MANN SENG METAL INTERNATIONAL LIMITED
(200918800R)

Destination

ANNUAL REPORT **2013**

COVER RATIONALE

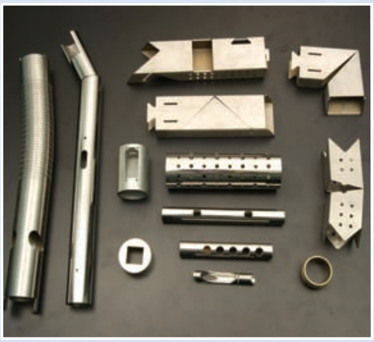
The MSM Group's relentless pursuit of innovation and quality is synonymous with a yacht that is able to weather the storm and brave previously unchartered waters, as it calls from one new destination to the next over the course of an extended expedition.

Piloting a yacht takes a passionate and experienced team, well-braced to steer against the current in order to reach new frontiers. It calls for strong leadership and a good judgement call to leave the safe harbour and navigate the vessel through the most turbulent storms to arrive at the next destination.

Customers of MSM Group have come to expect creative, practical solutions underpinned by a high level of precision, robust manufacturing and design flair, and it is no wonder that many of them have chosen to come aboard and sail with us over the longer haul.

Not content to rest on our laurels, we have yet expanded upon our capabilities. In doing so, we have taken yet another step closer towards truly becoming a one-stop metal solutions provider.

Our journey of transition has provided us with the mileage needed to build a stronger MSM. While we may have arrived at our intended port-of-call today, we know that our journey does not end here. The wind in our sails beckons us to strive towards the next better destination, and it is with a spirit of excellence that we approach every new endeavour.



OUR BUSINESS

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

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

MSM's business activities are segmented as follows:

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

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

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

TABLE OF **CONTENTS**

LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS,

During the financial year ended 31 December 2013 ("FY2013"), slowdown in customer demands in the kitchen appliances, equipment and related services segment and oil and gas segment affected the Group's overall performance. Fortunately, there were two bright sparks in the form of our OEM contract manufacturing segment and the cleanroom & laboratory segment, as they begin to find their competitive footing and turn in improved results. Nevertheless, we are hopeful that the strategic steps that we have taken in all our segments will better equip the Group for continued growth moving forward, as we strive to achieve our aim of becoming a one-stop solutions provider.

FINANCIAL REVIEW

The Group reported revenue of RM67.5 million, a 20.5% decline compared to RM85.0 million a year ago ("FY2012"). This was mainly due to lower sales recorded by our key revenue contributors, the kitchen appliances, equipment and related services segment ("kitchen segment") and the oil and gas segment.

The kitchen segment contributed revenue of RM21.4 million, a 14.5% decrease from RM25.1 million in FY2012, due to lower business activity in the first half of the year. The oil and gas segment posted revenue of RM20.7 million, which was 45.0% lower than the RM37.6 million recorded in FY2012.

On the other hand, revenue from the OEM contract manufacturing ("OEM segment") rose 3.5% to RM17.9 million, compared to RM17.3 million a year ago; while revenue from the cleanroom & laboratory segment leapt 49.6% to RM7.5 million in FY2013, from RM5.0 million recorded in FY2012.

Cost of sales decreased by 20.4% to RM48.9 million, in line with the revenue decline. Consequently, gross profit for the Group declined 20.9% to RM18.7 million, from RM23.6 million last year.

In line with the decrease in sales to oil and gas customers, selling and distribution expenses decreased 21.9% to RM6.0 million, from RM7.7 million, on lower transportation expenses related to such customers.

Compared to an income tax expense of RM1.9 million in FY2012, we recorded a tax credit of RM0.7 million in FY2013, due to a tax incentive received by our subsidiary, Marc Conleth Industries Sdn Bhd. The tax incentive is applicable retrospectively to the 2011 financial year, allowing us to recover a portion of tax expenses incurred then.

Taking the above into account, we registered a net profit attributable to shareholders of RM1.2 million in FY2013, versus RM2.2 million a year ago.

LETTER TO SHAREHOLDERS (CONT'D)

REVIEW OF OPERATIONS

FY2013 started out on a relatively quiet note for our kitchen segment due to a general slowdown in expansion plans by our customers. When the business activity did pick up in the second half of the year, it was insufficient to enable us to report a year-on-year growth. Nevertheless, our unique ability to offer one-stop solutions for commercial and mobile kitchens, along with strong customer and after-sales service and price competitiveness, has enabled us to maintain our competitive standing in the market and pave the way for potential growth going forward.

Leveraging our strengths, we were able to garner a good number of orders for the design and installation of kitchens for the new outlets of several fast food and restaurant chains.

We have also made headway in terms of kitchen solutions development. During the year, we customised our first mobile kiosk – a full-fledged commercial kitchen within a 32-foot container truck – for KFC Malaysia. To our knowledge, we are the first company in Malaysia to provide expert design, customisation and setup of fully equipped kitchens in mobile kiosks, complete with mechanical and electrical solutions such as waste water control and electricity supply. Following the delivery of this project, we are working closely with the customer to develop more of these kiosks.

Apart from the container truck mobile kiosk, we have received orders for another mobile food kiosk of a smaller scale, which we have dubbed the “Mealbox” for its size and mobility. The Mealbox is equipped with basic kitchen setup within a truck and is suitable for smaller food vendors as cafes or snack outlets. Similar mobile food kiosks are already widely used in Europe and we hope to build up industry awareness of the Mealbox in Malaysia as F&B companies explore innovative ways of attracting customers.

We have also begun developing commercial refrigeration equipment, with energy-saving technology from Korea, which could result in savings of up to 40% on electricity bills in a year for our customers. Already a common feature in overseas markets, we are a pioneer in the development of such equipment for commercial use in Malaysia. For a start, we began offering counter freezer and chillers in FY2013, and are planning to introduce upright chillers to our F&B customers this year.

In the oil and gas segment, our US-based key customer was negatively affected by unfavourable economic conditions in 2013. This led them to reduce their orders for oil filters, used in the oil extraction process. Nevertheless, our relationship with them remains strong, and we continue to work closely with them on the development of new products that will enhance our value-add to them and improve their operational efficiency.

Our effort to become a one-stop solutions provider extends to our OEM segment as well. In September 2013, we acquired Marc16 Equipment Manufacturing Sdn. Bhd., a Malaysia-incorporated company incorporated engaged in the trading, design and supply of a wide range of machineries. Whereas we were only able to provide structural metal design and construction of various machinery prior to the acquisition, we are now able to provide the full works, from conceptualisation and design, to structural framework production, and the design and integration of automation systems such as programmable logic controller (PLC) and robotic controls.

Since FY2012, we have also stepped up efforts to extend our OEM manufacturing services to other industries, moving away from a reliance on a single semiconductor industry, which is relatively volatile. We now supply metal frameworks and parts to industries such as waste management, airport security, automation and other services.

Our cleanroom and laboratory segment fared better in FY2013, as we secured contracts from major food brands in Malaysia and Indonesia to design and install food processing facilities. We have also secured orders from

LETTER TO SHAREHOLDERS (CONT'D)

pharmaceutical companies in Malaysia to design and install laboratory facilities. We are heartened by the fact that some of our customers have sought our expertise once again as they expanded their operations.

In addition, we are capable of building bio-containment facilities that meet local and international requirements, including those of HACCP (Hazard Analysis and Critical Control Points) and Good Manufacturing Practices.

LOOKING AHEAD

Going forward, we will focus on honing our competitive edge with an aiming of becoming a truly one-stop provider of metal equipment and facilities. We will also step up our effort at broadening our range of product and service offerings, particularly in the OEM and the kitchen segments.

We are, however, mindful that even the best laid plans can be thwarted by factors not within our control, such as global and local economic trends, which will directly impact customers' demand for our products and services.

Keen competition in the markets that we operate in may continue to affect selling price and depress our margins. To ensure we are able to continue on an expansion path, we will also explore opportunities to offer our products and services in other overseas markets in the Southeast and North Asia regions, by first raising our profile through trade shows and exhibitions.

A shortage of skilled labour will also be one of the key challenges that we have to manage, as a result of government measures on foreign manpower. We have engaged subcontractors where necessary, such as in times when we receive particularly large orders, to ensure that we are able to deliver to our customers. Nevertheless, we will continue to explore ways to improve operational efficiency and productivity, while maintaining prudence in managing our costs and manpower.

ACKNOWLEDGEMENTS

Our ability to deliver is founded on the collective effort and hard work put in by our employees and management, and I am very grateful to all of them. My sincere appreciation also goes to our shareholders, customers, suppliers and business partners for their unwavering support and belief in us. I would also like to thank my fellow Board members, who have seen us through numerous challenges with their guidance and counsel.

We will not rest on our laurels but will continue to strive to widen our horizons to enable the continued growth of the Group. I look forward to journeying on together with you.

Chan Kee Sieng
Executive Chairman

BOARD OF DIRECTORS

CHAN KEE SIENG
Executive Chairman
Age 62

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

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

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

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

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

CHAN KIT MOI
Executive Director
Age 61

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

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

CHAN WEN CHAU
Executive Director & CEO
Age 39

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

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

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

BRIAN WONG WYE PONG
Independent Director
Age 40

Mr Wong, who is not related to any family member of the directors or staff, was appointed as Independent Director of the Group on 26 November 2009. He has more than 19 years of experience in tax, finance, internal and external audits, risk management and corporate finance.

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

BOARD OF DIRECTORS (CONT'D)

Mr Wong is presently a Director on the board of Privasia Technology Bhd, a corporation listed on Bursa Malaysia Securities, a Director on the board of RapidCloud International plc, a corporation listed on the London Stock Exchange, and a director of other Malaysian companies, including PKF Sdn Bhd, PKF Advisory Sdn Bhd, PKF Covenant Sdn Bhd, PKF Tax Services Sdn Bhd, and Covenant Limited a company incorporated in Cambodia.

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

LEOW WEE KIA CLEMENT
Independent Director
Age 39

Mr Leow, who is not related to any family member of the directors and staff, was appointed as Independent Director of the Group on 30 October 2009, and possesses over 14 years of corporate finance experience primarily in initial public offerings, mergers & acquisitions as well as advisory transactions.

Mr Leow is presently a partner and Head of Corporate Finance at Partners Capital (Singapore) Pte Ltd. Prior to this, Mr Leow has held senior positions in corporate finance and banking in Singapore. He is currently an independent director of JB Foods Limited and Overseas Education Limited, companies listed on the Mainboard of the Singapore Exchange. Mr Leow has also been appointed to the Institute of Banking and Finance, Financial Industry Competency Standards Corporate Finance Working Group, which provides guidance and sets the competency standards in the corporate finance industry in Singapore.

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

WONG KOK SEONG
Independent Director
Age 44

Mr Wong, who is not related to any family member of the directors and staff, was appointed as Independent Director of the Group on 24 November 2009 and has more than 19 years of experience in external and internal auditing, financial accounting, management consultancy, taxation, due diligence and project implementation.

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

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

KEY MANAGEMENT

SOH YEOW SENG
CFO
Age 32

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

Possessing more than 8 years of professional experience specializing in accounting and audit services, Mr Soh has held various accounting and audit positions in the past. Prior to joining the Company, he has been involved in external audit and internal control assurance in public listed companies and small and medium enterprises in Singapore and abroad.

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

TANG CHENG HOOI
Vice President
Age 41

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

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

LEE JONG KOOK
Vice President
Age 41

Mr Lee, who is not related to any director and staff, was appointed as Vice President of kitchen appliances, equipment and related services segment on 8 March 2013. He is presently responsible for managing and overseeing the operational aspects of the Group's production facilities and the management of the Companies. Prior joining the Group, he was the Sales Deputy General Manager for Daeyeong E&B Co., Ltd and he brings with him more than 14 years of extensive experience in business development and sales and marketing.

Mr Lee holds a Bachelor Degree in Physics from University of Dankook, Korea.

CHAN CHOI HAR
General Manager
Age 48

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

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

ONG SENG JOO
General Manager
Age 40

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

KEY MANAGEMENT (CONT'D)

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

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

MAH SIEW PENG
Operations Manager
Age 41

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

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

TUNG WAI LOON
Assistant General Manager
Age 36

Mr Tung, who is not related to any director and staff, joined the Group in 1998 and was appointed as Factory Manager since 2007, then promoted to Assistant General Manager on 1 July 2010. He is responsible for the factory operations of MSM Equipment Manufacturer Sdn Bhd (MSM Equipment). Mr Tung possesses more than 10 years of factory and general management experience in the OEM contract manufacturing industry.

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAN KEE SIENG	*(Executive Chairman)*
CHAN KIT MOI	*(Executive Director)*
CHAN WEN CHAU	*(Executive Director and Chief Executive Officer)*
BRIAN WONG WYE PONG	*(Independent Director)*
LEOW WEE KIA CLEMENT	*(Independent Director)*
WONG KOK SEONG	*(Independent Director)*

AUDIT COMMITTEE

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

NOMINATING COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY'S SPONSOR

CNP Compliance Pte. Ltd.
36 Carpenter Street
Singapore 059915
Tel: +65 6323 8383
Contact Person: Lance Tan

COMPANY SECRETARY

Loh Mei Ling

REGISTERED OFFICE

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

INDEPENDENT AUDITOR

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

SHARE REGISTRAR

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

REPORT ON CORPORATE GOVERNANCE

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

The following report describes the Company's corporate governance practices which were in place throughout the financial year ended 31 December 2013 with specific reference to the principles and guidelines set out in the Code of Corporate Governance 2012 (the "**Code**"). The Board confirm that for the financial year ended 31 December 2013, the Company has adhered to the principles and guidelines as set out in the Code, where applicable, and has specified and explained the deviation from the Code in this Report. The Company will continually review its corporate governance processes to strive to fully comply with the Code.

Principle 1: The Board's Conduct of Affairs

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

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

The Board's principal functions include:

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

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

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

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

The Board conducted regular scheduled meetings. In FY2013, the Board conducted two regular scheduled meetings. Ad-hoc meetings are convened when circumstances require. Directors are free to discuss and voice their concerns on any matter raised at the Board meetings. Telephonic and videoconferencing meetings of the Board are allowed under the Company's Articles of Association. All Directors are provided with the agenda and a set of the Board papers prior to the Board meeting. These are issued in advance to give the Directors sufficient time to better understand the matters to be discussed and to obtain further clarifications or explanations at the Board meeting where necessary. The Company and the Board acknowledges that an unimpeded flow of relevant information in a timely manner is crucial for the Board to be effective in discharging its duties and responsibilities.

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

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

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

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

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

The attendance of the Directors at meetings of the Board and Board Committees held in FY2013 are as follows:

	Board		Audit Committee		Nominating Committee		Remuneration Committee	
Directors	**No. of meetings held while being a member**	**No. of meetings attended**	**No. of meetings held while being a member**	**No. of meetings attended**	**No. of meetings held while being a member**	**No. of meetings attended**	**No. of meetings held while being a member**	**No. of meetings attended**
Chan Kee Sieng*	2	2	2	2	1	1	1	1
Chan Kit Moi*	2	2	2	2	1	1	1	1
Chan Wen Chau*	2	2	2	2	1	1	1	1
Chan Wen Yaw*	2	0	2	0	1	0	1	0
Brian Wong Wye Pong	2	2	2	2	1	1	1	1
Leow Wee Kia Clement	2	2	2	2	1	1	1	1
Wong Kok Seong	2	2	2	2	1	1	1	1

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

Note:
Mr Chan Wen Yaw has resigned as an Executive Director on 8 March 2013.

REPORT ON CORPORATE GOVERNANCE (CONT'D)

Principle 2: Board Composition and Guidance

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

The Board comprises six directors of whom three are Executive Directors and three are Independent Directors, with the Independent Directors making up at least one-third of the Board. The Board has the appropriate mix of expertise and experience, and collectively possess the necessary core competencies for effective functioning and informed decision-making. Each director has been appointed based on the strength of his calibre, experience and stature and is expected to bring a valuable range of experience and expertise to contribute to the development of the Group's strategies and the performance of its business. The profiles of the directors are found in the "Board of Directors" section of this annual report.

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

Chan Kee Sieng	Executive Chairman
Chan Kit Moi	Executive Director
Chan Wen Chau	Executive Director and Chief Executive Officer
Brian Wong Wye Pong	Independent Director
Leow Wee Kia Clement	Independent Director
Wong Kok Seong	Independent Director

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

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

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

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

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

Principle 3: Chairman and Chief Executive Officer

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

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

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

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

The Board has taken the recommendation of Guideline 3.3 of the Code and will be appointing a Lead Independent Director in 2014.

Principles 4: Board Membership

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

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

The Nominating Committee regulated by a set of written terms of reference and the Committee meets at least once a year. The Nominating Committee comprises the following members, all of whom, including the Chairman, are independent:

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

The principal functions of the Nominating Committee stipulated in the terms of reference are summarized as follows:-

(a) Review and makes recommendations to the Board on all Board appointment and re-appointment;

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

(c) Review the Board's succession plans for directors, in particular, the Chairman and the Chief Executive Officer;

(d) Determines the independence of the Board;

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

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

REPORT ON CORPORATE GOVERNANCE (CONT'D)

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

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

The Nominating Committee is charged with the responsibility of re-nomination having regard to the director's contribution and performance (e.g. attendance, preparedness, participation and candour) including, if applicable, as an independent director. All Directors submit themselves for re-nomination and re-election at regular intervals at least once every 3 years. One-third of the Directors will retire at the Company's annual general meeting each year. In addition, newly appointed directors are required to submit themselves for re-nomination and re-election at the next annual general meeting following his appointment. Each member of the Nominating Committee has abstained from voting on any resolutions in respect of the assessment of his performance or re-nomination as a Director.

At the forthcoming annual general meeting, Mr Chan Wen Chau and Mr Leow Wee Kia Clement will be retiring pursuant to Article 107 of the Company's Articles of Association. Both of them, being eligible for re-election have offered themselves for re-election. Please refer to the Notice of annual general meeting for the resolution put forth for their proposed re-election and re-appointment.

The following sets out the date of Directors' initial appointment and last re-election and their directorship

Name of Director	Date of initial appointment	Date of last re-election	Present directorship in listed companies	Past (preceding 3 years) directorship in listed companies	Other Principal Commitments, if any
Chan Kee Sieng	30/10/2009	25/04/2013	Nil	Nil	Nil
Chan Kit Moi	30/10/2009	25/04/2013	Nil	Nil	Nil
Chan Wen Chau	08/10/2009	27/04/2012	Nil	Nil	Nil
Leow Wee Kia Clement	30/10/2009	25/04/2011	JB Food Limited Overseas Education Limited	Nil	Partner and Head of Corporate Finance of Partners Capital (Singapore) Pte. Ltd.
Wong Kok Seong	24/11/2009	27/04/2012	Bio Osmo Berhad	Nil	Managing Partner of Hasnan THL Wong & Partner, an accounting firm in Malaysia
Brian Wong Wye Pong	26/11/2009	27/04/2012	Privasia Technology Berhad RapidCloud International Plc	Nil	Partner in PKF Malaysia, an accounting firm in Malaysia

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

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

The Nominating Committee determines the independence of each Director annually based on the definitions and guidelines of the independence set out in the Code. For the year under review, the Nominating Committee has ascertained the independence status of all three Independence Directors. The Nominating Committee is satisfied that at least one-third of the Board comprises of independent non-executive director. None of the Independent Directors of the Company has served more than 9 years from the date of their appointment as Directors of the Company.

Principle 5: Board Performance

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

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

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

Principle 6: Access to information

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

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

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

Principle 7: Procedures for Developing Remuneration Policies

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

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

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

The Remuneration Committee shall perform the following functions:

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

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

If necessary, the Remuneration Committee should seek expert advice inside and/or outside the Company on remuneration of all Directors. Each member of the Remuneration Committee shall abstain from voting on any resolutions in respect of his remuneration package or that of employees related to him.

Principle 8: Level and Mix of Remuneration

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

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

Policy in respect of Executive Directors and other Executive Officers

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

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

The Company has no share-based compensation scheme or any long-term scheme involving the offer of shares or option in place.

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

Policy in respect of Non-Executive Directors' remuneration

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

There are no share-based compensation scheme in place for Non-Executive Directors.

Principle 9: Disclosure on Remuneration

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

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

Executive Directors do not receive directors' fees but are remunerated as members of Management. The remuneration package of the Executive Directors and the key management personnel comprises a basic salary component and a variable component which is the annual bonus, based on the performance of the Group as a whole and their individual performance.

This is designed to align remuneration with the interests of shareholders and link rewards to corporate and individual performance so as to promote the long-term sustainability of the Group.

Service contracts for Executive Directors, are for a fixed appointment period and do not contain onerous removal clauses.

REPORT ON CORPORATE GOVERNANCE (CONT'D)

The level and mix of remuneration of the Company's Directors and Executive Officers for the financial year ended 31 December 2013 are as follows:

Remuneration band and Name of Director/ Executive Officers	**salary and other benefits**	**Bonus**	**Directors' fees**	**Total**
Below S$250,000				
Directors				
Chan Kee Sieng	187,000	8,000	–	195,000
Chan Kit Moi	139,000	6,000	–	145,000
Chan Wen Chau	151,000	8,000	–	159,000
Chan Wen Yaw [1]	–	–	–	–
Brian Wong Wye Pong	–	–	20,000	20,000
Leow Wee Kia Clement	–	–	48,000	48,000
Wong Kok Seong	–	–	15,000	15,000
Executive Officers				
Soh Yeow Seng	95%	5%	–	100%
Tang Cheng Hooi	96%	4%	–	100%
Lee, JongKook	100%	–	–	100%
Chan Choi Har	95%	5%	–	100%
Ong Seng Joo	96%	4%	–	100%
Mah Siew Peng	95%	5%	–	100%
Tung Wai Loon	95%	5%	–	100%

Note:

(1) Mr Chan Wen Yaw has resigned as an Executive Director on 8 March 2013.

The annual aggregate remuneration paid to all the above mentioned key management personnel of the Group is S$580,000.

Remuneration of immediate family members of Directors

A breakdown of remuneration of employee who is immediate family member of the Directors, CEO and substantial shareholder whose remuneration exceeds $50,000 per annum for the year ended 31 December 2013 is set out below:-

Remuneration band and Name of Officers	**salary and other benefits**	**Bonus**	**Total**
$50,000 to $100,000			
Chan Wee Yee	94%	6%	100%

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

The Company does not currently have any employee share scheme in place.

Principle 10: Accountability

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

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

Principle 11: Risk Management and Internal Controls

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

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

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

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

For the financial year under review, the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have provided their confirmation and assurance to the Board on the integrity of the financial statements for the Company, that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations, finances and effectiveness of the Company's risk management and internal controls systems.

Based on the internal controls established by and maintained by the Company, the negative assurance provided by the CEO and the CFO, the work performed by the internal and external auditors and reviews performed by Management and various Board Committees and the Board, the Board, with the concurrence of the AC, is of the opinion that the Group's risk management systems and internal controls in place in addressing the financial, operational, compliance and information technology risks, are adequate as at 31 December 2013.

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

REPORT ON CORPORATE GOVERNANCE (CONT'D)

Principle 12: Audit Committee

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

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

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

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

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

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

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

- Review the scope and results of the audit and its cost effectiveness;
- Review the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance;
- Make recommendations to the Board on the appointment, re-appointment and removal of the independent auditor, and approving the remuneration and terms of engagement of the independent auditor;
- Review with the independent auditor the audit plan, audit report and their evaluation of the system of internal accounting controls, their letter to management and the management's response;
- Review the half yearly and annual, and quarterly, if applicable, financial statements and results announcements before submission to the Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the Rules of Catalist and any other relevant statutory or regulatory requirements;
- Review the internal control procedures and ensure co-ordination between the independent auditor and the management, and review the assistance given by the management to the independent auditor, and discuss problems and concerns, if any, arising from audits, and any matters which the independent auditor may wish to discuss (in the absence of the management, where necessary);
- Review and discuss with the independent auditor any suspected fraud or irregularities, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the management's response;

- Review the adequacy of the Company's internal financial controls, operational, compliance and information technology controls and risk management policies and systems established by the Management.

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

- Review potential conflicts of interest (if any);

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

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

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

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

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

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

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

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

The Audit Committee meets with the independent auditor and with internal auditors, at least once annually, and more frequently, when required, with at least one of the meetings conducted without the presence of management.

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

The Audit Committee constantly bears in mind the need to maintain a balance between the independence and objectivity of the external auditors and the work carried out by the external auditors based on value for money consideration. During the year under review, the aggregate amount of fees paid to the external auditors for the audit and non-audit services amounted to RM170,000 and RM25,000 respectively.

The Group has complied with Rule 712 and 715 of the Rules of Catalyst of the SGX-ST with regard to the appointment of External Auditors for the Company, its subsidiaries and associated companies.

The Audit Committee has recommended and the Board has approved the nomination for re-appointment of Nexia TS Public Accounting Corporation as external auditors of the Company at the forthcoming AGM.

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

Principle 13: Internal Audit

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

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

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

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

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

The Management together with the Board and the Company's Sponsor, CNP Compliance Pte Ltd will review all audit reports and findings from internal auditors and external auditors during the Audit Committee meetings.

During the financial year 2013, the internal auditors had reviewed and carried out the audit on areas pertaining to production planning and operation management process, equipment and machineries maintenance management, quality assurance and quality control management process and risk assessment.

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

SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights

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

Principle 15: Communication with Shareholders

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

Principle 16: Conduct of Shareholder Meeting

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

The Board believes in regular, timely and effective communication with shareholders. The Company does not practice selective disclosure. In line with continuous obligations of the Company pursuant to the Rules of Catalist, it is the Board's policy that shareholders are kept informed of all important developments concerning the Group that will or expect to have an impact on the Company or the Group through timely dissemination of information via SGXNET announcements, press releases, annual reports and various other announcements made whenever necessary. The Company also maintains a website at http://www.msmmgroup.com at which shareholders can access information about the Group.

The Group does not have a concrete dividend policy at present. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. After review, the Board has not declared dividends for the year ended 31 December 2013 as the Company had deemed it more appropriate to retain the cash in the Group for its future growth plans.

Shareholders are encouraged to attend the AGM to stay informed of the Company's goals and strategies and to ensure a high level of accountability by the Management. Notice of AGM will be dispatched to shareholders, together with explanatory notes or a circular on items of special business (if necessary), at least 14 calendar days before the meeting (excluding the date of notice and the date of meeting). The Board welcomes questions from shareholders who have an opportunity to raise issues either informally or formally before or at the AGM. The Chairman of the Audit, Remuneration and Nominating Committees are normally available at the meeting to answer those questions relating to the work of these committees.

The Board noted that the SGX-ST had on 31 July 2013 introduced new listing rules to promote greater transparency in general meetings and support listed companies in enhancing their shareholders' engagement. The Company would be required to conduct its voting at general meetings by poll with effect from 1 August 2015 where shareholders are accorded rights proportionate to the shareholding and all votes are counted. The Board noted that the new rule will enhance transparency of the voting process and encourage greater shareholder participation. Resolution are passed at the general meetings by hand as it may not be efficient or cost effective to have voting by poll or electronic polling. However, subject to the Company's consideration of cost efficiency and effectiveness, the Company may from time to time review the need to conduct poll voting for all resolutions to be passed at the general meetings of the Company.

Dealings in Securities

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

Interested Person Transactions

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

REPORT ON CORPORATE GOVERNANCE (CONT'D)

In compliance with Rule 907 of the SGX-ST's Listing Manual (Section B: Rules of Catalist), the aggregate value of recurrent interested persons transactions of revenue or trading nature conducted during the financial year ended 31 December 2013 were as follows:-

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (including transactions less than S$100,000 and excluding transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted during the financial year under review under shareholders' mandate pursuant to Rule 920 (including transactions less than S$100,000)
	01-01-2013 to 31-12-2013 RM'000	**01-01-2013 to 31-12-2013 RM'000**
Sales of goods to:		
Globalink Metal Sdn Bhd	23	–
Welch (M) Sdn Bhd	529	–
Purchase of material from:		
Globalink Metal Sdn Bhd	198	–
Service charges charged to:		
Eminent Food Industries Sdn Bhd	7	–
Rental expenses paid to:		
Mr Chan Kee Sieng, Mr Chan Kit Moi and Mr Chan Kat Yin in respect of the premises No. 3 Taman Kencana, Selangor, Malaysia.	81	–
Chan Strategy Sdn Bhd in respect of the premises No. 39, Taman Taming Jaya, Selangor, Malaysia.	14	–
Subcontractors' cost paid to:		
Globalink Metal Sdn Bhd	200	–

Material Contracts

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

Non-Sponsorship Fees

The Continuing Sponsor of the Company is CNP Compliance Pte. Ltd. In compliance with the disclosure required under Rule 1204(21) of the Rules of Catalist, there was no non-sponsor fee paid to the Sponsor by the Company for FY2013.

FINANCIAL STATEMENTS

DIRECTORS' REPORT
For the financial year ended 31 December 2013

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2013 and the balance sheet of the Company as at 31 December 2013.

DIRECTORS

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

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

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

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

	Holdings registered in name of director or nominee		Holdings in which director is deemed to have an interest	
	At 31.12.2013	At 1.1.2013	At 31.12.2013	At 1.1.2013
Company				
(No. of ordinary shares)				
Chan Kee Sieng	85,000	85,000	61,564,747	61,564,747
Chan Kit Moi	130,000	130,000	61,564,747	61,564,747
Chan Wen Chau	2,785,186	2,785,186	–	–
Chan Wen Yaw *(Resigned on 8 March 2013)*	–	1,082,435	–	–
Immediate and Ultimate Holding Corporation – Triumphant Hope Sdn Bhd				
(No. of ordinary shares)				
Chan Kee Sieng	100	100	–	–
Chan Kit Moi	100	100	–	–

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

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

The directors' interests in the ordinary shares of the Company as at 21 January 2014 were the same as those as at 31 December 2013.

DIRECTORS' CONTRACTUAL BENEFITS

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

SHARE OPTIONS

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

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

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

AUDIT COMMITTEE

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

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

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

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

- Review the scope and results of internal audit procedures with the internal auditor;
- Review the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- Review the assistance given by the Company's management to the independent auditor;
- Review the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2013 before their submission to the Board of Directors, as well as the independent auditor's report on the balance sheet of the Company and the consolidated financial statements of the Group;
- Review transactions falling within the scope of Chapter 9 of the Singapore Exchange Securities Trading Limited ('SGX-ST') Listing Manual Section B: Rules of Catalist ("Catalist Rules");
- Review the half yearly and annual financial statements and results announcement before submission to the Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the Catalist Rules and any other relevant statutory or regulatory requirements;
- Review the independence and objectivity of the independent auditor; and
- Make recommendations to the Board on the appointment, re-appointment and removal of independent auditor, and approve the remuneration and terms of engagement of the independent auditor.

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

DIRECTORS' REPORT (CONT'D)

INDEPENDENT AUDITOR

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

On behalf of the directors

....
Chan Kee Sieng
Director

....
Chan Kit Moi
Director

2 April 2014

STATEMENT BY DIRECTORS

For the financial year ended 31 December 2013

In the opinion of the directors,

(i) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 32 to 81 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and

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

The Board of Directors approved and authorised these financial statements for issue on the date of this report.

On behalf of the directors

....
Chan Kee Sieng
Director

....
Chan Kit Moi
Director

2 April 2014

INDEPENDENT AUDITOR'S REPORT

To the Members of Mann Seng Metal International Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Mann Seng Metal International Limited (the "Company") and its subsidiaries (the "Group") set out on pages 32 to 81, which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 31 December 2013, the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013, and of the results, changes in equity and cash flows of the Group for the financial year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants

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

Singapore

2 April 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2013

	Note	Group 2013 RM'000	Group 2012 RM'000
Revenue	4	67,516	84,967
Cost of sales		(48,843)	(61,363)
Gross profit		18,673	23,604
Other income - net	5	1,490	1,396
Expenses			
- Selling and distribution		(5,986)	(7,664)
- Administrative		(11,428)	(10,962)
- Finance	8	(2,195)	(2,287)
Profit before income tax		554	4,087
Income tax credit/(expense)	9	651	(1,899)
Total comprehensive income attributable to equity holders of the Company, representing net profit		1,205	2,188
Earnings per share for profit attributable to equity holders of the Company (RM cents per share)			
- Basic and diluted	10	1.34	2.43

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

BALANCE SHEETS

As at 31 December 2013

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
ASSETS					
Current Assets					
Cash and cash equivalents	11	7,976	6,200	*	*
Trade and other receivables	12	20,374	19,834	4,338	5,619
Inventories	13	26,644	21,739	–	–
Other current assets	14	3,013	2,576	15	15
		58,007	50,349	4,353	5,634
Non-Current Assets					
Property, plant and equipment	15	42,408	41,528	–	–
Investment properties	16	3,339	3,382	–	–
Investments in subsidiaries	17	–	–	19,622	19,153
Intangible assets	18	201	–	–	–
		45,948	44,910	19,622	19,153
Total assets		103,955	95,259	23,975	24,787
LIABILITIES					
Current Liabilities					
Trade and other payables	19	17,593	16,695	198	260
Borrowings	20	25,258	18,815	–	–
Current income tax liabilities		–	151	–	–
		42,851	35,661	198	260
Non-Current Liabilities					
Borrowings	20	23,080	22,792	–	–
Deferred income tax liabilities	22	176	163	–	–
		23,256	22,955	–	–
Total liabilities		66,107	58,616	198	260
NET ASSETS		37,848	36,643	23,777	24,527
Capital and reserves attributable to equity holders of the Company					
Share capital	23	26,862	26,862	26,862	26,862
Retained earnings/ (accumulated losses)		10,986	9,781	(3,085)	(2,335)
Total Equity		37,848	36,643	23,777	24,527

* *Denotes below RM1,000.*

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2013

	Note	Share Capital RM'000	Retained Earnings RM'000 *	Total Equity RM'000
2013				
Beginning of financial year		26,862	9,781	36,643
Total comprehensive income for the financial year		–	1,205	1,205
End of financial year		26,862	10,986	37,848
2012				
Beginning of financial year		26,862	7,593	34,455
Total comprehensive income for the financial year		–	2,188	2,188
End of financial year		26,862	9,781	36,643

* *Retained earnings of the Group are distributable.*

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2013

	Note	Group 2013 RM'000	Group 2012 RM'000
Cash flows from operating activities			
Net profit		1,205	2,188
Adjustments for:			
- Income tax (credit)/ expense		(651)	1,899
- Depreciation of property, plant and equipment	6	3,677	3,505
- Depreciation of investment properties	6	43	59
- Property, plant and equipment written off	6	3	5
- Gain on disposal of property, plant and equipment	5	(192)	(139)
- Interest income	5	(39)	(37)
- Interest expense	8	2,195	2,287
		6,241	9,767
Change in working capital, net of effects from acquisition of a subsidiary:			
- Trade and other receivables		1,605	(1,383)
- Inventories		(4,867)	1,298
- Other current assets		(425)	(1,246)
- Trade and other payables		312	2,977
- Bills payable		3,768	(287)
Cash generated from operations		6,634	11,126
Interest paid		(419)	(340)
Interest received		39	37
Income tax paid		(1,147)	(2,278)
Net cash provided by operating activities		5,107	8,545
Cash flows from investing activities			
Additions to property, plant and equipment		(1,595)	(1,322)
Disposals of property, plant and equipment		336	317
Acquisition of a subsidiary, net of cash acquired	28	(201)	–
Net cash used in investing activities		(1,406)	(1,005)
Cash flows from financing activities			
(Increase)/decrease in short-term bank deposits pledged		(39)	217
Proceeds from bank borrowings		2,101	–
Repayment of bank borrowings		(1,609)	(1,688)
Repayments of finance lease liabilities		(3,019)	(3,669)
Interest paid		(1,776)	(1,947)
Net cash used in financing activities		(4,342)	(7,087)
Net (decrease)/increase in cash and cash equivalents		(695)	453
Cash and cash equivalents			
Beginning of financial year		(1,014)	(1,467)
End of financial year	11	(1,709)	(1,014)

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

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

1. GENERAL INFORMATION

Mann Seng Metal International Limited (the "Company") is listed on the Catalist, the sponsor-supervised listing platform of Singapore Exchange Securities Trading Limited ("SGX-ST") and incorporated and domiciled in Singapore. The address of its registered office is 80 Robinson Road, #02-00 Singapore 068898. The principal place of business of the subsidiaries is located at Lot 1909, Jalan KPB 5, Kawasan Perindustrian Kampung Baru Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). Under the historical cost convention, except as disclosed in the accounting policies below. The financial statements are presented in Malaysia Ringgit ("RM") and all values are rounded up to the nearest thousand ("RM '000") except as otherwise indicated.

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

Interpretations and Amendments to Published Standards Effective in 2013

On 1 January 2013, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

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

Amendment to FRS 107 Disclosure-Offsetting Financial Assets and Financial Liabilities

This amendment includes new disclosures to enable users of financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

This amendment does not have any impact on the accounting policies of the Group. The Group has incorporated the additional required disclosures into the financial statements.

An additional balance sheet and related notes at the beginning of the earliest comparative period is not presented as there is no impact on the balance sheet.

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

2.1 Basis of Preparation (Cont'd)

Interpretations and Amendments to Published Standards Effective in 2013 (Cont'd)

FRS 113 Fair Value Measurement

FRS 113 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across FRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within FRSs.

The adoption of FRS 113 does not have any material impact on the accounting policies of the Group. The Group has incorporated the additional disclosures required by FRS 113 into the financial statements.

2.2 Group Accounting

(a) Subsidiaries

(i) Consolidation

Subsidiaries are entities (including special purposes entities) over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

2.2 Group Accounting (Cont'd)

(a) Subsidiaries (Cont'd)

(ii) Acquisitions

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

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

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire id re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the profit or loss.

Acquisition-related costs are expensed as incurred.

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

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

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

(iii) Disposals

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

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

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

(b) Transactions with non-controlling interests

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

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

2.3 Investments in Subsidiaries

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

2.4 Revenue Recognition

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

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

(a) Sale of Goods

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

(b) Interest Income

Interest income is recognised using the effective interest method.

(c) Rental Income

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

2.5 Property, Plant and Equipment

(a) Measurement

(i) Land and Buildings

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

(ii) Other Property, Plant and Equipment

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

(iii) Components of Cost

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

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

2.5 Property, Plant and Equipment (Cont'd)

(b) Depreciation

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

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

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

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

(c) Subsequent Expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "Other income - net".

2.6 Intangible Assets

Goodwill on acquisition

Goodwill on acquisitions of subsidiaries and business on or after 1 January 2010 represents the excess of (a) the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (b) the fair value of the identifiable assets acquired net of the fair values of the liabilities and any contingent liabilities assumed.

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

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

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

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

2.7 Borrowing Costs

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

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

2.8 Investment Properties

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

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

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

	Useful lives
Leasehold land	58 to 70 years
Building	50 years

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

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

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

2.9 Impairment of Non-financial Assets

(a) Goodwill

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

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

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

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

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

(a) Goodwill (Cont'd)

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

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

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

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

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

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

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

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

2.10 Financial Assets

(a) Classification

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

Loans and receivables

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

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

2.10 Financial Assets (Cont'd)

(b) Recognition and Derecognition

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

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

(c) Initial Measurement

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

(d) Subsequent Measurement

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

(e) Impairment

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

Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

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

(f) Offsetting Financial Instruments

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

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

2.11 Financial Guarantee

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

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

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

Intra-group transactions are eliminated on consolidation.

2.12 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

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

2.13 Trade and Other Payables

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

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

2.14 Fair Value Estimation of Financial Assets and Liabilities

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

2.15 Leases

(a) When the Group is the lessee:

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

(i) Lessee – Finance leases

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

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

2.15 Leases (Cont'd)

(a) When the Group is the lessee: (Cont'd)

(i) Lessee – Finance leases (Cont'd)

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as property, plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

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

(ii) Lessee – Operating leases

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

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

(b) When the Group is the lessor:

(i) Lessor – Operating leases

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

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

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

2.16 Inventories

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

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

2.17 Income Taxes

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

2.17 Income Taxes (Cont'd)

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

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

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

Deferred income tax is measured:

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

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

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2.18 Provisions for Other Liabilities and Charges

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

2.19 Employee Compensation

(a) Defined Contribution Plans

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

(b) Short-term Compensated Absences

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

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

2.20 Currency Translation

(a) Functional and Presentation Currency

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

(b) Transactions and Balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

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

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

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

(c) Translation of Group entities' financial statements

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

2.21 Segment Reporting

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

2.22 Cash and Cash Equivalents

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

2.23 Share Capital

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

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

3.1 Critical accounting estimates and assumptions

(a) Impairment of trade and other receivables

Management reviews its trade and other receivables for objective evidence of impairment at least annually. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired.

In determining this, management has made judgements as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in. Where there is objective evidence of impairment, management has made judgements as to whether an impairment loss should be recorded as an expense. Management has made an allowance for impairment and write off of trade receivables amounting to RM206,000 (2012: RM155,000) and RM Nil (2012: RM194,000) respectively.

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

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONT'D)

3.1 Critical accounting estimates and assumptions (Cont'd)

(b) Useful life of plant and machinery

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

Management reviews the residual values and useful lives of plant and machinery at each reporting date in accordance with the accounting policies in Note 2.5. The estimation of the residual values and useful lives involves significant judgements. The carrying amounts of the Group's plant and machinery as at 31 December 2013 are RM12,954,000 (2012: RM11,617,000).

If the actual lives of these plant and machinery differ by 1 year from management estimates, the carrying amount of the plant and machinery will increase by RM232,000 (2012: RM218,000) or decrease by RM330,000 (2012: RM295,000).

4. REVENUE

	Group	
	2013 RM'000	2012 RM'000
Sale of OEM contract manufacturing products	17,878	17,271
Sale of kitchen appliances, equipment and related services	21,433	25,068
Sale of oil and gas products	20,699	37,609
Sale of cleanroom and laboratories products and related services	7,506	5,019
	67,516	84,967

5. OTHER INCOME - NET

	Group	
	2013 RM'000	2012 RM'000
Rental income		
- Investment properties (Note 16)	96	84
- Factory, hostel and office	523	275
- Motor vehicles	26	62
Sales of scrap	212	207
Insurance claim	22	29
Interest income from bank deposits	39	37
Gain on disposal of property, plant and equipment	192	139
Currency translation gains – net	314	453
Other	66	110
	1,490	1,396

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6. EXPENSES BY NATURE

	Group	
	2013 RM'000	2012 RM'000
Purchases of inventories	37,988	43,368
Depreciation of property, plant and equipment (Note 15)	3,677	3,505
Depreciation of investment properties (Note 16)	43	59
Property, plant and equipment written off	3	5
Allowance for impairment of trade receivables - net (Note 29(b)(ii))	131	127
Commission	227	501
Directors' fees	206	204
Employee compensation (Note 7)	17,121	15,556
Fees on audit services paid/payable to:		
- Auditor of the Company	122	120
- Other auditors*	176	212
Fees on non-audit services paid/payable to:		
- Auditor of the Company	6	–
- Other auditors*	36	29
Freight and forwarding	354	228
Fuel and gas	954	1,140
Insurance	471	533
Inventory written off (Note 13)	122	120
Professional fees	790	797
Rental expense on operating leases	586	546
Subcontractors' cost	2,114	3,473
Travelling and transportation	2,126	3,736
Utilities	1,539	1,572
Upkeep, repair and maintenance	1,217	1,175
Changes in inventories	(4,905)	1,298
Other	1,153	1,685
Total cost of sales, selling and distribution, and administrative expenses	66,257	79,989

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

7. EMPLOYEE COMPENSATION

	Group	
	2013 RM'000	2012 RM'000
Salaries, wages and bonuses	15,711	14,027
Employer's contribution to defined contribution plans	958	952
Other short-term benefits	452	577
	17,121	15,556

8. FINANCE EXPENSES

	Group	
	2013 RM'000	2012 RM'000
Interest expense		
- Bank borrowings	940	1,044
- Bank overdraft	419	340
- Bills payable	356	335
- Finance lease liabilities	480	568
	2,195	2,287

9. INCOME TAXES

	Group	
	2013 RM'000	2012 RM'000
Tax expense attributable to profit is made up of:		
Profit of the year		
- Current income tax - Malaysia	811	1,990
- Deferred income tax (Note 22)	13	56
	824	2,046
Over provision in prior financial years		
- Current income tax - Malaysia	(1,475)	(1)
- Deferred income tax (Note 22)	–	(146)
	(651)	1,899

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

	Group	
	2013 RM'000	2012 RM'000
Profit before income tax	554	4,087
Tax calculated at Malaysia income tax rate of 25% (2012: 25%)	139	1,022
Effects of:		
- Different tax rates in other countries	69	69
- Tax incentives	(427)	(170)
- Expenses not deductible for tax purposes	295	385
- Income not subject to tax	–	(4)
- Utilisation of previously unrecognised tax losses	(527)	(133)
- Deferred tax assets not recognised	1,275	877
Tax charge	824	2,046

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

10. EARNINGS PER SHARE

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

	Group	
	2013	2012
Net profit attributable to equity holders of the Company (RM'000)	1,205	2,188
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	90,000	90,000
Basic earnings per share (RM cents per share)	1.34	2.43

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

11. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Cash at bank and on hand	6,609	4,872	*	*
Short-term bank deposits	1,367	1,328	–	–
	7,976	6,200	–	–

* *Denotes less than RM1,000.*

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

	Group	
	2013 RM'000	2012 RM'000
Cash and bank balances (as above)	7,976	6,200
Less: Short-term bank deposits pledged	(1,367)	(1,328)
Less: Bank overdrafts (Note 20)	(8,318)	(5,886)
Cash and cash equivalents per consolidated statement of cash flows	(1,709)	(1,014)

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

Acquisition of Subsidiary

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

12. TRADE AND OTHER RECEIVABLES

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Trade receivables				
- Non-related parties	18,900	19,547	–	–
- Related parties	7	351	–	–
	18,907	19,898	–	–
Less: Allowance for impairment of trade receivables – non-related parties (Note 29(b)(ii))	(403)	(272)	–	–
Trade receivables - net	18,504	19,626	–	–
Other receivables				
- Non-related parties	210	208	–	–
- Subsidiaries	–	–	4,338	5,619
Tax recoverable	1,660	–	–	–
	20,374	19,834	4,338	5,619

The amount due from subsidiaries is unsecured, interest free and repayable on demand.

13. INVENTORIES

	Group 2013 RM'000	Group 2012 RM'000
Raw materials	4,849	5,268
Work-in-progress	15,293	11,305
Finished goods	6,502	5,166
	26,644	21,739

The cost of inventories recognised as an expense and included in "cost of sales" amounts to RM33,083,000 (2012: RM44,666,000).

The Group recognised an expense of RM122,000 (2012: RM120,000) in the cost of inventories, in respect to the write-off of inventories to net realisable value.

14. OTHER CURRENT ASSETS

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Deposits	709	536	–	–
Prepayments	2,304	2,040	15	15
	3,013	2,576	15	15

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

15. PROPERTY, PLANT AND EQUIPMENT

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

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

	Freehold Land RM'000	Leasehold Land and Buildings RM'000	Plant and Machinery RM'000	Renovation and Signboard RM'000	Motor Vehicles RM'000	Computer, Office Equipment, Fixtures, Furniture and Fittings RM'000	Showroom Equipment RM'000	Total RM'000
Group								
2012								
Cost								
Beginning of financial year	7,339	19,652	25,747	3,674	3,359	2,427	229	62,427
Additions	–	–	1,142	178	392	325	–	2,037
Written off	–	–	(441)	–	–	–	(13)	(454)
Disposals	–	–	(114)	–	(457)	(40)	–	(611)
End of financial year	7,339	19,652	26,334	3,852	3,294	2,712	216	63,399
Accumulated depreciation								
Beginning of financial year	–	1,065	13,326	1,206	1,989	1,510	152	19,248
Depreciation charge (Note 6)	–	345	1,946	355	527	260	72	3,505
Written off	–	–	(441)	–	–	–	(8)	(449)
Disposals	–	–	(114)	–	(282)	(37)	–	(433)
End of financial year	–	1,410	14,717	1,561	2,234	1,733	216	21,871
Net Book Value								
End of financial year	7,339	18,242	11,617	2,291	1,060	979	–	41,528

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

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

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

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

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

	Group 2013 RM'000	Group 2012 RM'000
Plant and machinery	2,443	355
Motor vehicles	342	360
Computer, office equipment, fixtures, furniture and fittings	273	–
	3,058	715

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

	Group 2013 RM'000	Group 2012 RM'000
Plant and machinery	10,600	8,486
Motor vehicles	780	1,055
Computer, office equipment, fixtures, furniture and fittings	366	299
Renovation and signboard	8	9
	11,754	9,849

(c) Certain property, plant and equipment of the Group with carrying amounts of RM25,235,000 (2012: RM25,581,000) (Note 20(a)), are provided as security for bank borrowings and bill payable.

16. INVESTMENT PROPERTIES

	Leasehold Land RM'000	Leasehold Land and Buildings RM'000	Total RM'000
<u>Group</u>			
2013			
Cost			
Beginning and end of financial year	3,005	903	3,908
Accumulated depreciation			
Beginning of financial year	319	207	526
Depreciation charge (Note 6)	30	13	43
End of financial year	349	220	569
Net Book Value			
End of financial year	2,656	683	3,339

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

16. INVESTMENT PROPERTIES (CONT'D)

	Leasehold Land RM'000	Leasehold Land and Buildings RM'000	Total RM'000
Group			
2012			
Cost			
Beginning and end of financial year	3,005	903	3,908
Accumulated depreciation			
Beginning of financial year	273	194	467
Depreciation charge (Note 6)	46	13	59
End of financial year	319	207	526
Net Book Value			
End of financial year	2,686	696	3,382

Investment properties are leased to related and non-related parties under operating leases (Note 26(c)).

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

The following amounts are recognised in profit or loss:

	Group 2013 RM'000	Group 2012 RM'000
Rental income (Note 5)	96	84
Direct operating expenses arising from:		
- Investment property that generated rental income	(19)	(15)
- Investment property that did not generate rental income	(127)	(60)

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

Location	Description	Existing Use	Tenure	Unexpired term of lease	Fair values 2013 RM'000	Fair values 2012 RM'000
Lot 1861 Mukim Cheras, Daerah Hulu Langat, Selangor Darul Ehsan	Vacant land	Industrial	Leasehold land	58	7,100	3,700
No. 14 Jalan Kencana 30 Taman Kencana, 56100 Kuala Lumpur	Factory with 3-storey office	Commercial	Leasehold land and building	70	2,000	1,150

16. INVESTMENT PROPERTIES (CONT'D)

Fair value hierarchy

	Fair value measurement at 31 December 2013 using		
	Quoted prices on active markets for identical assets (Level 1)	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
	RM'000	**RM'000**	**RM'000**
Recurring fair value measurements			
Investment properties:			
- Industrial land	–	2,656	–
- Factory building	–	683	–

Valuation techniques used to derive Level 2 Fair values

Level 2 fair values of the Group's properties have been generally derived using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is selling price per square meter.

Valuation processes of the Group

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

Changes in Level 2 fair values are analysed at each reporting date during the annual valuation discussion between management and the valuation team. As part of this discussion, the team presents a report that explains for the fair value movements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

17. INVESTMENT IN SUBSIDIARIES

	Company 2013 RM'000	Company 2012 RM'000
Equity investment at cost:		
Beginning of financial year	19,153	19,153
Additional investment in subsidiary	200	–
Acquisition of a subsidiary	269	–
	19,622	19,153

* *Denotes less than RM1,000.*

Details of subsidiaries are as follows:

Name of companies	Principal activities	Country of business/ incorporation	Effective equity holding 2013 %	Effective equity holding 2012 %
Held by the Company				
MSM Metal Industries Sdn Bhd (1)	Contract manufacturing of all metal products	Malaysia	100	100
MSM Equipment Manufacturer Sdn Bhd (1)	Contract manufacturing of F&B kitchen equipment and manufacturing and sale of standard kitchen equipment	Malaysia	100	100
MSM Marketing Sdn Bhd (1)	Sale and servicing of standard kitchen equipment products	Malaysia	100	100
Toyomi (M) Sdn Bhd (1)	Sale and servicing of metal parts and kitchen equipment, and design consultancy and installation works	Malaysia	100	100
FIC Refrigeration (M) Sdn Bhd (1)	Manufacturing, sale and servicing of refrigeration appliances	Malaysia	100	100
OMS Technology Sdn Bhd (1)	Design, consultancy and installation works for cleanrooms and laboratories	Malaysia	100	100
Marc Conleth Industries Sdn Bhd (1)	Metal engineering work for oil and gas and environmental related industries	Malaysia	100	100
Marc16 Equipment Manufacturing Sdn. Bhd. (1)	Trading, design and supply of machine	Malaysia	100	–
MSM Metal (S) Pte Ltd (2)	Trading and servicing of metal parts and kitchen equipment	Singapore	100	100

17. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of companies	Principal activities	Country of business/ incorporation	Effective equity holding 2013 %	2012 %
Held by MSM Equipment Manufacturer Sdn Bhd				
PT. Mulia Sinergi Metalindo [(3)]	Sale and service of metal parts, kitchen equipment	Indonesia	100	100
MSM R Kitchen Sdn Bhd [(1)]	Trading and servicing of metal parts and kitchen equipment	Malaysia	100	–

(1) Audited by SSY Partners, Malaysia, a member firm of Nexia International
(2) Audited by Nexia TS Public Accounting Corporation, Singapore, a member firm of Nexia International
(3) Audited by KAP Kanaka Puradiredja, Indonesia, a member firm of Nexia International

In accordance with the requirements of Rule 716 of the Singapore Exchange Securities Trading Limited – Listing Manual Section B: Rules of Catalist, the Audit Committee and Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditors for one of its subsidiaries will not comprise the standard and effectiveness of the audit of the Company.

18. INTANGIBLE ASSETS

	Group 2013 RM'000	2012 RM'000
Goodwill arising on consolidation (Note (a))	201	–

(a) Goodwill arising on consolidation

	Group 2013 RM'000	2012 RM'000
Cost		
Beginning of financial year	–	–
Acquisition	201	–
End of financial year	201	–

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

18. INTANGIBLE ASSETS (CONT'D)

(a) Goodwill arising on consolidation (Cont'd)

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

	Group	
	2013 RM'000	2012 RM'000
Malaysia	201	–

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Trade payables to				
- Non-related parties	9,999	10,195	–	–
- Related parties	119	4	–	–
	10,118	10,199	–	–
Accruals for operating expenses	2,127	2,541	120	120
Other payables				
- Non-related parties	2,823	1,774	66	140
- Subsidiaries	–	–	12	–
Advance from customers	2,525	2,181	–	–
	17,593	16,695	198	260

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

20. BORROWINGS

	Group	
	2013	**2012**
	RM'000	**RM'000**
Current		
Bank overdrafts (Note 11)	8,318	5,886
Bank loans	3,069	3,226
Bills payable	10,950	7,182
Finance lease liabilities (Note 21)	2,921	2,521
	25,258	18,815
Non-current		
Bank loans	17,861	17,212
Finance lease liabilities (Note 21)	5,219	5,580
	23,080	22,792
Total borrowings	48,338	41,607

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

	Group	
	2013	**2012**
	RM'000	**RM'000**
6 months or less	21,424	15,224
6 – 12 months	3,834	3,591
1 – 5 years	13,039	11,250
Over 5 years	10,041	11,542
	48,338	41,607

(a) Security granted

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

20. BORROWINGS (CONT'D)

(b) Fair value of non-current borrowings

	Group 2013 RM'000	Group 2012 RM'000
Bank loans	18,189	17,571
Finance lease liabilities	5,543	5,790
	23,732	23,361

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

	Group 2013 %	Group 2012 %
Bank loans	4.4	5.0
Finance lease liabilities	3.2	3.2

21. FINANCE LEASE LIABILITIES

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

	Group 2013 RM'000	Group 2012 RM'000
Minimum lease payments due		
- Not later than one year	3,249	2,911
- Between one and five years	4,912	5,923
- Later than five years	777	133
	8,938	8,967
Less: Future finance charges	(798)	(866)
Present value of finance lease liabilities	8,140	8,101

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

	Group 2013 RM'000	Group 2012 RM'000
Not later than one year (Note 20)	2,921	2,521
Later than one year (Note 20)		
- Between one and five years	4,711	5,464
- Later than five years	508	116
	5,219	5,580
Total	8,140	8,101

22. DEFERRED INCOME TAXES

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

	Group	
	2013	**2012**
	RM'000	**RM'000**
Deferred income tax liabilities - net		
- to be settled after one year	176	163

Movement in deferred income tax account is as follows:

	Group	
	2013	**2012**
	RM'000	**RM'000**
Beginning of financial year	163	253
Tax credited/(charged) to profit or loss (Note 9)	13	(90)
End of financial year	176	163

Deferred income tax assets are recognised for tax losses, capital allowances and reinvestment allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of RM6,713,000 (2012: RM3,318,000), capital allowances of RM3,298,000 (2012: RM4,543,000) and reinvestment allowances of RM4,901,000 (2012: RM4,131,000) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses, capital allowances and reinvestment allowances in their respective countries of incorporation. The tax losses, capital allowances and reinvestment allowances have no expiry date.

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

Deferred income tax liabilities

	Accelerated tax depreciation RM'000
2013	
Beginning of financial year	246
Charged to profit or loss	26
End of financial year	272
2012	
Beginning of financial year	392
Credited to profit or loss	(146)
End of financial year	246

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

22. DEFERRED INCOME TAXES (CONT'D)

Deferred income tax assets

	Tax losses RM'000
2013	
Beginning of financial year	(83)
Credited to profit or loss	(13)
End of financial year	(96)
2012	
Beginning of financial year	(139)
Charged to profit or loss	56
End of financial year	(83)

23. SHARE CAPITAL

	Number of ordinary shares '000	Amount RM'000
Group and Company		
2013 and 2012		
Beginning and end of financial year	90,000	26,862

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

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

24. CONTINGENT LIABILITIES

	Company	
	2013 RM'000	2012 RM'000
Corporate guarantee (unsecured)	47,792	42,551

The Company has given corporate guarantees to certain banks and financial institutions for credit facilities granted to the subsidiaries. The Company has evaluated the fair value of the corporate guarantees and is of the view that the consequential benefit derived from its guarantees to the banks and financial institutions with regard to the subsidiaries is minimal. The subsidiaries for which the guarantees were provided are in favourable equity positions and are profitable.

25. COMMITMENTS

(a) Capital commitments

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

	Group	
	2013	**2012**
	RM'000	**RM'000**
Property, plant and equipment	–	1,380

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

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

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

	Group	
	2013	**2012**
	RM'000	**RM'000**
Not later than one year	250	493
Between one and five years	46	324
	296	817

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

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

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

	Group	
	2013	**2012**
	RM'000	**RM'000**
Not later than one year	124	167
Between one and five years	–	80
	124	247

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

26. RELATED PARTY TRANSACTIONS

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

(a) Sales and purchases of goods and services and other expenses

	Group	
	2013	**2012**
	RM'000	**RM'000**
Sales of goods to related parties	23	103
Rental income charged to a related party	95	84
Service charges charged to a related party	7	10
Purchases of material from a related party	(199)	(76)
Subcontractors' cost paid to a related party	(200)	(603)

Outstanding balances as at 31 December 2013, arising from sale/purchase of goods and services, are unsecured and receivable/payable within 12 months from balance sheet date and are disclosed in Notes 12 and 19 respectively.

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	Group	
	2013	**2012**
	RM'000	**RM'000**
Salaries, bonuses and allowances	2,060	1,812
Directors' fees	206	204
Employer's contribution to defined contribution plans	184	159
Other short-term benefits	475	463
	2,925	2,638

Included in the above is total compensation to directors of the Group amounting to RM1,465,000 (2012: RM1,197,000).

27. SEGMENT INFORMATION

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

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

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

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

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

	OEM contract manufacturing RM'000	Oil and gas RM'000	Cleanroom and laboratories RM'000	Kitchen appliances, equipment and related services RM'000	Total RM'000
2013					
Revenue					
- Sales to external parties	17,878	20,699	7,506	21,433	67,516
Adjusted EBITDA	3,627	4,097	1,097	(2,391)	6,430
Depreciation of property, plant and equipment	1,790	662	46	1,179	3,677
Finance expense	1,057	737	4	397	2,195
2012					
Revenue					
- Sales to external parties	17,271	37,609	5,019	25,068	84,967
Adjusted EBITDA	939	9,083	363	(484)	9,901
Depreciation of property, plant and equipment	1,732	437	51	1,285	3,505
Finance expense	1,000	787	5	495	2,287

27. SEGMENT INFORMATION (CONT'D)

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

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

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

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

	Group	
	2013	2012
	RM'000	RM'000
Adjusted EBITDA for reportable segments	6,430	9,901
Depreciation of property, plant and equipment	(3,677)	(3,505)
Depreciation of investment properties	(43)	(59)
Finance expense	(2,195)	(2,287)
Interest income	39	37
Profit before income tax	554	4,087

Geographical information

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

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

27. SEGMENT INFORMATION (CONT'D)

	Group 2013 RM'000	2012 RM'000
Revenue		
Malaysia	55,044	61,414
United States of America	8,044	19,622
Indonesia	3,135	1,721
Other countries	1,293	2,210
	67,516	84,967
Non-current assets		
Malaysia	45,890	44,843
Indonesia	2	3
Singapore	56	64
	45,948	44,910

Revenues of approximately RM20,156,000 (2012: RM35,100,000) are derived from a single external customer which is attributable to the sale of oil and gas products in the geographical segments of Malaysia and United States of America.

28. BUSINESS COMBINATION

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

28. BUSINESS COMBINATION (CONT'D)

	RM'000
(c) Identifiable assets and liabilities	
Cash and bank balances	68
Property, plant and equipment (Note 15)	51
Inventories	38
Trade and other receivables	485
Other current assets	12
Total assets	654
Trade and other payables	626
Current income tax liabilities	(40)
Total liabilities	586
Total identifiable net assets	68
Add: Goodwill (Note 18 and Note 28(d))	201
Consideration tranferred for the business	269

(a) Goodwill

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

(b) Revenue and profit contribution

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

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

29. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

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

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

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

(a) Market risk

(i) Currency risk

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market risk (Cont'd)

(i) Currency risk (Cont'd)

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

	RM RM'000	USD RM'000	SGD RM'000	EUR RM'000	IDR RM'000	Total RM'000
31 December 2013						
Financial assets						
Cash and cash equivalents	7,659	215	102	–	–	7,976
Trade and other receivables	18,109	507	98	–	–	18,714
Other financial assets	581	13	68	–	47	709
Inter-companies receivables	5,741	–	–	–	–	5,741
	32,090	735	268	–	47	33,140
Financial liabilities						
Trade and other payables	17,251	153	189	–	–	17,593
Borrowings	46,899	–	–	1,439	–	48,338
Inter-companies payables	5,741	–	–	–	–	5,741
	69,891	153	189	1,439	–	71,672
Net financial (liabilities)/assets	(37,801)	582	79	(1,439)	47	(38,532)
Less: Net financial liabilities denominated in the functional currencies	37,801	–	–	–	–	37,801
Currency exposure of financial assets/(liabilities) net of those denominated in the respective entities functional currencies	–	582	79	(1,439)	47	(731)

29. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market risk (Cont'd)

(i) Currency risk (Cont'd)

	RM RM'000	USD RM'000	SGD RM'000	EUR RM'000	IDR RM'000	Total RM'000
31 December 2012						
Financial assets						
Cash and cash equivalents	4,951	1,191	58	–	–	6,200
Trade and other receivables	17,076	2,679	79	–	–	19,834
Other financial assets	452	–	37	–	47	536
Inter-companies receivables	6,597	–	–	–	–	6,597
	29,076	3,870	174	–	47	33,167
Financial liabilities						
Trade and other payables	16,429	–	266	–	–	16,695
Borrowings	39,571	–	–	2,036	–	41,607
Inter-companies payables	6,597	–	–	–	–	6,597
	62,597	–	266	2,036	–	64,899
Net financial (liabilities)/assets	(33,521)	3,870	(92)	(2,036)	47	(31,732)
Less: Net financial liabilities denominated in the functional currencies	33,521	–	–	–	–	33,521
Currency exposure of financial assets/(liabilities) net of those denominated in the respective entities functional currencies	–	3,870	(92)	(2,036)	47	1789

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market risk (Cont'd)

(i) Currency risk (Cont'd)

If the USD, SGD, EURO and IDR change against the RM by 5% (2012: 5%) respectively, with all other variables including tax rate being held constant, the effects arising from net financial liabilities/assets position will be as follows:

	Increase/(Decrease)			
	2013		2012	
	Net Profit RM'000	Equity RM'000	Net Profit RM'000	Equity RM'000
Increase/(Decrease)				
USD against RM				
- strengthened	22	22	145	145
- weakened	(22)	(22)	(145)	(145)
SGD against RM				
- strengthened	3	3	(3)	(3)
- weakened	(3)	(3)	3	3
EURO against RM				
- strengthened	(54)	(54)	(76)	(76)
- weakened	54	54	76	76
IDR against RM				
- strengthened	2	2	2	2
- weakened	(2)	(2)	(2)	(2)

(ii) Price risk

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

(iii) Cash flow and fair value interest rate risks

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

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

The Group's borrowings at variable rates are denominated in RM. If the RM interest rate increases/decreases by 1% (2012: 1%) with all other variables including tax rates being held constant, the net profit and equity will be lower/higher by RM363,000 (2012: RM312,000).

29. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk

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

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet, except as follows:

	Group	
	2013	**2012**
	RM'000	**RM'000**
Corporate guarantees provided to banks on subsidiaries' loans	47,792	42,551

The trade receivables of the Group comprise 1 debtor (2012: 1 debtor) that represented 20% (2012: 32%) of trade receivables.

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

	Group	
	2013	**2012**
	RM'000	**RM'000**
By geographical areas		
Malaysia	17,078	16,128
Indonesia	910	718
United States of America	348	2,563
Other countries	168	217
	18,504	19,626
By types of customers		
Related parties	7	351
Non-related parties		
- Multi-national companies	8,593	8,896
- Other companies	9,904	10,379
	18,504	19,626

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

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

29. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

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

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

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

	Group	
	2013	**2012**
	RM'000	**RM'000**
Past due 0 to 3 months	3,094	3,105
Past due 3 to 6 months	1,279	1,074
Past due over 6 months	711	530
	5,084	4,709

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

	Group	
	2013	**2012**
	RM'000	**RM'000**
Gross amount	416	272
Less: Allowance for impairment	(403)	(272)
	13	–
Beginning of financial year	272	339
Allowance made (Note 6)	206	155
Allowance utilised	–	(194)
Reversal of allowance of impairment (Note 6)	(75)	(28)
	403	272

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

29. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and having an adequate amount of committed credit facilities (Note 20) to enable it to meet its normal operating commitments. The Group's objective is to maintain a balance between continuing of funding and flexibility through the use of bank borrowings, bank overdrafts and finance lease liabilities. As at balance sheet date, assets held by the Group and the Company for managing liquidity risks included cash and short-term bank deposits as disclosed in Note 11.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	Less than 1 year RM'000	Between 1 and 2 years RM'000	Between 2 and 5 years RM'000	Over 5 years RM'000
Group				
31 December 2013				
Trade and other payables	17,593	–	–	–
Borrowings	26,617	5,925	9,914	13,729
	44,210	5,925	9,914	13,729
31 December 2012				
Trade and other payables	16,695	–	–	–
Borrowings	20,177	4,827	9,680	15,630
	36,872	4,827	9,680	15,630
Company				
31 December 2013				
Trade and other payables	16,695	–	–	–
Corporate guarantees	47,792	–	–	–
	64,487	–	–	–
31 December 2012				
Trade and other payables	22,792	–	–	–
Corporate guarantees	42,551	–	–	–
	65,343	–	–	–

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. FINANCIAL RISK MANAGEMENT (CONT'D)

(d) Capital risk

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

Management monitors capital based on a gearing ratio. The Group's policy, which is unchanged from 2012, is to maintain gearing ratio of not exceeding 2.0 times.

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

	Group	
	2013	**2012**
	RM'000	**RM'000**
Total borrowings	48,338	41,607
Net worth	37,848	36,643
Gearing ratio (times)	1.28	1.14

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2012 and 2013.

(e) Financial instruments by category

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

	Group		**Company**	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Loans and receivables	27,399	26,570	4,338	5,619
Financial liabilities at amortised cost	65,391	58,302	198	260

30. NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the new or amended Standards and Interpretations that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2014 or later periods and which the Group has not early adopted:

- FRS 27 (Revised 2011) – Separate Financial Statements
- FRS 28 (Revised 2011) – Investment in Associates and Joint Ventures
- Amendments to FRS 32 – Financial Instruments: Offsetting of Financial Liabilities and Assets
- Amendments to FRS 36 – Recoverable Amount Disclosures for Non- Financial Assets
- Amendments to FRS 39 – Novation of Derivatives and Continuation of Hedge Accounting
- FRS 110 – Consolidated Financial Statements
- FRS 111 – Joint Arrangements
- FRS 112 – Disclosure of Interests in Other Entities
- Amendments to FRS 110, FRS 111, FRS 112, FRS 27 (2011) and FRS 28 (2011) – Mandatory Effective Date
- Amendments to FRS 110, FRS 111 and FRS 112 – Transition Guidance
- Amendments to FRS110, FRS 112 and FRS 27 – Investment Entities

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

31. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Director of Mann Seng International Limited on 2 April 2014.

STATISTICS OF SHAREHOLDINGS

As at 18 March 2014

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

SUBSTANTIAL SHAREHOLDERS

(as recorded in the Register of Substantial Shareholder as at 18 March 2014)

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

Notes:

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

As at 1 April 2014, Chan Kat Yin has disposed his entire shares in Triumphant Hope Sdn. Bhd. details please refer to announcement made on 1 April 2014.

Shareholdings Held in the Hands of Public

Based on information available to the Company as at 18 March 2014, approximately 25.22% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the SGX-ST Listing Manual (Section B: Rules of Catalist) is complied with.

STATISTICS OF SHAREHOLDINGS (CONT'D)

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS
AS AT 18 MARCH 2014

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	1	0.78	3	–
1,000 - 10,000	29	22.66	227,000	0.25
10,001 - 1,000,000	92	71.87	13,551,623	15.06
1,000,001 AND ABOVE	6	4.69	76,221,374	84.69
TOTAL	128	100.00	90,000,000	100.00

TWENTY LARGEST SHAREHOLDERS
AS AT 18 MARCH 2014

NO.	SHAREHOLDER'S NAME	NUMBER OF SHARES HELD	%
1	TRIUMPHANT HOPE SDN. BHD.	61,564,747	68.41
2	CIMB SECURITIES (SINGAPORE) PTE LTD	6,877,006	7.64
3	CHAN WEN CHAU	2,785,186	3.09
4	LIM CHYE HUAT @ BOBBY LIM CHYE HUAT	2,780,000	3.09
5	PHILLIP SECURITIES PTE LTD	1,132,000	1.26
6	CHAN WEN YAW	1,082,435	1.20
7	CHOO KOK CHENG	950,000	1.06
8	ONG SENG JOO	883,810	0.98
9	CHAN WEN YEE	883,810	0.98
10	LEE KAY HUAN HOLDINGS PTE LTD	840,000	0.93
11	KOK SHAW TERK (GUO SHAODE)	764,000	0.85
12	CHIN JIT SIN	750,000	0.83
13	KAM FOONG KENG	750,000	0.83
14	BNP PARIBAS SECURITIES SERVICES	703,003	0.78
15	LIM POH HOCK ERIC	500,000	0.56
16	UOB KAY HIAN PTE LTD	460,000	0.51
17	GERALD CHEW KIN MUN	400,000	0.44
18	CHAN SIEW LING	376,000	0.42
19	CHUA KENG LOY	250,000	0.28
20	HONG LEONG FINANCE NOMINEES PTE LTD	230,000	0.26
	TOTAL	84,961,997	94.40

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Company will be held at SAF Yacht Club, Seminar Room, Second Floor, 110 Tanah Merah Coast Road Singapore 498800 on Tuesday, 29 April 2014 at 10.30 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2013 together with the Reports of the Directors and Auditors thereon. ***Resolution 1***

2. To approve the Directors' fees of S$83,000 for the financial year ending 31 December 2014 (2013:S$83,000) ***Resolution 2***

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

4. To re-elect Mr Leow Wee Kia Clement who is retiring pursuant to Article 107 of the Company's Articles of Association. ***Resolution 4***
   (See Explanatory Note 2)

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

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

SPECIAL BUSINESS

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

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

   "That pursuant to Section 161 of the Companies Act, Cap. 50, and subject to Rule 806 of the SGX-ST Listing Manual (Section B: Rules of Catalist), approval be and is hereby given to the Directors of the Company to issue: ***Resolution 6***

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

   (b) convertible securities; or

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

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

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

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

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

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

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

(iv) unless earlier revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier."
(See Explanatory Note 3)

By Order of the Board

Chan Kee Sieng
Executive Chairman
Singapore
14 April 2014

Explanatory Notes:

1. Mr Chan Wen Chau, if elected, will remain as an Executive Director and Chief Executive Officer of the Company. Mr Chan Wen Chau is also a shareholder and the son of Mr Chan Kee Sieng (the Executive Chairman and a substantial shareholder holding 68.5% shareholding) and nephew to Mr Chan Kit Moi (an Executive Director and a substantial shareholder holding 68.55% shareholding). Save as disclosed herein, Mr Chan Wen Chau does not have any relationships including immediate family relationships with other Directors, the Company and its 10% shareholders (as defined in the Singapore Code of Corporate Governance 2012). The detailed information of Mr Chan Wen Chau can be found under the section entitled "Board of Directors" of the Annual Report.

2. Mr Leow Wee Kia Clement if elected, shall remain as Chairman of the Remuneration and Nominating Committees and member of the Audit Committee. Mr Leow Wee Kia Clement will be considered as an independent director of the Company. Save as disclosed herein, Mr Leow Wee Kia Clement does not have any relationships including immediate family relationships with the Directors, the Company and its 10% shareholders (as defined in the Singapore Code of Corporate Governance 2012). The detailed information of Mr Leow Wee Kia Clement can be found under the section entitled "Board of Directors" of the Annual Report.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

3. The Ordinary Resolution 6 above, is to authorise the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares up to an amount not exceeding in aggregate 100% of the total number of issued shares excluding treasury shares of which the total number of shares issued other than on a pro-rata basis to existing shareholders shall not exceed 50% of the total number of issued shares excluding treasury shares for such purposes as they consider would be in the interests of the Company. Rule 806(3) of the SGX-ST Listing Manual (Section B: Rules of Catalist) currently provides for the percentage of the total number of issued shares excluding treasury shares to be calculated on the basis of the total number of issued shares at the time that the resolution is passed (taking into account the conversion or exercise of any convertible securities and the exercise of employee share options on the issue at the time that the resolution is passed, which were issued pursuant to previous shareholder approval), adjusted for any subsequent bonus issue, consolidation or subdivision of shares. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

Notes:

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

2. The instrument appointing a proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the registered office of the Company at 80 Robinson Road #02-00 Singapore 068898 not less than 48 hours before the time set for the Annual General Meeting.

MANN SENG METAL INTERNATIONAL LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No.: 200918800R)

ANNUAL GENERAL MEETING
PROXY FORM

I/We ________________________________ (Name) ___________________________ (NRIC/Passport No.)

of ____ (Address),

being a member/members of Mann Seng Metal International Limited (the "**Company**"), hereby appoint:

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings (%)

and/or *(Please delete as appropriate)*

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings (%)

or failing the person, or either or both of the persons, referred to above, the Chairman of the Annual General Meeting, as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf and, if necessary, to demand a poll at the Annual General Meeting of the Company to be held at SAF Yacht Club, Seminar Room, Second Floor, 110 Tanah Merah Coast Road, Singapore 498800 on Tuesday, 29 April 2014 at 10.30 a.m. and at any adjournment thereof.

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

No.	Ordinary Resolutions	For	Against
	ORDINARY BUSINESS		
Resolution 1	To receive and adopt the Financial Statements for the financial year ended 31 December 2013, the Directors' Report and the Auditors' Report thereon.		
Resolution 2	To approve the Directors' fees for the financial year ending 31 December 2014.		
Resolution 3	To re-elect Mr Chan Wen Chau as Director.		
Resolution 4	To re-elect Mr Leow Wee Kia Clement as Director.		
Resolution 5	To re-appoint Nexia TS Public Accounting Corporation as the Auditors of the Company and authorise the Directors to fix their remuneration.		
	SPECIAL BUSINESS		
Resolution 6	To authorise Directors to issue shares pursuant to section 161 of the Companies Act (Chapter 50) of Singapore.		

Dated this________ day of ________________ 2014

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

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

IMPORTANT: PLEASE READ THE FOLLOWING NOTES.

Notes:

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

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

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

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

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

6. The instrument appointing a proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the registered office of the Company at 80 Robinson Road #02-00 Singapore 068898 not less than 48 hours before the time set for the Annual General Meeting.

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

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

Principal Place of Business:
Lot 1909, Jalan KPB 5
Kawasan Perindustrian Kampung Baru Balakong
43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia
Tel : + 603 8962 6618 Fax : + 603 8962 3353

www.msmmgroup.com