaries					
- interest bearing	3.00	2,663,854	2,663,854	2,663,854	-
- interest free	-	3,030,758	3,030,758	3,030,758	-
		5,863,023	5,863,023	5,863,023	-

27. **FINANCIAL INSTRUMENTS (CONT'D)**

(b) Capital Risk Management

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, return of capital to shareholders or issue new shares.

The Group manages its capital based on debt-to-equity ratio. The Group's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as net debt divided by total equity. Net debt is calculated as external borrowings less cash and bank balances and fixed deposits with licensed banks.

There was no change in the Group's approach to capital management during the financial year.

The debt-to-equity ratio of the Company is not disclose in the financial statements as the cash and bank balances and fixed deposits with licensed banks are in surplus position after net off with external borrowings.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity (total equity attributable to owners of the Company) equal to or not less than the 25% of the issued and paid-up share capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

27. FINANCIAL INSTRUMENTS (CONT'D)

(c) Classification of Financial Instruments

	The Group		The Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Financial Assets				
<u>Loans and receivables financial assets</u>				
Amount owing by a contract customer	1,837,000	-	-	-
Trade receivables	101,841,731	71,276,490	-	-
Other receivables and deposits	4,151,016	4,009,072	43,432	6,073
Amount owing by subsidiaries	-	-	44,137,370	44,959,267
Amount owing by associates	1,183,762	1,346,669	-	-
Fixed deposits with licensed banks	12,280,433	1,647,742	8,008,049	950,000
Cash and bank balances	51,575,148	35,463,816	3,394,285	267,937
	172,869,090	113,743,789	55,583,136	46,183,277
Financial liabilities				
<u>Other financial liabilities</u>				
Trade payables	36,836,178	21,370,123	-	-
Other payables and accrued expenses	35,975,693	25,074,408	1,832,062	168,411
Amount owing to subsidiaries	-	-	15,138,313	5,694,612
Term loans	28,906,045	29,356,849	7,876,178	-
Bank borrowings	6,215,515	3,094,300	-	-
Hire purchase payables	2,416,594	3,832,438	-	-
	110,350,025	82,728,118	24,846,553	5,863,023

27. FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair Value Information

Other than those disclosed below, the fair values of the financial assets and financial liability maturing within the next 12 months approximated their carrying amount due to the relatively short-term maturity of the financial instruments. This fair value is included in level 2 of the fair value hierarchy.

	Fair Value Of Financial Instruments Carried At Fair Value			Fair Value Of Financial Instruments Not Carried At Fair Value			**Total Fair Value**	**Carrying Amount**
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3		
The Group	RM	RM	RM	RM	RM	RM	RM	RM
2014								
Financial Liabilities								
Hire purchase payables	-	-	-	-	2,418,054	-	2,418,054	2,416,594
Short-term borrowings	-	-	-	-	6,215,515	-	6,215,515	6,215,515
Term loans	-	-	-	-	28,906,045	-	28,906,045	28,906,045

	Fair Value Of Financial Instruments Carried At Fair Value			Fair Value Of Financial Instruments Not Carried At Fair Value			**Total Fair Value**	**Carrying Amount**
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3		
The Group	RM	RM	RM	RM	RM	RM	RM	RM
2013								
Financial Liabilities								
Hire purchase payables	-	-	-	-	3,653,761	-	3,653,761	3,832,438
Short-term borrowings	-	-	-	-	3,094,300	-	3,094,300	3,094,300
Term loans	-	-	-	-	29,356,849	-	29,356,849	29,356,849

27. FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair Value Information (Cont'd)

The fair values of level 2 above have been determined using the following basis:-

(i) The fair value of hire purchase payables and term loans determined by discounting the relevant cash flows using interest rates for similar instruments at the end of the reporting period. The interest rates used to discount the estimated cash flows are as follows:-

	2014	2013
	%	%
Hire purchase payables	1.51% - 7.42%	2.43% - 6.89%
Short-term borrowings	2.12% - 2.39%	2.07% - 4.90%
Term loans	1.68% - 6.79%	1.68% - 4.97%

28. CONTINGENT LIABILITIES

The Company provided corporate guarantees to banks and financial institutions to secure banking facilities and leasing of equipment provided to certain subsidiaries amounting to RM37,661,459 (2013 : RM23,660,383).

29. COMMITMENTS

(i) Operating lease commitments

	The Group	
	2014	2013
	RM	RM
Non-cancellable future minimum lease payments		
Not later than one year	1,746,287	1,872,495
Between one year and five years	3,709,383	4,499,389
Later than five years	10,939,395	10,823,452
	16,395,065	17,195,336

The Group has various operating lease agreements for equipment, offices and other facilities. Most leases contain renewable options. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

29. COMMITMENTS (CONT'D)

(ii) Capital commitments

As of 31 December 2014, the Group has the following capital commitments:

	The Group	
	2014	2013
	RM	RM
Approved and contracted for:		
Plant and equipment	836,585	590,730

30. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(i) Following the resignation of a senior management personnel of Frontken Malaysia Sdn Bhd ("FM"), a wholly-owned subsidiary of the Company, in 2012 the Board of Directors of the Company (the "Board") was made aware that there may be some irregular dealings between FM and its suppliers.

On 1 October 2012, Messrs Crowe Horwath was appointed to carry out a special investigative audit. Messrs Crowe Horwath issued a report on 18 February 2013 followed by an Expanded and Revised Investigative Audit Report on 3 June 2013.

The Company had on 11 June 2013 lodged a police report at the Police Headquarters, Commercial Crime Investigation Department at Bukit Aman on the alleged financial irregularities.

A civil suit had also been lodged against an ex-senior management personnel and 5 others ("collectively known as Defendants") in the High Court of Penang for inter alia recovery of monies identified to have been wrongfully paid out by FM to some of the Defendants in view of the findings of the Investigative Audit conducted by Messrs Crowe Horwarth.

An ex-parte Mareva Injunction Order was subsequently obtained by FM against one of the Defendants on 2 August 2013. This was followed by an ex-parte Ad Interim order dated 16 August 2013. In essence, the purpose of the ex-parte Orders was to freeze his assets. FM's Mareva application against the one of the Defendant was allowed by consent on 18 March 2014. The main civil suit has been fixed for case management on 16 March 2015. The trial dates have been fixed from 21 to 23 July 2015.

In respect of the main civil suit, some of the Defendants filed Defences and Counterclaims against FM and some of its existing senior management. The aforesaid counterclaims are being resisted by FM as well as its senior management.

The Board has lodged a second police report on one of the Defendants for fraudulently and/or unlawfully altering the email details in the Defendant affidavits for attempting to mislead the Court and pervert the course of justice.

30. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONT'D)

(ii) On 4 February 2014, Frontken (East Malaysia) Sdn Bhd ("FEM"), a wholly-owned subsidiary of the Company, had served, via its solicitors, a writ of Summons together with a Statement of Claims on Kuching Barrage Management Sdn Bhd ("KBM").

FEM is claiming for an aggregate outstanding sum of RM2,571,570 in respect of unpaid invoices for work done and services rendered by FEM to KBM for the repair and refurbishment of the downriver shiplock gate cylinders at Pier 7 and 8 ("the said works") at the price of RM2,050,420 and RM521,150 respectively. FEM has duly completed the said works and the same had been commissioned and tested to KBM's satisfaction.

On 6 March 2014, FEM received in total four cheques amounting to RM2,581,570 including legal fees in the sum of RM10,000 from KBM's lawyer. FEM withdrew the matter against the defendant upon the clearance of the abovementioned cheques.

(iii) On 28 August 2014, Frontken MIC Co. Limited ("FMIC"), a subsidiary of the Company, increased its issued and paid-up capital from HKD14,990,812 to HKD18,173,025 by the allotment and issuance of 3,182,213 new ordinary shares of HKD1 each at par for cash.

Pursuant to the above allotment of 3,182,213 new ordinary shares, the Company's effective equity interest in FMIC, held directly and indirectly by the Company diluted from 41.61% to 40.43%.

(iv) On 30 April 2014, the Company entered into a Sale and Purchase Agreement to acquire 900,000 ordinary shares of RM1.00 each ("TTES Shares") representing 45% of the issued and paid-up share capital of TTES Frontken Integrated Services Sdn. Bhd. (formerly known as TTES Team & Specialist Sdn. Bhd.) ("TTES") for a total cash consideration of RM11 million or approximately RM12.22 per TTES Share.

31. SUBSEQUENT EVENT AFTER THE FINANCIAL YEAR

Subsequent to the financial year, the Company increased its issued and paid-up share capital from RM101,140,816 to RM105,343,513 by the issuance of 42,026,970 new ordinary shares of RM0.10 each pursuant to the exercise of 42,026,970 warrants at an exercise price of RM0.18 per warrant. The warrants were exercised on various dates in year 2015 before the expiry date of the warrant on 10 March 2015.

The new ordinary shares issued are rank pari passu with the existing issued ordinary shares of the Company.

The resulting premium of RM3,362,158 arising from the shares is credited to the share premium account.

32. RECLASSIFICATIONS AND COMPARATIVE FIGURES

Certain reclassifications have been made to the prior year's financial statements to conform with the current year's presentation. The items were reclassified as follows:

	The Group	
	As previously reported RM	As restated RM
As of 31 December 2013		
Statements of Financial Position (Extract):-		
Amount owing by a contract customer	2,130,236	-
Trade receivables	69,762,903	71,276,490
Other receivables, deposits and prepaid expenses	4,653,439	5,270,088
Statements of Cash Flows (Extract):-		
Net cash for investing activities	(7,983,439)	(8,010,189)
Cash and cash equivalents at beginning of year	41,457,531	40,786,539
Cash and cash equivalents at end of year	37,111,558	36,413,816

33. FOREIGN EXCHANGE RATES

The principal closing foreign exchange rates used (expressed on the basis of one unit of foreign currency to Ringgit Malaysia equivalent) for the translation of foreign currency balances at the end of the reporting period are as follows:-

	The Group/The Company	
	2014	2013
Singapore Dollar	2.64	2.59
United States Dollar	3.50	3.28
Philippine Peso	0.08	0.07
New Taiwan Dollar	0.11	0.11
Euro	4.25	4.52
Chinese Renminbi	0.56	0.54
Indonesian Rupiah	0.00028	0.00027
Thai Baht	0.11	0.10

34. SUPPLEMENTARY INFORMATION – DISCLOSURE OF REALISED AND UNREALISED PROFITS/(LOSSES)

	The Group		The Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Total retained earnings of Group and Company				
Realised	97,041,899	81,055,467	5,311,766	3,003,139
Unrealised	(183,546)	(4,140,251)	(1,830,812)	(1,131,666)
	96,858,353	76,915,216	3,480,954	1,871,473
Total share of retained earnings from associates				
Realised	340,837	64,341	-	-
Unrealised	-	22,432	-	-
	340,837	86,773	-	-
Less: Consolidation adjustments	(14,516,145)	(12,215,307)	-	-
Total retained earnings	82,683,045	64,786,682	3,480,954	1,871,473

FRONTKEN CORPORATION BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

We, **NG WAI PIN** and **DR. TAY KIANG MENG**, being two of the directors of **FRONTKEN CORPORATION BERHAD**, state that, in the opinion of the directors, and to the best of our knowledge and belief, the financial statements set out on pages 10 to 101 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company at 31 December 2014 and of their financial performance and the cash flows for the financial year ended on that date.

The supplementary information set out in Note 34, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance
with a resolution of the directors,

NG WAI PIN

DR. TAY KIANG MENG

23 April 2015

DECLARATION BY THE OFFICER PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, **HEE KOK HIONG**, being the officer primarily responsible for the financial management of **FRONTKEN CORPORATION BERHAD**, do solemnly and sincerely declare that the financial statements of the Group and of the Company set out on pages 10 to 102 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

HEE KOK HIONG

Subscribed and solemnly declared by the abovenamed **HEE KOK HIONG** at **KUALA LUMPUR** this 23rd day of April 2015.

Before me,

Datin Hajah Raihela Wanchik (No. W-275)
COMMISSIONER FOR OATHS