

13. ACCOUNTANTS' REPORT



**BAKER TILLY
MONTEIRO HENG**

BAKER TILLY MONTEIRO HENG
Chartered Accountants (AF 0117)
Monteiro & Heng Chambers
22 Jalan Tun Sambanthan 3
50470 Kuala Lumpur, Malaysia
phone : +603 2274 8988
fax : +603 2260 1708
email : info@bakertillymh.com.my
www.bakertillymh.com.my

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The Board of Directors
OCK Group Berhad
No 24-3 Jalan Tun Sambanthan 3,
50470 Kuala Lumpur

STRICTLY CONFIDENTIAL

Dear Sirs,

**OCK GROUP BERHAD
ACCOUNTANTS' REPORT**

1. INTRODUCTION

This report has been prepared by Messrs. Baker Tilly Monteiro Heng, an approved company auditor, for inclusion in the Prospectus of OCK Group Berhad ("OCK") in connection with the listing of and quotation for the entire issued and paid-up share capital of OCK of RM25,900,000 comprising 259,000,000 ordinary shares of RM0.10 each in OCK ("OCK Share(s)") on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing"), and should not be relied upon for any other purposes.

2. DETAILS OF THE FLOTATION EXERCISE

In conjunction with the Listing, and as an integral part of OCK's listing, OCK undertook the following exercise:-

2.1 Acquisition of OCK Setia

OCK had on 31 October 2011 entered into a conditional share sale agreement ("SSA") for the acquisition of the entire issued and paid-up share capital of OCK Setia Engineering Sdn Bhd ("OCK Setia"), comprising 2,000,002 ordinary shares of RM1.00 each in OCK Setia, for a purchase consideration of RM18,399,998 satisfied via the issuance of 183,999,980 new OCK Shares at an issue price of RM0.10 per OCK Share ("Acquisition of OCK Setia"). The Acquisition of OCK Setia was completed on 8 June 2012.

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2. DETAILS OF THE FLOTATION EXERCISE (Continued)

2.2 Public Issue

Public issue of 75,000,000 new OCK Shares to be allocated in the following manner:-

- (a) 7,000,000 new OCK Shares, representing approximately 2.70% of the enlarged issued and paid-up share capital of OCK, will be made available for application by the Malaysia Public, of which at least 50% shall be set aside for Bumiputera investors including individuals, companies, societies, co-operatives and institutions;
- (b) 9,500,000 new OCK Shares, representing approximately 3.67% of the enlarged issued and paid-up share capital of OCK, will be made available for application by the eligible employees of the OCK Group and persons who have contributed to the success of the OCK Group; and
- (c) 58,500,000 new OCK Shares, representing approximately 22.59% of the enlarged issued and paid-up share capital of OCK, will be made available for application by way of placement to selected investors.

(The above public issue hereinafter referred to as "the Public Issue").

2.3 Listing

Upon completion of the Public Issue, OCK will seek the listing of and quotation for its entire enlarged issued and paid-up share capital of RM25,900,000 comprising 259,000,000 OCK Shares on the ACE Market of Bursa Securities.

3. GENERAL INFORMATION

3.1 Background Information

3.1.1 OCK was incorporated in Malaysia under the Companies Act, 1965 as a private limited liability company on 5 August 2011 under the name of OCK Group Sdn Bhd. It subsequently converted into a public limited liability company and assumed its present name on 11 August 2011.

3.1.2 The principal activity of OCK is investment holding. Further details on its subsidiary companies are set out in Note 3.4 below.

3.2 Share Capital of OCK

As at the date of incorporation, the authorised share capital of OCK was RM100,000 comprising 1,000,000 ordinary shares of RM0.10 each and its issued and fully paid-up share capital was RM2 comprising 20 ordinary shares of RM0.10 each.

On 8 June 2012, the authorised share capital increased from RM100,000 comprising 1,000,000 OCK shares to RM50,000,000 comprising 500,000,000 OCK Shares by the creation of an additional 499,000,000 OCK Shares.

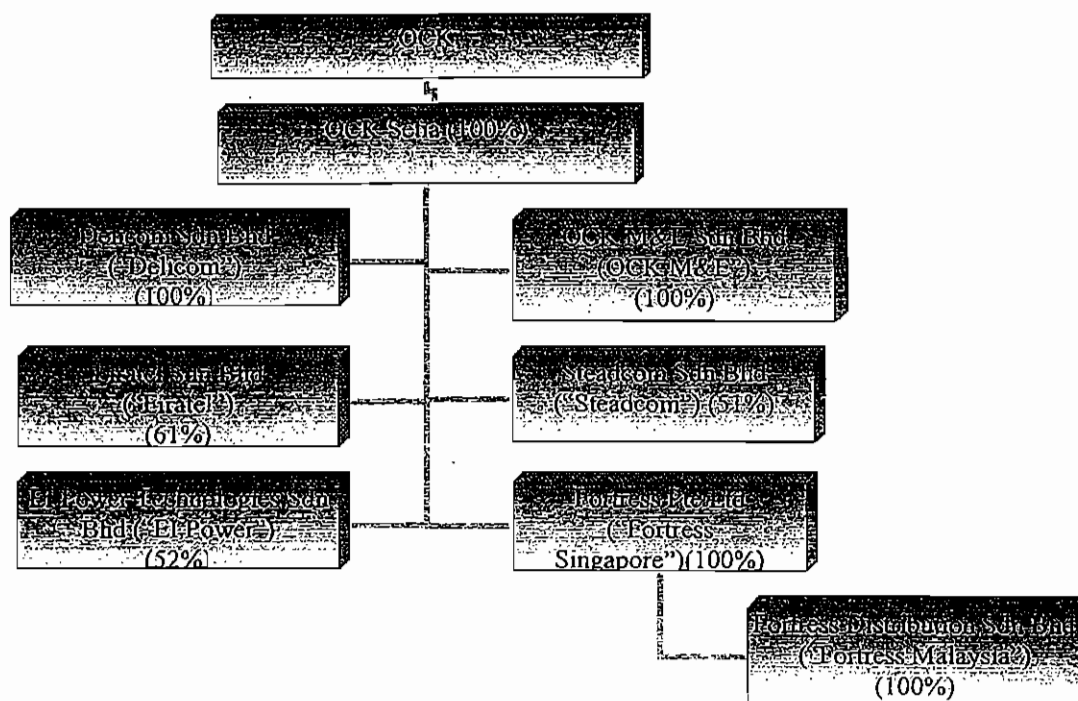
13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad**
Accountants' Report**3. GENERAL INFORMATION (Continued)****3.2 Share Capital of OCK (Continued)**

Details of changes to the issued and fully paid-up share capital of OCK since its date of incorporation are as follows:-

Date of Allotment	Total Number of Ordinary Shares Allotted	Par value RM	Consideration	Cumulative Issued and Paid-up Share Capital RM
5.8.2011	20	0.10	Subscribers' shares	2
8.6.2012	183,999,980	0.10	Acquisition of OCK Setia	18,400,000

3.3 Group Structure

As at the date of this report, the group structure of OCK is as follows:-



13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****3. GENERAL INFORMATION (Continued)**

3.4 The details of the subsidiary companies are as follows:-

No.	Name of Company	Date/Country of Incorporation	Issued and Paid-up Share Capital	Principal Activities
1.	OCK Setia	14 October 2000, Malaysia	RM2,000,002	Provision of turnkey telecommunications network services.
2.	Delicom*	10 February 2000, Malaysia	RM300,000	Provision of telecommunications network services focusing on network deployment services.
3.	OCK M&E*	6 November 2002, Malaysia	RM600,000	Provision of mechanical and electrical engineering services.
4.	Firatel*	4 October 2006, Malaysia	RM100,000	Trading of telecommunications network equipment and materials.
5.	Steadcom*	12 March 2010, Malaysia	RM200,000	Provision of telecommunications network services primarily focusing on network planning, design and optimisation.
6.	EI Power *	3 September 2010, Malaysia	RM400,000	Provision of green energy and power solutions.
7.	Fortress Singapore*	7 March 2011, Singapore	SGD2	Distribution and installation of network security products and solutions for enterprise customers and provision of technical support.

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Accountants' Report**3. GENERAL INFORMATION (Continued)**

3.4 The details of the subsidiary companies are as follows:- (Continued)

No.	Name of Company	Date/Country of Incorporation	Issued and Paid-up Share Capital	Principal Activities
8.	Fortress Malaysia [#]	23 June 2011, Malaysia	RM2	Distribution and installation of network security products and solutions for enterprise customers and provision of technical support.

Notes:

** Subsidiary companies of OCK Setia**# Subsidiary company of Fortress Singapore***4. DIVIDENDS**

No dividends have been paid or declared by OCK since its date of incorporation.

Save as disclosed below, no dividends have been paid or declared by its subsidiary companies for the relevant financial years/period under review.

Name of Company	Financial Year Ended	Type of Dividend	Gross Dividend Rate	Net Amount of Dividend Paid
Firatel	31 December 2011	Single tier dividend	RM0.50	RM50,000

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Accountants' Report****5. AUDITORS AND AUDITED FINANCIAL STATEMENTS**

The financial year end of OCK and its subsidiary companies ("OCK Group") is 31 December.

The auditors of OCK and its subsidiary companies for the relevant financial years/period under review are as follows:

Company	Financial Year Ended ("FYE")/ Financial Period Ended ("FPE")	Auditors
OCK	• FPE from 5 August 2011 (date of incorporation) to 31 December 2011	Messrs. Baker Tilly Monteiro Heng (Chartered Accountants, Malaysia)
OCK Setia [#]	• FYE 31 December 2008 and FYE 31 December 2009	Messrs. Halim Ahmad & Co (Chartered Accountants Malaysia)
	FYE 31 December 2010 and FYE 31 December 2011	Messrs. Baker Tilly Monteiro Heng (Chartered Accountants, Malaysia)
Delicom ^{*B}	• FYE 31 December 2008; FYE 31 December 2009; FYE 31 December 2010; and FYE 31 December 2011	Messrs. Baker Tilly Monteiro Heng (Chartered Accountants, Malaysia)
OCK M&E [*]	• FYE 31 December 2008 and FYE 31 December 2009	Messrs. Halim Ahmad & Co (Chartered Accountants Malaysia)
	FYE 31 December 2010 and FYE 31 December 2011	Messrs. Baker Tilly Monteiro Heng (Chartered Accountants, Malaysia)
Firatel ^v	• FYE 31 December 2008 and FYE 31 December 2009	Messrs. Halim Ahmad & Co (Chartered Accountants Malaysia)
	FYE 31 December 2010 and FYE 31 December 2011	Messrs. Baker Tilly Monteiro Heng (Chartered Accountants, Malaysia)
Steadcom [€]	• FPE from 12 March 2010 (date of incorporation) to 31 December 2010 and FYE 31 December 2011	Messrs. Baker Tilly Monteiro Heng (Chartered Accountants, Malaysia)

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****5. AUDITORS AND AUDITED FINANCIAL STATEMENTS (Continued)**

Company	Financial Year Ended ("FYE")/ Financial Period Ended ("FPE")	Auditors
El Power [^]	<ul style="list-style-type: none"> FPE from 3 September 2010 (date of incorporation) to 31 December 2010 and FYE 31 December 2011 	Messrs. Baker Tilly Monteiro Heng (Chartered Accountants, Malaysia)
Fortress Singapore ⁺⁺	<ul style="list-style-type: none"> FPE from 7 March 2011 (date of incorporation) to 31 December 2011 	Messrs. Baker Tilly TFW LLP (Public Accountants and Certified Public Accountants, Singapore)
Fortress Malaysia ^(@)	<ul style="list-style-type: none"> FPE from 23 June 2011 (date of incorporation) to 31 December 2011 	Messrs. Baker Tilly Monteiro Heng (Chartered Accountants, Malaysia)

Notes:

It is a wholly-owned subsidiary company of OCK.

* These companies are wholly-owned subsidiary companies of OCK Setia.

√ A 61% owned subsidiary company of OCK Setia.

€ A 51% owned subsidiary company of OCK Setia.

^ A 52% owned subsidiary company of OCK Setia.

@ A wholly-owned subsidiary company of Fortress Singapore.

+ The audited financial statements for the financial period under review were audited by a firm of Public Accountants and Certified Public Accountants other than Messrs Baker Tilly Monteiro Heng. The audited financial statements of Fortress Singapore for the financial period under review have been prepared in compliance with the Singapore Financial Reporting Standards. However, there were no material impacts on the financial statements of Fortress Singapore for the financial period under review on the conversion to the Financial Reporting Standards in Malaysia.

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β The audited financial statements of Delicom for the FYE 30 April 2008, FYE 30 April 2009 and FYE 30 April 2010 had been prepared for statutory filing purposes, which have been prepared in different year ends with other companies within the OCK Group. In compliance with Circular 41/2010 issued by the Malaysian Institute of Accountants in respect of the Preparation of the Historical Proforma Financial Information, Messrs Baker Tilly Monteiro Heng had been appointed by OCK to perform re-audit on the financial statements of Delicom for the FYE 31 December 2008, 31 December 2009 and FYE 31 December 2010 in order to have same financial year end with other companies within the OCK Group.

The auditors' reports on the financial statements of the above companies for the financial years/period under review were reported upon by the auditors without any modification.

6. CONVERSION RATES

The financial information of the OCK Group is measured by using the currency of the primary economic environment in which the OCK Group operates. The functional currency of the OCK Group is Ringgit Malaysia ("RM"). For the preparation of this report, the financial information of Fortress Singapore, which was prepared in Singapore Dollars ("SGD"), has been converted to RM for information purpose only.

The exchange rates used for the purpose of this report are as follows:-

- (i) Statements of Comprehensive Income (based on an average of the exchange rate on the last day of each month during the financial years/periods under review)

FYE	Exchange Rate (RM/SGD1)
FYE 31 December 2008	N/A
FYE 31 December 2009	N/A
FYE 31 December 2010	N/A
FYE 31 December 2011	2.4460

N/A: Not applicable as Fortress Singapore was only incorporated on 7 March 2011.

(Source: www.bnm.gov.my)

- (ii) Statements of Financial Position (based on the closing rate at the reporting date)

Reporting Date	Exchange Rate (RM/SGD1)
31 December 2008	N/A
31 December 2009	N/A
31 December 2010	N/A
31 December 2011	2.4373

N/A: Not applicable as Fortress Singapore was only incorporated on 7 March 2011.

(Source: www.bnm.gov.my)

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This report has been prepared on a basis consistent with the following accounting policies adopted by OCK Setia in the preparation of its audited financial statements for the FYE 31 December 2011, which have been adopted by OCK as the group accounting policies for the relevant financial years/period under review and in accordance with the Financial Reporting Standards ("FRSs") issued by the Malaysian Accounting Standards Board ("MASB"), unless otherwise stated.

7.1. Basis of Preparation

The financial statements of the OCK Group have been prepared in accordance with the FRSs and the Companies Act, 1965 in Malaysia.

The financial statements of the OCK Group have been prepared under the historical cost basis.

The preparation of financial statements in conformity with the FRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires the directors' best knowledge of current events and actions, and therefore actual results may differ.

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 8.

7.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New MASB Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs")**(a) Adoption of Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int**

The OCK Group had adopted all the following revised FRSs, amendments/improvements to FRSs, new IC Int and amendments to IC Int:-

Revised FRSs

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations
FRS 127	Consolidated and Separate Financial Statements

Amendments/Improvements to FRSs

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 7	Financial Instruments: Disclosures
FRS 101	Presentation of Financial Statements
FRS 121	The Effects of Changes in Foreign Exchange Rates



13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****7.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int, Amendments to IC Int and New MASB Approved Accounting Standards, MFRSs (Continued)****(a) Adoption of Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int (Continued)**Amendments/Improvements to FRSs (Continued)

FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Presentation
FRS 134	Interim Financial Reporting
FRS 138	Intangible Assets
FRS 139	Financial Instruments: Recognition and Measurement

New IC Int

IC Int 4	Determining Whether an Arrangement contains a Lease
IC Int 12	Service Concession Arrangements
IC Int 16	Hedges of a Net Investment in Foreign Operation
IC Int 17	Distributions of Non-cash Assets to Owners
IC Int 18	Transfers of Assets from Customers

Amendments to IC Int

IC Int 9	Reassessment of Embedded Derivatives
IC Int 13	Customer Loyalty Programmes

The main effects of the adoption of the above revised FRSs, amendments/improvements to FRSs, new IC Int and amendments to IC Int are summarised below:-

FRS 3 Business Combinations (Revised)

The adoption of the FRS 3 affects the way in which the OCC Group accounts for business combinations. The main changes made in this revised standard were:-

- All the acquisition-related costs incurred by the acquirer in connection with the business combination shall be recognised as expense in the profit or loss in the period in which the costs are incurred (rather than included in goodwill);
- All considerations transferred by the acquirer, including contingent considerations, in a business combination shall be measured at fair value as at the acquisition date. Subsequent changes in the fair value of contingent consideration classified as liabilities are recognised in accordance with FRS 139, FRS 137 or other FRSs, as appropriate (rather than by adjusting goodwill);
- An acquirer is no longer permitted to recognise contingencies acquired in a business combination that do not meet the definition of a liability;
- For each business combination, the acquirer must measure any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. Previously, only the latter was permitted;

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7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**7.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int, Amendments to IC Int and New MASB Approved Accounting Standards, MFRSs (Continued)****(a) Adoption of Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int (Continued)*****FRS 3 Business Combinations (Revised) (Continued)***

- For a business combination achieved in stages, the equity interests held by the acquirer in the acquiree immediately before achieving control are re-measured at its acquisition-date fair value with any corresponding gain or loss recognised in profit or loss; and.
- Goodwill arising from the business combination is measured as the difference between the aggregate fair value of consideration transferred, any non-controlling interest in the acquiree, and the fair value at acquisition date of any previously-held equity interest in the acquiree, and the fair value of identifiable assets acquired and liabilities assumed (including contingent liabilities) at acquisition date.

The OCK Group shall apply this revised FRS prospectively to business combinations for which the acquisition date is on or after 1 January 2011. There is no material financial impact on the financial statements of the OCK Group.

FRS 127 Consolidated and Separate Financial Statements (Revised)

The revised FRS 127 requires that any changes in a parent's ownership interest in a subsidiary company that do not result in the loss of control are accounted for within equity. When the OCK Group loses control of a subsidiary company, any remaining interest retained in the former subsidiary company will be measured at fair value and any resulting gain or loss is recognised in profit or loss. Total comprehensive income will be proportionately allocated to the owners of the parent and to the non-controlling interests even if it results in the non-controlling interests having a deficit balance.

The OCK Group shall apply the revised FRS 127 prospectively to business combinations for which the acquisition date is on or after 1 January 2011. There is no financial impact on the financial statements of the OCK Group.

Amendments to FRS 7 Financial Instruments: Disclosures

Disclosures on fair value and liquidity have been enhanced upon the adoption of this amendment. In particular, financial instruments measured at fair value are disclosed by class in a three-level fair value measurement hierarchy, with specific disclosures related to transfers between levels in the hierarchy and detailed disclosures on level three of the fair value hierarchy. Certain disclosures on liquidity are also modified. The adoption of this amendment resulted in additional disclosures in the financial statements but did not have any financial impact on the OCK Group.

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Accountants' Report****7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****7.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int, Amendments to IC Int and New MASB Approved Accounting Standards, MFRSs (Continued)****(a) Adoption of Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int (Continued)*****IC Int 4 Determining Whether an Arrangement Contains a Lease***

This IC Int clarifies that when the fulfilment of an arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset, then the arrangement should be accounted for as a lease under FRS 117, even though it does not take the legal form of a lease. This interpretation did not have any financial impact on the OCC Group.

(b) New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int that are issued, not yet effective and have not been adopted early

The OCC Group has not adopted the following new and revised FRSs, amendments/improvements to FRSs, new IC Int and amendments to IC Int that have been issued as at the date of authorisation of these financial statements but are not yet effective for the OCC Group:-

		Effective for financial periods beginning on or after
<u>New FRSs</u>		
FRS 9	Financial Instruments	1 January 2015
FRS 10	Consolidated Financial Statements	1 January 2013
FRS 11	Joint Arrangements	1 January 2013
FRS 12	Disclosures of Interests in Other Entities	1 January 2013
FRS 13	Fair Value Measurement	1 January 2013
<u>Revised FRSs</u>		
FRS 119	Employee Benefits	1 January 2013
FRS 124	Related Party Disclosures	1 January 2012
FRS 127	Separate Financial Statements	1 January 2013
FRS 128	Investments in Associates and Joint Ventures	1 January 2013
<u>Amendments/Improvements to FRSs</u>		
FRS 1	First-time Adoption of Financial Reporting Standards	1 January 2012
FRS 7	Financial Instruments: Disclosures	1 January 2012 and 1 January 2013
FRS 101	Presentation of Financial Statements	1 July 2012
FRS 112	Income Taxes	1 January 2012
FRS 132	Financial Instruments: Presentation	1 January 2014

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7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**7.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int, Amendments to IC Int and New MASB Approved Accounting Standards, MFRSs (Continued)**

- (b) **New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int that are issued, not yet effective and have not been adopted early (Continued)**

		Effective for financial periods beginning on or after
<u>New IC Int</u>		
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
<u>Amendments to IC Int</u>		
IC Int 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 July 2011

A brief discussion on the above significant new and revised FRSs, amendments/improvements to FRSs, new IC Int and amendments to IC Int are summarised below. Due to the complexity of these new standards, the financial effects of their adoption are currently still being assessed by the OCC Group.

FRS 9 Financial Instruments

FRS 9 specifies how an entity should classify and measure financial assets and financial liabilities.

This standard requires all financial assets to be classified based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial asset. Financial assets are to be initially measured at fair value. Subsequent to initial recognition, depending on the business model under which these assets are acquired, they will be measured at either fair value or at amortised cost.

In respect of the financial liabilities, the requirements are generally similar to the former FRS 139. However, this standard requires that for financial liabilities designated as at fair value through profit or loss, changes in fair value attributable to the credit risk of that liability are to be presented in other comprehensive income, whereas the remaining amount of the change in fair value will be presented in the profit or loss.

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7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**7.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int, Amendments to IC Int and New MASB Approved Accounting Standards, MFRSs (Continued)**

- (b) **New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int that are issued, not yet effective and have not been adopted early (Continued)**

FRS 10 Consolidated Financial Statements and FRS 127 Separate Financial Statements (Revised)

FRS 10 replaces the consolidation part of the former FRS 127 Separate Financial Statements. The revised FRS 127 will deal only with accounting for investment in subsidiary companies, joint ventures and associated companies in the separate financial statements of an investor and require the entity to account for such investments either at cost, or in accordance with FRS 9.

FRS 10 brings about convergence between FRS 127 and SIC-12, which interprets the requirements of FRS 10 in relation to special purpose entities. FRS 10 introduces a new single control model to identify a parent-subsidiary relationship by specifying that "an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee". It provides guidance on situations when control is difficult to assess such as those involving potential voting rights, or in circumstances involving agency relationships, or where the investor has control over specific assets of the entity, or where the investee entity is designed in such a manner where voting rights are not the dominant factor in determining control.

FRS 12 Disclosures of Interests in Other Entities

FRS 12 is a single disclosure standard for interests in subsidiary companies, joint ventures, associated companies and unconsolidated structured entities. The disclosure requirements in this FRS are aimed at providing standardised and comparable information that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's interests in other entities, and the effects of those interests on its financial position, financial performance and cash flows.

FRS 13 Fair Value Measurement

FRS 13 defines fair value and sets out a framework for measuring fair value, and the disclosure requirements about fair value. This standard is intended to address the inconsistencies in the requirements for measuring fair value across different accounting standards. As defined in this standard, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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- (b) **New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int that are issued, not yet effective and have not been adopted early (Continued)**

Amendments to FRS 112 Income Taxes

This amendment to FRS 112 addresses the measurement approach for deferred tax assets and liabilities in respect of investment properties which are measured at fair value. The amendment introduces a rebuttable presumption that the investment property is recovered entirely through sale. In such cases, deferred tax assets or liabilities are provided at tax rates applicable when recovering the property entirely through sale. If this presumption is rebutted, deferred tax assets or liabilities are provided based on tax rates applicable when consuming substantially the economic benefits embodied in the property over a period of time (for example via rental income).

- (c) **MASB Approved Accounting Standards, MFRSs**

In conjunction with the planned convergence of FRSs with International Financial Reporting Standards as issued by the International Accounting Standards Board on 1 January 2012, the MASB had on 19 November 2011 issue a new MASB approved accounting standards, MFRSs ("MFRSs Framework") for application in the annual periods beginning on or after 1 January 2012.

The MFRSs Framework is mandatory for adoption by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities subject to the application of MFRS 141 *Agriculture* and/or IC Int 15 *Agreements for the Construction of Real Estate* ("Transitioning Entities"). The Transitioning Entities are given an option to defer adoption of the MFRSs framework for an additional one year. Transitioning Entities also includes those entities that consolidate or equity account or proportionately consolidate another entity that has chosen to continue to apply the FRSs framework for annual periods beginning on or after 1 January 2012.

Accordingly, the OCK Group which is not Transitioning Entities is required to adopt the MFRSs framework for the financial period beginning 1 January 2012, being the first set of financial statements prepared in accordance with the MFRSs framework.

As at 31 December 2011, all FRSs issued under the existing FRSs framework are equivalent to the MFRSs issued under MFRSs framework except for differences in relation to the transitional provisions as well as differences in effective dates contained in certain of the existing FRSs. As such, except those as discussed below, the main effects arising from the transition to the MFRSs Framework has been discussed in Note 7.2 (b). The effect is based on the OCK Group's and best estimates at reporting date. The financial effect may change or additional effects may be identified, prior to the completion of the OCK Group's first MFRSs based financial statements.

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7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**7.2 New and Revised FRSS, Amendments/Improvements to FRSS, New IC Int, Amendments to IC Int and New MASB Approved Accounting Standards, MFRSs (Continued)****(c) MASB Approved Accounting Standards, MFRSs (Continued)****Application of MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards ("MFRS 1")**

MFRS 1 requires comparative information to be restated as if the requirements of MFRSs effective for annual periods beginning on or after 1 January 2012 have always been applied, except when MFRS 1 allows certain elective exemptions from such full retrospective application or prohibits retrospective application of some aspects of MFRSs. The OCK Group is currently assessing the impact of adoption of MFRS 1, including identification of the differences in existing accounting policies as compared to the new MFRSs and the use of optional exemptions as provided for in MFRS 1. As at the date of authorisation of issue of the financial statements, accounting policy decisions or elections have not been finalised. Thus, the impact of adoption of MFRS 1 cannot be determined and estimated reliably until the process is completed.

7.3 Significant Accounting Policies

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements:-

(a) Basis of Consolidation

The consolidated financial statements comprise the financial statements of OCK and its subsidiary companies as at the reporting date. The financial statements of OCK and its subsidiary companies are all drawn up to the same reporting date.

The financial statements of the subsidiary companies are consolidated from the date on which control is transferred to the OCK Group and are no longer consolidated from the date that control ceases.

Acquisitions of subsidiary companies are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

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

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

13. ACCOUNTANTS' REPORT (Cont'd)

**OCK Group Berhad
Accountants' Report**

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**7.3 Significant Accounting Policies****(a) Basis of Consolidation (Continued)**

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of the controlling interest in the acquire (if any), and the fair value of the OCK Group's previously held equity interest in the acquire (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. The accounting policy for goodwill is set out in the Note 7.3(b). In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

Intra-group transaction, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Transactions with non-controlling interest

Non-controlling interest represents the equity in subsidiary companies not attributable, directly or indirectly, to owners of OCK, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of OCK.

Changes in OCK ownership interest in a subsidiary company that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interest are adjusted to reflect the change in their relative interests in the subsidiary companies. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

(b) Goodwill

Goodwill arising on acquisition represents the excess of cost of business combination over OCK Group's share of the net fair values of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less impairment losses, if any. The policy for recognition and measurement of impairment losses is in accordance with Note 7.3(h).

Goodwill is not amortised but is reviewed for impairment, annually or more frequently for impairment in value and is written down where it is considered necessary. Gain or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGU") for the purpose of impairment testing. The allocation is made to those CGU or groups of CGU that are expected to benefit from the synergies of the business combination in which the goodwill arise.

13. ACCOUNTANTS' REPORT (Cont'd)

**OCK Group Berhad
Accountants' Report**

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**7.3 Significant Accounting Policies (Continued)****(c) Subsidiary companies**

Subsidiary companies are entities in which the OCK Group has the power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the OCK Group has such power over another entity.

Investment in subsidiary companies which is eliminated on consolidation is stated in OCK's separate financial statements at cost less impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 7.3(h). On disposal of such investments, the difference between the net disposal proceeds and their carrying amount is included in the profit or loss.

(d) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 7.3(h).

Cost includes expenditure that is directly attributable to the acquisition of the asset. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the OCK Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the land and buildings at the reporting date.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****7.3 Significant Accounting Policies (Continued)****(d) Property, Plant and Equipment and Depreciation**

Property, plant and equipment are depreciated on the straight-line basis to write off the cost of each asset to its residual value over the estimated useful lives of the assets concerned. The annual rates used for this purpose are as follows:-

Freehold building	2%
Leasehold land and building	2%
Furniture and fittings	10%
Computer and software	33 1/3%
Office equipment	10% to 20%
Motor vehicles	20%
Renovation	10%
Equipment	20%

No depreciation is provided on freehold land as it has indefinite useful life.

Capital work-in-progress are not depreciated as these assets are not ready for its intended use.

The residual values and useful lives of property, plant and equipment are reviewed, and adjusted if appropriate, at each reporting date. The effects of any revisions of the residual values and useful lives are included in the statements of comprehensive income for the financial year in which the changes arise.

Fully depreciated assets are retained in the accounts until the assets are no longer in use.

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

(e) Construction Contracts

Construction works are stated at cost plus attributable profit less progress billings. Cost comprises direct labour, material costs, sub-contract sum and an allocated proportion of directly related overheads. Administrative and general expenses are charged to the profit or loss as and when incurred.

When the outcome of a construction contract can be reliably estimated, contract revenue is recognised by using the stage of completion method. The stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Costs incurred in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

13. ACCOUNTANTS' REPORT (Cont'd)

**OCK Group Berhad
Accountants' Report**

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**7.3 Significant Accounting Policies (Continued)****(e) Construction Contracts (Continued)**

When the outcome of a construction contract cannot be reliably estimated, contract revenue is recognised only to the extent of contract costs incurred that is probable will be recovered.

Irrespective of whether the outcome of a construction contract can be estimated reliably, when it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. Provision is made for all anticipated losses on construction work. Provision for warranties is made for expected/estimated repair costs for making good certain defects and damages during the warranty periods.

When costs incurred on construction contracts plus recognised profits (less recognised losses) exceed progress billings, the balance is shown as amount due from customers for contract works. When progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amount due to customers for contract works.

(f) Inventories

Costs of raw material comprise the purchase price plus costs in bringing this inventory to their present location and condition. Purchase price is determined on the first-in, first-out basis. Work-in-progress includes the cost of raw materials, direct labour and appropriate portion of fixed and variable overheads.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(g) Financial Assets

Financial assets are recognised in the statements of financial position when, and only when, the OCK Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss directly attributable transaction costs.

The OCK Group determines the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****7.3 Significant Accounting Policies (Continued)****(g) Financial Assets (Continued)****(i) Financial assets at fair value through profit or loss**

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near future.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains and losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

(ii) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

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

(iii) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the OCC Group has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

13. ACCOUNTANTS' REPORT (Cont'd)

OCK Group Berhad
Accountants' Report

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**7.3 Significant Accounting Policies (Continued)****(g) Financial Assets (Continued)****(iii) Held-to-maturity investments (Continued)**

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

(iv) Available-for-sale financial assets

Available-for-sale are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on available-for-sale equity instrument are recognised in profit or loss when the OCK Group's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular ways of purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place concerned. All regular way purchases or sales of financial assets are derecognised on the trade date, i.e. the date that the OCK Group commits to purchase or sell the asset.

(h) Impairment of Assets

The OCK Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

13. ACCOUNTANTS' REPORT (Cont'd)

**OCK Group Berhad
Accountants' Report**

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**7.3 Significant Accounting Policies (Continued)****(h) Impairment of Assets (Continued)****(i) Trade and other receivables and other financial assets carried at amortised cost**

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the OCK Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the OCK Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decrease and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(ii) Impairment of Non-Financial Assets

The OCK Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the OCK Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows CGU.

13. ACCOUNTANTS' REPORT (Cont'd)

**OCC Group Berhad
Accountants' Report**

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**7.3 Significant Accounting Policies (Continued)****(h) Impairment of Assets (Continued)****(ii) Impairment of Non-Financial Assets (Continued)**

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated to first to reduce the carrying amount of any goodwill allocated to those units or groups of the units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss 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. If that is the case, the carrying amount of the asset is increased to its recoverable amount.

This increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

(i) Financial Liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the OCC Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

13. ACCOUNTANTS' REPORT (Cont'd)

OCK Group Berhad Accountants' Report

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7.3 Significant Accounting Policies (Continued)

(i) Financial Liabilities (Continued)

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the OCK Group that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resulted gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The OCK Group has not designated any financial liabilities as at fair value through profit or loss.

(ii) Other financial liabilities

The OCK Group's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the OCK Group has an unconditional right to defer the settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid is recognised in profit or loss.

(j) Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

13. ACCOUNTANTS' REPORT (Cont'd)

**OCK Group Berhad
Accountants' Report**

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**7.3 Significant Accounting Policies (Continued)****(j) Financial Guarantee Contracts (Continued)**

Financial guarantee contracts are classified as deferred income and are amortised to profit or loss over the contractual period or, upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(k) Leases**(i) Finance leases**

Leases of property, plant and equipment where the OCK Group assumes substantially all the benefits and risks of ownership are classified as finance leases.

Assets acquired by way of finance lease are stated at an amount equal to the lower of their fair values and the present value of minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses, if any. The corresponding liability is included in the statements of financial position as borrowings. In calculating the present value of minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the OCK Group's incremental borrowing rates are used. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance cost, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the statement of comprehensive income over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(ii) Operating leases

Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight line basis.

13. ACCOUNTANTS' REPORT (Cont'd)

**OCK Group Berhad
Accountants' Report**

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**7.3 Significant Accounting Policies (Continued)****(l) Contingent Liabilities**

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

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

(m) Taxation**(i) Current tax**

The tax expense in the statement of comprehensive income represents the aggregate amount of current tax and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the reporting date.

(ii) Deferred tax

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

The carrying amount of deferred tax assets, if any, is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in profit or loss, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity.

13. ACCOUNTANTS' REPORT (Cont'd)

**OCK Group Berhad
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7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**7.3 Significant Accounting Policies (Continued)****(m) Taxation (Continued)****(ii) Deferred tax (Continued)**

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the OCK Group intends to settle their current tax assets and current tax liabilities on a net basis.

(n) Revenue Recognition

The OCK Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the OCK Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The OCK Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Revenue from civil and structural works

Revenue from civil and structural works is recognised on an accrual basis.

(ii) Revenue from contract works

Revenue from contract works is recognised on the percentage of completion method as described in Note 7.3(e).

(iii) Sales of goods

Revenue from trading and installation of electrical products is recognised upon services performed.

(iv) Sales of telecommunication products

Revenue is recognised upon delivery of products and customer's acceptance.

(v) Provision of engineering services

Revenue is recognised upon services rendered and customer's acceptance.

(vi) Rental income

Rental income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

13. ACCOUNTANTS' REPORT (Cont'd)

**OCK Group Berhad
Accountants' Report**

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**7.3 Significant Accounting Policies (Continued)****(n) Revenue Recognition (Continued)****(vii) Other income**

Administrative charges receivable and interest income is recognised on an accruals basis.

(o) Borrowing Costs

Borrowing costs are recognised as an expense in the statement of comprehensive income in the period in which they are incurred.

(p) Employee Benefits**(i) Short term employee benefits**

Wages, salaries, bonuses, social security contribution and non-monetary benefits are recognised as an expense in the financial year in which the associated services are rendered by the employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave and maternity leave are recognised when absences occur.

(ii) Post-employment benefits

The OCK Group contributes to the Employees Provident Fund, the national defined contribution plan. The contributions are charged to the profit or loss in the period to which they are related. Once the contributions have been paid, the OCK Group has no further payment obligations.

(q) Foreign Currencies**(i) Functional and presentation currency**

The individual financial statements of each entity in the OCK Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in RM, which is OCK's functional currency and presentation currency.

13. ACCOUNTANTS' REPORT (Cont'd)

**OCK Group Berhad
Accountants' Report**

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**7.3 Significant Accounting Policies (Continued)****(q) Foreign Currencies (Continued)****(ii) Foreign currency transactions**

Transactions in foreign currencies are measured in the respective functional currencies of OCK and its subsidiary companies and are recorded on initial recognition in the functional currencies at exchange rates prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair values are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the OCK Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the OCK Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) Foreign Operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in profit or loss.

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

13. ACCOUNTANTS' REPORT (Cont'd)

OCC Group Berhad
Accountants' Report

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**7.3 Significant Accounting Policies (Continued)****(r) Equity Instruments**

Ordinary shares are recorded at the nominal value. The consideration in excess of nominal value of shares issued, if any, is accounted for as share premium. Both ordinary shares and share premium are classified as equity.

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the reporting date. A dividend proposed or declared after the reporting date, but before the financial statements are authorised for issue, is not recognised as a liability at the reporting date.

Costs incurred directly attributable to the issuance of the shares are accounted for as a deduction from share premium, if any, otherwise it is recognised in profit or loss. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(s) Cash and Cash Equivalents

For the purpose of statements of cash flows, cash and cash equivalents comprise cash in hand, bank balances and fixed deposits placed with licensed banks that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value, net of fixed deposits pledged with licensed banks and bank overdrafts.

13. ACCOUNTANTS' REPORT (Cont'd)

OCK Group Berhad
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8. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(i) Critical judgements made in applying accounting policies

In the process of applying the OCK Group's accounting policies, the directors are of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements, except for the matter described below:-

Useful lives of property, plant and equipment

The OCK Group estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the relevant assets. In addition, the estimation of useful lives of property, plant and equipment are based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in these factors mentioned above.

The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets.

(ii) Key sources of estimation uncertainty

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

Impairment of investment in subsidiary companies and recoverability of amount due from subsidiary companies

OCK tests investment in subsidiary companies for impairment annually in accordance with its accounting policy. More regular reviews are performed if events indicate that this is necessary. The assessment of the net tangible assets of the subsidiary companies affects the result of the impairment test. Costs of investments in subsidiary companies which have ceased operations were impaired up to net assets of the subsidiary companies. The impairment made on investment in subsidiary companies entails an allowance for doubtful debts to be made to the amount owing by these subsidiary companies.

13. ACCOUNTANTS' REPORT (Cont'd)

**OCK Group Berhad
Accountants' Report**

8. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)**(ii) Key sources of estimation uncertainty****Impairment of investment in subsidiary companies and recoverability of amount due from subsidiary companies (Continued)**

Significant judgement is required in the estimation of the present value of future cash flows generated by the subsidiary companies, which involve uncertainties and are significantly affected by assumptions used and judgement made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the results of OCK's tests for impairment of investment in subsidiary companies.

Impairment of property, plant and equipment

The OCK Group assesses impairment of assets whenever the events and changes in circumstances indicate that the carrying amount of an asset may not be recoverable i.e. the carrying amount of the asset is more than the recoverable amount.

Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flow derived from that asset discounted at an appropriate discount rate. Projected future cash flows are based on the OCK Group's estimates calculated based on historical, sector and industry trends, general market and economic conditions, changes in technology and other available information.

Allowance for inventories

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

Impairment of loans and receivables

The OCK Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the OCK Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Construction contracts

The OCK Group recognises contract revenue from its fixed price contracts based on the stage of completion method. The stage of completion is determined by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. The stage of completion method requires the OCK Group to estimate the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue including variation orders and contract claims and contract costs. In making the estimates, the OCK Group relies on past experience, the use of engineering tools and the work of specialists.

13. ACCOUNTANTS' REPORT (Cont'd)

OCK Group Berhad
Accountants' Report

8. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(ii) Key sources of estimation uncertainty (Continued)

Construction contracts (Continued)

Any variation to the final contract sum and the estimated cost to completion will have a corresponding effect on the contract profit or loss.

Contingent liabilities

Determination of the treatment of contingent liabilities is based on management's view of the expected outcome of the contingencies after consulting legal counsel for litigation cases and internal and external experts to the OCK Group for matters in the ordinary course of business.

Income taxes

Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters are different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred tax assets

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

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad**
Accountants' Report**9. AUDITED FINANCIAL STATEMENTS****9.1 Audited Financial Statements of OCK****9.1.1 Audited Statement of Comprehensive Income of OCK**

The audited statement of comprehensive income of OCK for the financial period from 5 August 2011 (*date of incorporation*) to 31 December 2011 is as follows:-

	Note	5.8.2011 to 31.12.2011 RM'000
Revenue		-
Cost of sales		-
Gross profit		-
Administrative expenses		(607)
Loss before tax	9.1.5 (a)	(607)
Income tax expense	9.1.5 (b)	-
Net loss for the financial period, representing total comprehensive loss for the financial period		(607)
<i>Gross profit margin (%)</i>		N/A
<i>Profit before tax margin (%)</i>		N/A
<i>Effective tax rate (%)</i>		N/A
<i>Weighted average number of ordinary shares of RM0.10 each in issue</i>		8
<i>Gross loss per share (RM'000)</i>		(75.88)
<i>Net loss per share (RM'000)</i>		(75.88)

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.1 Audited Financial Statements of OCK (Continued)****9.1.2 Audited Statement of Financial Position of OCK**

The audited statement of financial position of OCK as at 31 December 2011 is as follows:-

	Note	As at 31 December 2011 RM'000
ASSET		
Current Asset		
Cash in hand		*
Total Current Asset		*
TOTAL ASSET		*
EQUITY AND LIABILITIES		
Equity attributable to owners of OCK		
Share capital	9.1.5 (c)	*
Current financial period losses		(607)
Total Equity		(607)
Non-Current Liabilities		
Other payables	9.1.5 (d)	603
Total Non-Current Liabilities		603
Current Liabilities		
Accruals	9.1.5 (e)	4
Total Current Liabilities		4
Total liabilities		607
TOTAL EQUITY AND LIABILITIES		*
<i>Number of ordinary shares of RM0.10 each in issue</i>		20
<i>Net tangible liabilities ("NTL") (RM'000)</i>		(607)
<i>NTL per ordinary share (RM)</i>		(30,350)
<i>Net liabilities ("NL") (RM'000)</i>		(607)
<i>NL per ordinary share (RM)</i>		(30,350)

Note:

* RM2



13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.1 Audited Financial Statements of OCK (Continued)****9.1.3 Audited Statement of Changes in Equity of OCK**

The audited statement of changes in equity of OCK for the financial period from 5 August 2011 (*date of incorporation*) to 31 December 2011 is as follows:-

	Attributable to owners of OCK		
	Share Capital RM'000	Distributable Current Financial Period Losses RM'000	Total Equity RM'000
Balance at 5 August 2011 (date of incorporation)	*	-	*
Total comprehensive loss for the financial period	-	(607)	(607)
At 31 December 2011	*	(607)	(607)

Note:

* RM2

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.1 Audited Financial Statements of OCK (Continued)****9.1.4 Audited Statement of Cash Flows of OCK**

The audited statement of cash flows of OCK for the financial period from 5 August 2011 (date of incorporation) to 31 December 2011 is as follows:-

	5.8.2011 to 31.12.2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Loss before tax	(607)
Changes In Working Capital	
Accruals	4
Net Operating Cash Flows	<u>(603)</u>
CASH FLOWS FROM FINANCING ACTIVITY	
Advances from related parties	603
Net Financing Cash Flows	<u>603</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	-
CASH AND CASH EQUIVALENTS AT THE DATE OF THE INCORPORATION	<u>*</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	<u>*</u>
ANALYSIS OF CASH AND CASH EQUIVALENTS	
Cash in hand	<u>*</u>

Note:

* RM2

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.1 Audited Financial Statements of OCK (Continued)****9.1.5 Notes to the Audited Financial Statements of OCK****(a) Loss before tax**

Loss before tax is arrived at after charging the following:-

	5.8.2011 to 31.12.2011 RM'000
After charging:-	
Audit fee	2

(b) Income tax expense

No provision for income tax has been made as OCK incurred losses and has no chargeable income during the financial period.

The reconciliation of income tax expense applicable to loss before tax at the statutory income tax rate to income tax expense at the effective income tax rate of OCK is as follows:-

	5.8.2011 to 31.12.2011 RM'000
Loss before tax	(607)
Taxation at statutory tax rate of 25%	152
Non-deductible expenses	(152)
Tax expense for the financial period	-

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.1 Audited Financial Statements of OCK (Continued)****9.1.5 Notes to the Audited Financial Statements of OCK (Continued)****(c) Share capital**

	As at 31 December 2011	
	Number of Shares Unit ('000)	RM'000
Ordinary shares of RM0.10 each:-		
Authorised:		
At the date of incorporation/ end of the financial period	1,000	100
Issued and fully paid:		
At the date of incorporation/ end of the financial period	#	*

*Note:*** RM2**# 20 units***(d) Other payables**

This other payables being amount owing to companies in which certain directors have interests, are the payments on behalf for expenses incurred for Listing, are non-trade in nature, unsecured, interest free and payable upon demand.

(e) Accruals

	As at 31 December 2011 RM'000
Accruals	4
Total other financial liabilities carried at amortised cost	4

13. ACCOUNTANTS' REPORT (Cont'd)

**OCK Group Berhad
Accountants' Report**

9. AUDITED FINANCIAL STATEMENTS (Continued)**9.1 Audited Financial Statements of OCK (Continued)****9.1.5 Notes to the Audited Financial Statements of OCK (Continued)****(f) Significant related party transactions**

A related party is an entity or person that directly or indirectly through one or more Intermediary controls, is controlled by, or is under common or joint control with OCK or that has an interest in OCK that gives it significant influence over OCK's financial operating policies. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence for which significant voting power in OCK resides with, directly or indirectly.

The nature of the relationship with the related parties is as follows:

Related Parties	Nature of Relationship
OCK Setia	A company in which certain directors have interests
Fortress Singapore	A company in which certain directors have interests

(g) Financial instruments**(i) Financial risk management objectives and policies**

OCK has limited number of transactions and does not have significant exposure to financial risks.

(ii) Fair values**(a) Recognised financial instruments**

The fair values of financial assets and financial liabilities of OCK approximate their carrying values on the statement of financial position of OCK.

(a) Unrecognised financial instruments

There were no unrecognised financial instruments as at 31 December 2011 that are required to be disclosed.

13. ACCOUNTANTS' REPORT (Cont'd)

**OCK Group Berhad
Accountants' Report**

9. AUDITED FINANCIAL STATEMENTS (Continued)

9.1 Audited Financial Statements of OCK (Continued)

9.1.5 Notes to the Audited Financial Statements of OCK (Continued)

(h) Capital management

The primary objective of OCK's capital management is to build and maintain a strong capital base so as to maintain healthy capital ratios and at the same time be able to leverage on the capital to provide the funds to fund their expansion and growth.

OCK manage their capital structure, and make adjustment to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, OCK may adjust dividend payment to shareholders, return capital to shareholders or issue new shares, raise new debts and reduce existing debts.

The capital structure of OCK consists of equity attributable to owners of OCK, comprising share capital, current financial period losses and total liabilities.

There were no changes in OCK's approach to capital management during the financial period.

OCK is not subject to externally imposed capital requirements.

(i) Significant events during the reporting period

OCK had on 31 October 2011 entered into a conditional share sale agreement for the acquisition of the entire issued and paid-up share capital of OCK Setia, comprising 2,000,002 ordinary shares of RM1.00 each for a purchase consideration of RM18,399,998 satisfied via the issuance of 183,999,980 new ordinary shares of RM0.10 each in OCK at an issue price of RM0.10 per share. The said acquisition was completed on 8 June 2012.

(j) Comparative figures

There are no comparative figures as this is OCK's first set of audited financial statements since its incorporation on 5 August 2011.

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS****9.2 Audited Financial Statements of OCK Setia****9.2.1 Audited Statements of Comprehensive Income of OCK Setia**

The audited statements of comprehensive income of OCK Setia for the FYE 31 December 2008, FYE 31 December 2009, FYE 31 December 2010 and FYE 31 December 2011 are as follows:-

		← FYE →			
		31 December			
	Note	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000
Revenue	9.2.5 (a)	40,019	44,434	55,695	65,555
Cost of sales	9.2.5 (b)	(35,345)	(37,972)	(46,028)	(48,335)
Gross profit		4,674	6,462	9,667	17,220
Other operating income		506	763	756	2,389
Administrative expenses		(3,453)	(4,230)	(5,181)	(7,898)
Operating profit	9.2.5 (c)	1,727	2,995	5,242	11,711
Finance costs	9.2.5 (d)	(1,402)	(1,432)	(1,359)	(1,493)
Profit before taxation		325	1,563	3,883	10,218
Taxation	9.2.5 (e)	(173)	(453)	(1,191)	(2,692)
Net profit for the financial year, representing total comprehensive income for the financial year		152	1,110	2,692	7,526
Other comprehensive income:					
Revaluation on land and buildings		-	-	-	3,288
Income tax relating to components of other comprehensive income		-	-	-	(164)
Other comprehensive income, net of tax		-	-	-	3,124
Total comprehensive income		152	1,110	2,692	10,650
Gross profit margin (%)		11.68	14.54	17.36	26.27
Profit before tax margin (%)		0.81	3.52	6.97	15.59
Effective tax rate (%)		53.23	28.98	30.67	26.35
Number of ordinary shares of RM1.00 each in issue ('000)		2,000	2,000	2,000	2,000
Gross earnings per share ("EPS")(RM)		0.16	0.78	1.94	5.11
Net EPS (RM)		0.08	0.56	1.35	3.76

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.2 Audited Financial Statements of OCK Setia (Continued)****9.2.2 Audited Statements of Financial Position of OCK Setia**

The audited statements of financial position of OCK Setia as at 31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011 are as follows:-

		← As at → 31 December			
	Note	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	9.2.5 (f)	8,433	8,077	8,600	12,313
Investments in subsidiary companies	9.2.5 (g)	140	111	421	1,811
Deferred tax assets	9.2.5 (h)	117	117	-	-
Total Non-Current Assets		8,690	8,305	9,021	14,124
Current Assets					
Inventories	9.2.5 (i)	2,463	5,282	3,554	6,661
Trade and other receivables	9.2.5 (j)	20,202	22,249	21,995	27,239
Fixed deposits placed with licensed banks	9.2.5 (k)	190	195	1,271	1,219
Cash and bank balances	9.2.5 (l)	2,786	1,549	4,719	6,998
Total Current Assets		25,641	29,275	31,539	42,117
Assets classified as held for sale	9.2.5 (m)	-	-	317	-
		25,641	29,275	31,856	42,117
TOTAL ASSETS		34,331	37,580	40,877	56,241
EQUITY AND LIABILITIES					
Equity attributable to owners of OCK Setia					
Share capital	9.2.5 (n)	2,000	2,000	2,000	2,000
Other reserve	9.2.5 (o)	-	-	-	3,124
Retained earnings	9.2.5 (p)	768	1,878	4,570	12,096
Total Equity		2,768	3,878	6,570	17,220

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.2 Audited Financial Statements of OCK Setia (Continued)****9.2.2 Audited Statements of Financial Position of OCK Setia (Continued)**

		← As at → 31 December			
	Note	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000
Non-Current Liabilities					
Loan and borrowings	9.2.5 (q)	6,214	5,774	5,789	5,802
Deferred tax liabilities	9.2.5 (h)	-	-	13	277
Total Non-Current Liabilities		6,214	5,774	5,802	6,079
Current Liabilities					
Trade and other payables	9.2.5 (t)	8,736	11,755	12,248	11,476
Loan and borrowings	9.2.5 (q)	16,426	15,840	15,254	20,359
Tax payables		187	333	1,003	1,107
Total Current Liabilities		25,349	27,928	28,505	32,942
Total Liabilities		31,563	33,702	34,307	39,021
TOTAL EQUITY AND LIABILITIES		34,331	37,580	40,877	56,241
<i>Number of ordinary shares of RM1.00 each in issue ('000)</i>					
		2,000	2,000	2,000	2,000
<i>Net tangible assets ("NTA") (RM'000)</i>					
		2,768	3,878	6,570	17,220
<i>NTA per ordinary share (RM)</i>					
		1.38	1.94	3.29	8.61
<i>Net assets ("NA") (RM'000)</i>					
		2,768	3,878	6,570	17,220
<i>NA per ordinary share (RM)</i>					
		1.38	1.94	3.29	8.61

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.2 Audited Financial Statements of OCK Setia (Continued)****9.2.3 Audited Statements of Changes in Equity of OCK Setia**

The audited statements of changes in equity of OCK Setia for the FYE 31 December 2008, 31 December 2009, FYE 31 December 2010 and FYE 31 December 2011 are as follows:-

	Attributable to owners of OCK Setia			Total Equity RM'000
	Share Capital RM'000	Non-Distributable Revaluation Reserve RM'000	Distributable Retained Earnings RM'000	
At 1 January 2008	2,000	-	616	2,616
Total comprehensive income for the financial year	-	-	152	152
At 31 December 2008	2,000	-	768	2,768
Total comprehensive income for the financial year	-	-	1,110	1,110
At 31 December 2009	2,000	-	1,878	3,878
Total comprehensive income for the financial year	-	-	2,692	2,692
At 31 December 2010	2,000	-	4,570	6,570
Issuance of shares	*	-	-	*
Total comprehensive income for the financial year	-	3,124	7,526	10,650
At 31 December 2011	2,000	3,124	12,096	17,220

Note:

* RM2

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.2 Audited Financial Statements of OCK Setia (Continued)****9.2.4 Audited Statements of Cash Flows of OCK Setia**

The audited statements of cash flows of OCK Setia for the FYE 31 December 2008, FYE 31 December 2009, FYE 31 December 2010 and FYE 31 December 2011 are as follows:-

	<div style="display: flex; justify-content: space-between; align-items: center;"> ← FYE → </div> <div style="text-align: center; margin-top: 5px;"> 31 December </div> <div style="display: flex; justify-content: space-between;"> 2008 2009 2010 2011 </div> <div style="display: flex; justify-content: space-between;"> RM'000 RM'000 RM'000 RM'000 </div>			
CASH FLOWS FROM OPERATING ACTIVITIES:				
Profit before taxation	325	1,563	3,883	10,218
Adjustments for:				
Gain on disposal of :-				
- property, plant and equipment	^	(15)	-	(545)
- investment in a subsidiary company	-	-	-	(678)
Bad debt written off	-	-	-	988
Depreciation	688	747	778	711
Dividend income	-	-	-	(31)
Impairment loss/(Reversal of impairment losses) on investment in a subsidiary company	-	-	33	(33)
Interest income	-	-	(7)	(196)
Interest expense	1,402	1,432	1,359	1,493
Property, plant and equipment written off	-	-	26	-
Unrealised loss on foreign currency exchange	-	-	-	12
	2,415	3,727	6,072	11,939
Changes In Working Capital:				
Inventories	1,471	(2,819)	1,728	(3,107)
Receivables	(9,638)	(2,058)	1,814	(3,765)
Subsidiary companies	(604)	646	(675)	-
Payables	2,595	3,223	578	(1,338)
	(3,761)	2,719	9,517	3,729
Tax paid	(98)	(307)	(453)	(2,488)
Interests received	-	-	7	196
Interests paid	(63)	(22)	(18)	(8)
Net Operating Cash Flows	(3,922)	2,390	9,053	1,429

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.2 Audited Financial Statements of OCK Setia (Continued)****9.2.4 Audited Statements of Cash Flows of OCK Setia (Continued)**

	← FYE → 31 December			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from disposal of property, plant and equipment	5	15	-	944
Purchase of property, plant and equipment (Note 9.2.5 (u))	(5,997)	(391)	(787)	(447)
Investments in subsidiary companies	(80)	-	(660)	(1,390)
Proceed from disposal of equity interest in a subsidiary company	-	29	-	1,028
Net Investing Cash Flows	(6,072)	(347)	(1,447)	135
CASH FLOWS FROM FINANCING ACTIVITIES:				
Dividend received	-	-	-	31
Interests paid	(1,339)	(1,410)	(1,341)	(1,485)
Deposits (held)/uplifted as security values	(190)	(5)	(1,076)	53
Net change in directors' accounts	90	(839)	178	554
Net change in amount due to subsidiary companies	-	-	(1,602)	(2,467)
Net change in amount due from a former subsidiary company	-	-	516	-
Net change in short term borrowings	9,260	(747)	(306)	4,136
Repayment to hire purchase payables	(160)	(182)	(212)	(296)
Drawdown of term loans	6,394	389	-	-
Repayment to term loans	(648)	(749)	(330)	(351)
Proceeds from issuance of shares	-	-	-	*
Net Financing Cash Flows	13,407	(3,543)	(4,173)	175
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,413	(1,500)	3,433	1,739
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	(627)	2,786	1,286	4,719
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL YEAR	2,786	1,286	4,719	6,458



13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.2 Audited Financial Statements of OCK Setia (Continued)****9.2.4 Audited Statements of Cash Flows of OCK Setia (Continued)**

	<div style="display: flex; justify-content: space-between; align-items: center;"> ← FYE → </div> <div style="text-align: center;">31 December</div>			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
ANALYSIS OF CASH AND CASH EQUIVALENTS:				
Cash in hand	1	-	5	#
Cash at banks	2,785	1,549	4,714	6,998
Fixed deposits	190	195	1,271	1,219
Bank overdrafts	-	(263)	-	(540)
	2,976	1,481	5,990	7,677
Less: Deposits held as security values	(190)	(195)	(1,271)	(1,219)
	2,786	1,286	4,719	6,458

Note:

^ (RM700)

* RM2

RM236

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.2 Audited Financial Statements of OCK Setia (Continued)****9.2.5 Notes to the Audited Financial Statements of OCK Setia****(a) Revenue**

	<div> <div>←</div> <div>FYE</div> <div>→</div> </div>			
	31 December			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
Telecommunications engineering services	40,019	44,434	55,695	65,555

(b) Cost of sales

	<div> <div>←</div> <div>FYE</div> <div>→</div> </div>			
	31 December			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
Telecommunications engineering costs	35,345	37,972	46,028	48,335

Included herein is an interest expense of RM15,848 (2010, 2009 and 2008: RM Nil) being classified as cost of sales.

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.2 Audited Financial Statements of OCK Setia (Continued)****9.2.5 Notes to the Audited Financial Statements of OCK Setia (Continued)****(c) Operating profit**

Operating profit is arrived at:-

	← FYE →			
	31 December			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
After charging:-				
Allowance for impairment				
- trade receivable	-	-	-	-
Audit fee				
- current year	7	7	27	71
- underaccrual in prior year	-	-	-	22
Bad debt written off	-	-	-	988
Consultant fees	-	2	10	239
Depreciation of property, plant and equipment	688	747	778	711
Directors' remuneration				
- salaries and allowances	200	215	226	410
Director's fee	25	24	5	13
Impairment loss on investment in a subsidiary company	-	-	33	-
Property, plant and equipment written off	-	-	26	-
Rental of premises	-	186	264	808
Rental of vehicles	-	-	278	203
Rental of equipment	-	-	56	461
Staff costs				
- staff salaries, allowances and bonuses	3,490	5,152	8,643	1,856
- employees' Provident Fund	217	771	805	273
- other staff related expenses	26	77	110	56
Loss on foreign exchange				
- realised	-	-	5	+
- unrealised	-	-	-	12
After crediting:-				
Dividend income	-	-	-	31
Gain on disposal of property, plant and equipment	^	15	-	545
Gain on disposal of investment in a subsidiary company	-	-	-	678
Realised gain on foreign exchange	-	38	-	-
Rental income	463	642	705	843
Reversal of impairment loss	-	-	-	33
Interests charged to subsidiary companies	-	-	4	139
Fixed deposit interest income	-	-	3	57

Note:

+ RM46

^ RM700



13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.2 Audited Financial Statements of OCK Setia (Continued)****9.2.5 Notes to the Audited Financial Statements of OCK Setia (Continued)****(d) Finance costs**

	← FYE →			
	31 December			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
Interest expenses:-				
Bank overdrafts	58	14	11	5
Bankers' acceptance	-	8	7	3
Hire purchase	27	29	52	52
Term loans	274	260	259	224
Revolving project loan	1,038	1,121	1,030	1,103
Trust receipts	5	-	-	106
	<u>1,402</u>	<u>1,432</u>	<u>1,359</u>	<u>1,493</u>

(e) Taxation

	← FYE →			
	31 December			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
Income tax				
- Current financial year	169	453	1,061	2,657
- Over-accrual in prior financial year	4	-	-	(65)
Deferred tax (Note 9.2.5 (h))				
- Current financial year	-	-	8	2
- Under-accrual in prior financial years	-	-	122	98
	<u>173</u>	<u>453</u>	<u>1,191</u>	<u>2,692</u>
 Deferred income tax related to other comprehensive income				
- Surplus on revaluation of land and building	-	-	-	164

Income tax is calculated at the statutory rate of 25% (2010 and 2009: 25% and 2008: 26%) of the estimated taxable profit for the fiscal year.

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.2 Audited Financial Statements of OCK Setia (Continued)****9.2.5 Notes to the Audited Financial Statements of OCK Setia (Continued)****(e) Taxation (Continued)**

The statutory tax rate applicable to small and medium scale enterprise ("SME") incorporated in Malaysia with paid up capital of RM2.5 million and below is subject to the statutory tax rate of 20% of chargeable income of up to RM500,000. For chargeable income in excess of RM500,000, statutory tax rate of 25% (2010 and 2009: 25% and 2008: 26%) is still applicable.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of OCK Setia are as follows:

	← FYE → 31 December			
	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000
Profit before taxation	325	1,563	3,883	10,218
Taxation at applicable statutory tax rate of 25% (2010 and 2009: 25% and 2008: 26%)	84	391	971	2,554
Tax effects arising from				
- non-deductible expenses	82	45	123	433
- non-taxable income	-	-	-	(303)
- SME tax savings	(30)	(25)	(25)	(25)
Deferred tax liabilities not recognised in the financial statements	32	42	-	-
Over-accrual of income tax in prior year	-	-	-	(65)
Under-accrual of deferred tax in prior years	5	-	122	98
Tax expense for the financial year	173	453	1,191	2,692

13. ACCOUNTANTS' REPORT (Cont'd)

OCK Group Berhad
Accountants' Report

9. AUDITED FINANCIAL STATEMENTS (Continued)

9.2 Audited Financial Statements of OCK Setia (Continued)

9.2.5 Notes to the Audited Financial Statements of OCK Setia (Continued)

(f) Property, plant and equipment

	Freehold land and building RM'000	Leasehold land and building RM'000	Furniture and fittings RM'000	Computer and software RM'000	Office equipment RM'000	Motor vehicles RM'000	Renovation Equipment RM'000	Capital work in progress RM'000	Total RM'000
Cost									
At 1 January 2008	-	1,332	86	295	224	1,533	54	190	4,644
Additions	5,270	-	28	533	70	95	6	80	6,082
Reclassification	930	-	-	-	-	-	-	-	-
Disposals/Write-off	-	-	-	(7)	-	-	-	-	(7)
At 31 December 2008	6,200	1,332	114	821	294	1,628	60	270	10,719
Additions	-	-	66	84	213	-	-	28	391
Disposals/Write-off	-	-	-	-	-	(300)	-	-	(300)
At 31 December 2009	6,200	1,332	180	905	507	1,328	60	298	10,810
Additions	-	-	-	244	241	782	-	60	1,327
Disposals/Write-off	-	-	(36)	(284)	(107)	-	(35)	(158)	(620)
At 31 December 2010	6,200	1,332	144	865	641	2,110	25	200	11,517
Additions	-	-	18	187	6	397	-	928	1,536
Revaluation surplus	2,115	1,173	-	-	-	-	-	-	3,288
Elimination of a accumulated depreciation on revaluation	(475)	(103)	-	-	-	-	-	-	(578)
Disposals/Write-off	-	(452)	-	-	-	(140)	-	-	(592)
At 31 December 2011	7,840	1,950	162	1,052	647	2,367	25	1,128	15,171

13. ACCOUNTANTS' REPORT (Cont'd)

OCK Group Berhad
Accountants' Report

9. AUDITED FINANCIAL STATEMENTS (Continued)

9.2 Audited Financial Statements of OCK Setia (Continued)

9.2.5 Notes to the Audited Financial Statements of OCK Setia (Continued)

(f) Property, plant and equipment (Continued)

	Freehold land and building RM'000	Leasehold land and building RM'000	Furniture and fittings RM'000	Computer and software RM'000	Office equipment RM'000	Motor vehicles RM'000	Renovation Equipment RM'000	Capital work in progress RM'000	Total RM'000
Accumulated Depreciation									
At 1 January 2008	-	62	31	215	99	1,055	27	111	- 1,600
Depreciation for the financial year	124	27	12	198	22	244	6	55	- 688
Disposals/Write-off	-	-	-	(2)	-	-	-	-	(2)
At 31 December 2008	124	89	43	411	121	1,299	33	166	- 2,286
Depreciation for the financial year	124	27	18	259	50	212	6	51	- 747
Disposals/Write-off	-	-	-	-	-	(300)	-	-	(300)
At 31 December 2009	248	116	61	670	171	1,211	39	217	- 2,733
Depreciation for the financial year	124	27	18	285	72	209	6	37	- 778
Disposals/Write-off	-	-	(30)	(284)	(90)	-	(32)	(158)	(594)
At 31 December 2010	372	143	49	671	153	1,420	13	96	- 2,917
Depreciation for the financial year	129	21	16	140	64	239	3	99	- 711
Elimination of a accumulated depreciation on revaluation	(475)	(103)	-	-	-	-	-	-	(578)
Disposals/Write-off	-	(54)	-	-	-	(138)	-	-	(192)
At 31 December 2011	26	7	65	811	217	1,521	16	195	- 2,858

13. ACCOUNTANTS' REPORT (Cont'd)

OCK Group Berhad
Accountants' Report

9. AUDITED FINANCIAL STATEMENTS (Continued)

9.2 Audited Financial Statements of OCK Setia (Continued)

9.2.5 Notes to the Audited Financial Statements of OCK Setia (Continued)

(f) Property, plant and equipment (Continued)

	Freehold land and building RM'000	Leasehold land and building RM'000	Furniture and fittings RM'000	Computer and software RM'000	Office equipment RM'000	Motor vehicles RM'000	Renovation Equipment RM'000	Capital work in progress RM'000	Total RM'000
Carrying Amount									
At 31 December 2008	6,076	1,243	71	410	173	329	27	104	8,433
At 31 December 2009	5,952	1,216	119	235	336	117	21	81	8,077
At 31 December 2010	5,828	1,189	95	194	488	690	12	104	8,600
At 31 December 2011	7,814	1,943	97	241	430	846	9	933	12,313



13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.2 Audited Financial Statements of OCK Setia (Continued)****9.2.5 Notes to the Audited Financial Statements of OCK Setia (Continued)****(f) Property, plant and equipment (Continued)**

- (i) Included in property, plant and equipment of OCK Setia are assets acquired under hire purchase instalment plans with the following carrying amounts:

	← As at → 31 December			
	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000
Motor vehicles	329	117	690	846
Equipment	-	-	-	869
	<u>329</u>	<u>117</u>	<u>690</u>	<u>1,715</u>

- (ii) Included in property, plant and equipment of OCK Setia are assets pledged to the licensed banks to secure credit facilities granted to OCK Setia with the following carrying amounts:

	← As at → 31 December			
	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000
Freehold land and building	6,076	5,952	5,828	7,814
Leasehold land and building	1,243	1,216	1,189	1,943
	<u>7,319</u>	<u>7,168</u>	<u>7,017</u>	<u>9,757</u>

- (iii) Land and buildings have been revalued at the reporting date based on valuations performed by accredited independent valuers. The valuations are based on the comparison and cost method that makes reference to comparable properties were transacted within reasonable time frame, close proximity and similar nature of properties.

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.2 Audited Financial Statements of OCK Setia (Continued)****9.2.5 Notes to the Audited Financial Statements of OCK Setia (Continued)****(f) Property, plant and equipment (Continued)**

- (iii) If the freehold and leasehold land and building were measured using the cost model, the carrying amount would be as follows:-

	← As at →			
	31 December			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
Freehold land and building at 31 December				
- Cost	6,200	6,200	6,200	6,200
- Accumulated depreciation	(124)	(248)	(372)	(496)
- Net carrying amount	6,076	5,952	5,828	5,704
Leasehold land and building at 31 December				
- Cost	1,332	1,332	1,332	880
- Accumulated depreciation	(89)	(116)	(143)	(106)
- Net carrying amount	1,243	1,216	1,189	774

(g) Investments in subsidiary companies

	← As at →			
	31 December			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
Unquoted shares, at cost	140	111	771	1,811
Less: Impairment losses	-	-	(33)	-
	140	111	738	1,811
Less: Transfer to assets held for sale (Note 9.2.5 (m))	-	-	(317)	-
	140	111	421	1,811

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.2 Audited Financial Statements of OCK Setia (Continued)****9.2.5 Notes to the Audited Financial Statements of OCK Setia (Continued)****(g) Investments in subsidiary companies (Continued)**

OCK Setia's equity interest in the subsidiary companies, country of incorporation and its principal activities are as follows:-

Name of subsidiaries	Country of Incorporation	Effective equity interest held 31 December				Principal activities
		2008 %	2009 %	2010 %	2011 %	
OCK M&E ^	Malaysia	60	60	60	100	Provision of mechanical and electrical engineering services.
OCK Setia Properties Sdn Bhd ("OCK Setia Properties") *!	Malaysia	70	70	70	-	Investment holdings.
Firatel <@\$	Malaysia	80	51	51	61	Trading in telecommunications network equipment and materials.
EI Power >	Malaysia	-	-	52	52	Provision of green energy and power solutions.
Steadcom **	Malaysia	-	-	51	51	Provision of telecommunications network services focusing on network planning, design and optimisation.
Delicom +	Malaysia	-	-	-	100	Provision of telecommunications network services focusing on network deployment services.
Fortress Singapore #	Singapore	-	-	-	100	Distribution and installation of network security products and solutions for enterprise customers and provision of technical support.
Fortress Malaysia ##	Malaysia	-	-	-	100	Distribution and installation of network security products and solutions for enterprise customers and provision of technical support.

13. ACCOUNTANTS' REPORT (Cont'd)

**OCK Group Berhad
Accountants' Report**

9. AUDITED FINANCIAL STATEMENTS (Continued)**9.2 Audited Financial Statements of OCK Setia (Continued)****9.2.5 Notes to the Audited Financial Statements of OCK Setia (Continued)****(g) Investments in subsidiary companies (Continued)****FYE 31 December 2011**

[^] On 26 April 2011, OCK Setia increased its equity interests in OCK M&E from 60% to 100% by way of acquisition of 40,000 ordinary shares of RM1.00 each in OCK M&E from the existing shareholder of OCK M&E for a total cash consideration of RM40,000. On the date of acquisition, the carrying value of the additional interest acquired was RM40,000.

On 28 October 2011, OCK Setia subscribed for an additional 500,000 ordinary shares of RM1.00 each in OCK M&E by way of capitalisation of amount owing to OCK Setia of RM500,000. The equity interests held remains unchanged.

^{*} On 20 June 2011, OCK Setia disposed of its entire equity interest held in OCK Setia Properties, comprising 350,000 ordinary shares of RM1.00 each for a total cash consideration of RM1,028,342.

[<] On 26 April 2011, OCK Setia increased its equity interest in Firatel from 51% to 61% by way of acquisition of 10,000 ordinary shares of RM1.00 each in Firatel from the existing shareholder of Firatel for a total cash consideration of RM10,000. On the date of acquisition, the carrying value of the additional interest acquired was RM10,000.

⁺ On 28 June 2011, OCK Setia acquired 100% equity interest in Delicom for a total cash consideration of RM840,000.

[#] On 28 June 2011, OCK Setia acquired 100% equity interest in Fortress Singapore for a total cash consideration of SGD2. This subsidiary company is not audited by Baker Tilly Monteiro Heng.

^{##} On 7 July 2011, Fortress Singapore acquired 100% equity interest in Fortress Malaysia for a total cash consideration of RM 2.00.

FYE 31 December 2010

[>] On 28 October 2010, OCK Setia subscribed for 104,000 ordinary shares of RM1.00 each representing 52% equity interest in EI Power for a total cash consideration of RM104,000.

On 2 December 2010, OCK Setia subscribed for an additional 104,000 ordinary shares in EI Power representing a total of 52% equity interest in EI Power for a total cash consideration of RM104,000.

^{**} On 10 November 2010, OCK Setia subscribed for 102,000 ordinary shares of RM1.00 each, representing 51% equity interest in Steadcom for a total cash consideration of RM102,000.

[!] On 30 December 2010, OCK Setia subscribed for an additional 349,930 ordinary shares of RM1.00 each representing a total of 70% equity interest in OCK Setia Properties for a total cash consideration of RM349,930.

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.2 Audited Financial Statements of OCK Setia (Continued)****9.2.5 Notes to the Audited Financial Statements of OCK Setia (Continued)****(g) Investments in subsidiary companies (Continued)****FYE 31 December 2009**

@ On 13 August 2009, OCK Setia disposed of its 29% of its equity interest in Firatel, comprising 29,000 ordinary shares of RM1.00 each for a total consideration of RM29,000.

FYE 31 December 2008

\$ On 16 January 2008, OCK Setia subscribed for additional 79,999 ordinary shares of RM1.00 each in Firatel for total consideration of RM79,999.

(h) Deferred taxation**(i) Deferred tax assets and liabilities are made up of the following:-**

	← As at → 31 December			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
Deferred Tax Assets				
At beginning of the financial year	117	117	117	-
Recognised in statements of comprehensive income				
- over-accrual in prior financial year	-	-	(117)	-
At end of the financial year	117	117	-	-
Deferred Tax Liabilities				
At beginning of the financial year	-	-	-	(13)
Recognised in statements of comprehensive income				
- current financial year	-	-	(8)	(2)
- under-accrual in prior financial years	-	-	(5)	(98)
Transferred from revaluation reserves	-	-	-	(164)
At end of the financial year	-	-	(13)	(277)

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.2 Audited Financial Statements of OCK Setia (Continued)****9.2.5 Notes to the Audited Financial Statements of OCK Setia (Continued)****(h) Deferred taxation (Continued)**

- (ii) The tax effects on the components of deferred tax assets and liabilities as at end of the financial year are as follows:-

	← As at → 31 December			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
Deferred Tax Asset				
Unutilised tax losses	117	117	-	-
Deferred Tax Liabilities				
Temporary differences between carrying amounts and the corresponding tax written down values	-	-	13	113
Revaluation surplus on properties	-	-	-	164
	-	-	13	277

(i) Inventories

	← As at → 31 December			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
At cost,				
Raw materials	928	1,512	1,137	2,343
Work-in-progress	1,535	3,770	2,417	4,318
	2,463	5,282	3,554	6,661

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.2 Audited Financial Statements of OCK Setia (Continued)****9.2.5 Notes to the Audited Financial Statements of OCK Setia (Continued)****(j) Trade and other receivables**

	← As at → 31 December			
	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000
Trade receivables	16,227	18,198	14,718	16,942
Retention sum	115	137	-	38
	16,342	18,335	14,718	16,980
Other receivables	1,423	1,449	2,902	3,122
Deposits	237	279	77	251
Prepayments	575	572	609	1,703
Amount due from subsidiary companies	1,625	926	2,664	5,183
Amount due from directors	-	688	509	-
Amount due from a former subsidiary company	-	-	516	-
	20,202	22,249	21,995	27,239
Fixed deposit placed with licensed banks (Note 9.2.5(k))	190	195	1,271	1,219
Cash and bank balances (Note 9.2.5(l))	2,786	1,549	4,719	6,998
Total loans and receivables	23,178	23,993	27,985	35,456

Trade receivables are non-interest bearing and OCK Setia's normal trade credit terms ranges from 30 to 90 days (2010, 2009 and 2008: 30 to 90 days). Other credit terms are assessed and approved on a case-by-case basis. The credit period varies from customers to customers after taking into consideration their payment track record, financial background, length of business relationship and size of transactions.

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.2 Audited Financial Statements of OCK Setia (Continued)****9.2.5 Notes to the Audited Financial Statements of OCK Setia (Continued)****(j) Trade and other receivables (Continued)**

The ageing analysis of OCK Setia's trade receivables are as follows:-

	← As at → 31 December	
	2010 RM'000	2011 RM'000
Neither past due nor impaired	12,203	15,624
1 to 30 days past due not impaired	1,375	429
31 to 60 days past due not impaired	881	8
61 to 90 days past due not impaired	100	881
91 to 120 days past due not impaired	-	-
More than 121 days past due not impaired	159	-
	2,515	1,318
	14,718	16,942

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with OCK Setia.

Receivables that are past due but not impaired

At 31 December 2011, OCK Setia have trade receivables amounting to RM1,317,322 that are past due but not impaired.

Trade receivables that were past due but not impaired relate to customers that have good track records with OCK Setia. Based on past experience and no adverse information to date, the directors of OCK Setia are of the opinion that no allowance for impairment is necessary in respect of these balances as there has not been a significant change in the credit quality and the balances are still considered fully recoverable.

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.2 Audited Financial Statements of OCK Setia (Continued)****9.2.5 Notes to the Audited Financial Statements of OCK Setia (Continued)****(j) Trade and other receivables (Continued)**

Included in the trade and other receivables are the following related party balances which are unsecured, interest free and repayable on demand:-

	← As at → 31 December			
	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000
Trade receivables				
- Companies in which a director has interest	833	542	850	-
- A company in which a director's spouse has interest	-	-	-	8
Other receivables				
- Companies in which a director has interest	922	1,094	887	590

The amount due from a director and a former subsidiary company were non-trade in nature, unsecured, interest free and repayable on demand. The said amounts owing were fully settled during the FYE 31 December 2011.

Amount due from subsidiary companies

	← As at → 31 December			
	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000
- Trade in nature	-	-	137	640
- Non-trade in nature	1,625	926	2,527	4,543
	1,625	926	2,664	5,183

The amount due from subsidiary companies are unsecured, interest free and repayable on demand, except for those non-trade in nature totalling RM2,797,612 (2010: RM1,280,765, 2009 and 2008: RM Nil) which bear interest rates ranging from 7.00% to 8.60% (2010: 6.50% to 7.10%, 2009 and 2008: Nil) per annum.

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.2 Audited Financial Statements of OCK Setia (Continued)****9.2.5 Notes to the Audited Financial Statements of OCK Setia (Continued)****(k) Fixed deposits placed with licensed banks**

Deposits placed with licensed banks of OCK Setia are pledged to the banks for banking facilities granted to OCK Setia as disclosed in Note 9.2.5(q).

The deposits placed with licensed banks bear interests at the rates ranging from 2.60% to 3.20% (2010, 2009 and 2008: 2.60% to 3.20%) per annum.

(l) Cash and bank balances

	← As at →			
	31 December			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
Cash at banks	2,785	1,549	4,714	6,998
Cash in hand	1	-	5	#
	2,786	1,549	4,719	6,998

Note:

RM236

The currency exposure profile of cash and bank balances are as follow:-

	← As at →			
	31 December			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
United States Dollar	-	-	-	4
RM	2,786	1,549	4,719	6,994
	2,786	1,549	4,719	6,998

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.2 Audited Financial Statements of OCK Setia (Continued)****9.2.5 Notes to the Audited Financial Statements of OCK Setia (Continued)****(m) Assets held for sale**

The assets classified as held for sale on OCK Setia's statements of financial position as at 31 December 2010 is as follows:

	As at 31 December 2010 RM'000
<u>Assets</u>	
Investment in a subsidiary company, at cost	350
Less: Impairment loss	(33)
	<u>317</u>

The following amounts have been included in arriving at loss before tax of the discontinued operation:

	As at 31 December 2010 RM'000
After charging:	
Allowance for impairment on investment in a subsidiary company	<u>33</u>

13. ACCOUNTANTS' REPORT (Cont'd)

OCK Group Berhad
Accountants' Report

9. AUDITED FINANCIAL STATEMENTS (Continued)

9.2 Audited Financial Statements of OCK Setia (Continued)

9.2.5 Notes to the Audited Financial Statements of OCK Setia (Continued)

(n) Share capital

		As at			
		31 December			
		2009	2010	2011	
		Number of shares	Number of shares	Number of shares	
		Unit'000	Unit'000	Unit'000	RM'000
		RM'000	RM'000	RM'000	RM'000
Ordinary shares of RM 1 each:-					
Authorised :					
At the beginning /end of the financial year		5,000	5,000	5,000	5,000
Issued and fully paid-up:					
At the beginning of the financial year		2,000	2,000	2,000	2,000
Issued during the financial year		-	-	-	*
At the end of the financial year		2,000	2,000	2,000	2,000

Note:

^ 2 units

* RM2



13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.2 Audited Financial Statements of OCK Setia (Continued)****9.2.5 Notes to the Audited Financial Statements of OCK Setia (Continued)****(o) Other reserve****Revaluation reserve**

	← As at → 31 December			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
At 1 January	-	-	-	-
Other comprehensive income	-	-	-	3,124
At 31 December	-	-	-	3,124

The asset revaluation reserve represents increases in fair value of freehold and leasehold land and buildings (2010, 2009 and 2008: RM Nil), net of tax.

(p) Retained earnings

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act, 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividend will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the tax credits under Section 108 of the Income Tax Act, 1967 ("Section 108 balance") and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be led-in as at 31 December 2007.

OCK Setia did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, OCK Setia may utilise the Section 108 balance as at 31 December 2011 to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act, 2007.

Subject to agreement with the Inland Revenue Board, OCK Setia has tax credit under Section 108 of the Income Tax Act, 1967 to frank the distribution of approximately of RM868,239 of its retained earnings as at 31 December 2011 by way of dividends. OCK Setia may distribute the remaining retained earnings as single tier dividends.

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.2 Audited Financial Statements of OCK Setia (Continued)****9.2.5 Notes to the Audited Financial Statements of OCK Setia (Continued)****(q) Loans and borrowings**

	← As at → 31 December			
	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000
Current				
Bank overdrafts	-	263	-	540
Short term borrowings				
- Bankers' acceptance	-	1,062	69	1,019
- Trust receipts	-	-	1,212	3,209
- Revolving projects loan	15,835	14,026	13,502	14,691
Hire purchase payables (Note 9.2.5(r))	182	154	156	565
Term loans (Note 9.2.5(s))	409	335	315	335
	16,426	15,840	15,254	20,359
Non-current				
Hire purchase payables (Note 9.2.5(r))	232	78	403	787
Term loans (Note 9.2.5(s))	5,982	5,696	5,386	5,015
	6,214	5,774	5,789	5,802
Total loans and borrowings	22,640	21,614	21,043	26,161

Bank overdrafts are denominated in RM, bear interest from 0.25% to 2.00% above the bank's base lending rate. The bank overdrafts are secured by legal charges on OCK Setia's properties, the leasehold land and building of a subsidiary company and a director's property, corporate guarantee by OCK Setia and jointly and severally guaranteed by the directors.

Bankers' acceptance and trust receipts are secured by a third party charge over a property of a director. The trust receipts bear interest ranges from 0.75% to 2.00% (2010, 2009 and 2008: 1%) above the bank's base lending rate. The bankers' acceptance bears interest ranges from 0.75% to 1.75% per annum acceptance commission.

The revolving project loan is a project financing facility of RM20 million granted by Malaysia Debt Ventures Bhd, expiring on 28 January 2013. The revolving project loan is secured by the following:-

- a) All monies debenture incorporating fixed and floating charge over all present and future assets and undertaking of OCK Setia;
- b) Assignment of all contract proceeds arising from a base transceiver station sites (version 4) frame contract;
- c) Assignment of all contract proceeds and receivables to be received from a frame agreement for provision of telecommunication technical assistance services;
- d) Fixed deposits of OCK Setia of RM900,000 and interest accrued thereon; and
- e) Joint and severally guarantee for the whole facility from certain directors, namely Ooi Chin Khoo and Abdul Halim Bin Abdul Hamid.

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The revolving project loan bears interest at the rate of 7% (2010, 2009 and 2008: 7%) per annum.

(r) Hire purchase payables

	← As at →			
	31 December			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
Future minimum hire purchase payables				
- not later than one year	211	177	182	631
- later than one year but not later than five years	269	92	437	833
	480	269	619	1,464
Less: Future finance charges	(66)	(37)	(60)	(112)
	414	232	559	1,352
Represented by:				
Current liabilities (Note 9.2.5(q))				
- not later than one year	182	154	156	565
Non-current liabilities (Note 9.2.5(q))				
- later than one year but not later than five years	232	78	403	787
	414	232	559	1,352

The hire purchase liabilities bear interest at rates ranging from 4.09% to 6.57% (2010: 3.37% to 8.54%, 2009: 3.42% to 9.00% and 2008: 3.49% to 9.51%) per annum.

(s) Term loans (secured)

	← As at →			
	31 December			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
Total outstanding	6,391	6,031	5,701	5,350
Less: Payable within the next 12 months	409	335	315	335
	5,982	5,696	5,386	5,015

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Term loans are secured by legal charges on OCK Setia's properties, the leasehold land and building of a subsidiary company and a director's property, corporate guarantee by OCK Setia and jointly and severally guaranteed by the directors.

The term loans bear interest at the rate of 4.60% (2010: 4.30% to 4.75%, 2009: 4.05% to 4.30% and 2008: 3.65% to 19.00%) per annum.

The term loans of RM5,270,000 and RM1,200,000 are repayable by 180 and 240 monthly instalments respectively.

The repayment terms of the term loan are as follows:-

	← As at → 31 December			
	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000
Within the next twelve months	409	335	315	335
After the next twelve months (included under long term loan)				
- not later than two years	617	296	331	351
- later than two years but not later than five years	1,052	1,062	1,090	1,156
- more than five years	4,313	4,338	3,965	3,508
	6,391	6,031	5,701	5,350

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
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	← As at → 31 December			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
Current				
Trade payables	7,453	10,191	8,700	9,939
Other payables	486	297	1,004	109
Accruals	344	1,062	2,326	639
Deposits	227	183	218	221
Amount due to directors	151	-	-	44
Amount due to subsidiaries	75	22	-	524
Total trade and other payables	8,736	11,755	12,248	11,476
Add: Borrowings (Note 9.2.5(q))	22,640	21,614	21,043	26,161
Total financial liabilities carried at amortised costs	31,376	33,369	33,291	37,637

Trade payables are non-interest bearing and the normal trade credit terms granted to OCK Setia ranges from 30 to 60 days (2010, 2009 and 2008: 30 to 60 days).

Included in the trade and other payables are the following related party balances which are unsecured, interest free and repayable on demand:-

	← As at → 31 December			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
Trade payables				
- Companies in which the directors have interests	1,015	1,417	41	-
Other payables				
- Companies in which the directors have interests	-	34	145	-
- A company in which a director's spouse has interest	-	-	-	20

The amount due to subsidiary companies is non-trade in nature, unsecured, interest free and repayable on demand.

The amount due to directors is non-trade in nature, unsecured, interest free and repayable on demand.

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	← As at → 31 December			
	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000
Purchase of property, plant and equipment	6,082	391	1,327	1,536
Financed by hire purchase arrangements	(85)	-	(540)	(1,089)
Cash payments on purchase of property, plant and equipment	5,997	391	787	447

(v) Significant related party transactions**(i) Identification of related parties**

A related party is an entity or person that directly or indirectly through one or more intermediary controls, is controlled by, or is under common or joint control with OCK Setia or that has an interest in OCK Setia that gives it significant influence over OCK Setia's financial operating policies. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence for which significant voting power in OCK Setia resides with, directly or indirectly.

The nature of the relationship with the related parties is as follows:

Related Parties	Nature of Relationship
All Star Engineering Sdn Bhd ("ASESB")*	Company in which a director has interest
Modern Net Sdn Bhd ("MNSB")	Company in which a director's spouse has interest
Bloom Concept Sdn Bhd ("BCSB")	Company in which a director has interest
Kazacom Co Ltd (Cambodia)	Company in which a director has interest
Fling Rock Studio Sdn Bhd ("FRSSB")	Company in which a director has interest
Prima Makmur Sdn Bhd ("PMSB")	Company in which a director has interest
OCK Setia Engineering Services	Company in which a director has interest
OCK Pte Ltd	Company in which a director has interest
PT OCK Telecommunication	Company in which a director has interest
OCK	Company in which a director has interest

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
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Related Parties	Nature of Relationship
OCK Setia Properties	A 70% owned subsidiary company of OCK Setia. Ceased to be the subsidiary company of OCK Setia following the disposal of the entire equity interest by OCK Setia in June 2011 to Ooi Chin Khoon and Low Hock Keong.
Quek Meu San	Key management personnel of OCK Setia
Low Hock Keong	Key management personnel of OCK Setia
Ooi Chin Khoon	Director of OCK Setia

**Ceased to be a related party since 22 December 2010.*

(ii) Significant related party transactions

In the normal course of business, OCK Setia undertakes transactions with some of its related parties listed above. Set out below are the significant related party transactions for the financial years (in addition to related party disclosures mentioned elsewhere in this report).

Significant related party transactions other than those disclosed elsewhere in this report are as follows:-

	← FYE → 31 December			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
Sales to				
- EI Power	-	-	-	17
- Delicom	2,157	2,139	5,242	5,871
- Firatel	-	-	-	796
- OCK M&E	-	-	-	114
- MNSB	24	-	24	-
- PMSB	764	203	-	-
Purchase from				
- OCK M&E	-	-	-	468
- Firatel	-	17	88	55
- Steadcom	-	-	66	2,172
- ASES	5,650	3,405	378	-
- MNSB	633	813	225	181

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Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.2 Audited Financial Statements of OCK Setia (Continued)****9.2.5 Notes to the Audited Financial Statements of OCK Setia (Continued)****(v) Significant related party transactions (Continued)****(ii) Significant related party transactions (Continued)**

	← FYE →			
	31 December			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
Management fees received from:				
- Steadcom	-	-	2	6
- OCK M&E	6	6	6	6
- Firatel	2	6	6	6
- Delicom	6	6	4	6
- FRSSB	-	-	6	2
- ASES	6	6	6	-
Management fees paid to:				
- OCK M&E	-	-	-	120
Car rental paid to:				
- OCK M&E	-	72	72	72
- Delicom	30	68	72	72
Interest received from:				
- OCK M&E	-	-	4	5
- El Power	-	-	-	134
Office rental received from:				
- Steadcom	-	-	2	12
- OCK M&E	-	6	12	12
- Firatel	-	6	10	10
- Delicom	11	4	22	30
- FRSSB	-	-	18	5
- ASES	3	3	6	-
Office rental paid to:				
- El Power	-	-	-	2
- Firatel	-	-	-	35
- Ooi Chin Khoo	-	88	264	264
- Quek Mei San	-	6	19	19
Bad debt written off				
- OCK M&E	-	-	-	988

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	← FYE →			
	31 December			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
Dividend received from:				
- Firatel	-	-	-	31
Utilities fees received from:				
- Steadcom	-	-	1	4
- OCK M&E	-	2	4	4
- Firatel	8	2	4	4
- Delicom	6	2	5	6
- FRSSB	-	-	5	1
- ASESB	2	4	5	-
Disposal of OCK Setia Properties to:				
- Ooi Chin Khoon	-	-	-	984
- Low Hock Keong	-	-	-	44
Printing and stationery expenses received from				
- ASESB	-	-	13	-
Equipment rental received from:				
- Steadcom	-	-	-	8
- MNSB	-	-	-	29
Purchase of equipment				
- Steadcom	-	-	-	93

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	← FYE →			
	31 December			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
<i>Directors</i>				
Salaries and allowances	200	215	225	410
Fees	25	24	5	13
Benefit in-kind	-	-	-	56
	225	239	230	479
<i>Key management personnel</i>				
- short term employee benefits	165	190	308	839
- post employment benefits:				
- defined contribution plan	21	23	38	101
- benefit in-kind	-	-	-	25
	186	213	346	965

Key management personnel are defined as those persons other than the directors of OCK Setia having the authority and responsibility for planning, directing and controlling the activities of OCK Setia either directly or indirectly.

(w) Financial risk management objectives and policies

The operations of OCK Setia are subject to a variety of financial risks, including credit risk, liquidity risk, interest rate risk and foreign currency risk. OCK Setia has formulated a financial risk management framework whose principal objective is to minimise OCK Setia's exposure to risks and/or costs associated with the financing, investing and operating activities of OCK Setia.

The following sections provide details regarding OCK Setia's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

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**OCK Group Berhad
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9. AUDITED FINANCIAL STATEMENTS (Continued)**9.2 Audited Financial Statements of OCK Setia (Continued)****9.2.5 Notes to the Audited Financial Statements of OCK Setia (Continued)****(w) Financial risk management objective and policies (Continued)****(i) Credit Risk**

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. OCK Setia's exposure to the credit risk arises primarily from trade and other receivables. For cash and bank balances and fixed deposits with licensed banks, OCK Setia minimises credit risk by dealing exclusively with high credit rating financial institutions.

OCK Setia's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. OCK Setia trades only with recognised and creditworthy third parties. In addition, receivables balances are monitored on an on-going basis with the result that OCK Setia's exposure to bad debt is not significant.

Exposure to credit risk

At the reporting date, OCK Setia's maximum exposure to credit risk represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 9.2.5(j).

Deposits with banks and other financial institutions and investment securities are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are past due or impaired is disclosed in Note 9.2.5(j).

Inter-company balances

OCK Setia provides unsecured advances to subsidiary companies. OCK Setia monitors the results of the subsidiary companies regularly.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

13. ACCOUNTANTS' REPORT (Cont'd)

**OCK Group Berhad
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9. AUDITED FINANCIAL STATEMENTS (Continued)**9.2 Audited Financial Statements of OCK Setia (Continued)****9.2.5 Notes to the Audited Financial Statements of OCK Setia (Continued)****(w) Financial risk management objective and policies (Continued)****(i) Credit Risk (Continued)****Financial guarantees**

OCK Setia provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiary companies. OCK Setia monitors on an on-going basis the results of the subsidiary companies and repayments made by the subsidiary companies.

The maximum exposure to credit risk amounts to RM16,000,000 (2010: RM14,900,000, 2009: RM3,043,727 and 2008: RM990,727) representing the outstanding banking facilities of its subsidiary companies and a former subsidiary as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary company would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

(ii) Liquidity Risk

Liquidity risk is the risk that OCK Setia will not be able to meet its financial obligations as they fall due. OCK Setia's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

OCK Setia maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

(iii) Interest Rate Risk

OCK Setia's primary interest rate risk relates to interest-bearing debts as at 31 December 2011.

The investments in financial assets are mainly short term in nature and they are not held for speculative purposes.

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	Effective Interest Rate %	Within 1 Year RM'000	1 - 5 Year RM'000	More Than 5 Years RM'000	Total RM'000
As at 31 December 2011					
Financial assets					
Fixed deposits	3.00-3.60	1,219	-	-	1,219
Amount due from subsidiaries	7.00-8.60	2,798	-	-	2,798
Financial liabilities					
Bank overdrafts	6.55-8.60	540	-	-	540
Bankers' acceptance	3.53-4.92	1,019	-	-	1,019
Trust receipts	7.00-8.60	3,209	-	-	3,209
Hire purchase payables	4.14-7.75	565	787	-	1,352
Term loans	4.60	335	1,507	3,508	5,350
Revolving projects loan	7.00	14,691	-	-	14,691
As at 31 December 2010					
Financial assets					
Fixed deposits	2.60-3.20	1,271	-	-	1,271
Amount due from subsidiaries	6.50-7.10	1,281	-	-	1,281
Financial liabilities					
Bankers' acceptance	6.50-7.00	69	-	-	69
Trust receipts	6.80-7.10	1,212	-	-	1,212
Hire purchase payables	3.37-8.54	156	403	-	559
Term loans	4.30-4.75	315	1,421	3,965	5,701
Revolving projects loan	7.00	13,502	-	-	13,502

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
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	Effective Interest Rate %	Within 1 Year RM'000	1 - 5 Year RM'000	More Than 5 Years RM'000	Total RM'000
As at 31 December 2009					
Financial asset					
Fixed deposits	2.60-3.20	195	-	-	195
Financial liabilities					
Bank overdrafts	7.00-9.00	263	-	-	263
Bankers' acceptance	7.00-9.00	1,062	-	-	1,062
Hire purchase payables	3.42-9.00	154	78	-	232
Term loans	4.05-4.30	335	1,358	4,338	6,031
Revolving projects loan	7.00	14,026	-	-	14,026
As at 31 December 2008					
Financial asset					
Fixed deposits	2.60-3.20	190	-	-	190
Financial liabilities					
Hire purchase payables	3.49-9.51	182	232	-	414
Term loans	3.65-19.00	409	1,669	4,313	6,391
Revolving project loan	7.00	15,835	-	-	15,835

(x) Fair values**(i) Recognised financial instruments**

The fair values of financial assets and financial liabilities of OCK Setia approximate their carrying values on the statements of financial position of OCK Setia.

(ii) Unrecognised financial instruments

There were no unrecognised financial instruments as at 31 December 2011 that are required to be disclosed.

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
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The primary objective of OCK Setia's capital management is to build and maintain a strong capital base so as to maintain healthy capital ratios and at the same time be able to leverage on the capital to provide the funds to fund their expansion and growth.

OCK Setia manages their capital structure, and makes adjustment to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, OCK Setia may adjust dividend payment to shareholders, return capital to shareholders or issue new shares, raise new debts and reduce existing debts.

OCK Setia monitors the level of dividends to be paid to shareholders. OCK Setia's objectives are to pay out regular dividends to the shareholders based on the level of OCK Setia's profitability and cash flows.

The capital structure of OCK Setia consists of equity attributable to owners of OCK Setia, comprising share capital, reserve and total liabilities.

	← As at →			
	31 December			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
Total liabilities	31,563	33,702	34,307	39,021
Equity attributable to owners of OCK Setia	2,768	3,878	6,570	17,220
Debt-to-equity ratio	1140.28%	869.06%	522.18%	226.60%

There were no changes in OCK Setia's approach to capital management during the financial years under review.

OCK Setia is not subject to externally imposed capital requirements.

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
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As at 31 December 2011, the contingent liabilities were as follows:-

	← As at →			
	31 December			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
Corporate guarantees given by OCK Setia to secure for credit facilities granted to:				
- certain subsidiary companies	-	-	14,900	1,600
Bank guarantees issued in favour of third parties for performance of contract				
- for OCK Setia	891	2,944	3,109	3,536
- for a company in which a director has interest	100	100	260	-
	991	3,044	18,269	5,136

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
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The following comparative amounts have been reclassified in order to conform with FYE 31 December 2011 presentation:-

	As previously reported RM'000	Reclassification RM'000	As restated RM'000
FYE 31 December 2010			
Statement of Financial Position			
Amount due from subsidiary companies	3,180	(516)	2,664
Amount due from a former subsidiary companies	-	516	516
Statement of Comprehensive Income			
Cost of sales	37,656	8,372	46,028
Administrative expenses	13,553	(8,372)	5,181
FYE 31 December 2009			
Statement of Comprehensive Income			
Cost of sales	31,253	6,719	37,972
Administrative expenses	10,949	(6,719)	4,230
FYE 31 December 2008			
Statement of Comprehensive Income			
Cost of sales	31,747	3,598	35,345
Administrative expenses	7,051	(3,598)	3,453

The comparative figures for the FYE 31 December 2009 and FYE 31 December 2008 have been audited by a firm of Chartered Accountants other than Messrs. Baker Tilly Monteiro Heng.

13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.3 Audited Financial Statements of Delicom****9.3.1 Audited Statements of Comprehensive Income of Delicom**

The audited statements of comprehensive income of Delicom for the FYE 31 December 2008, FYE 31 December 2009, FYE 31 December 2010 and FYE 31 December 2011 are as follows:-

		FYE			
		31 December			
	Note	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000
Revenue	9.3.5 (a)	2,555	2,744	6,398	8,070
Cost of sales		(2,333)	(2,699)	(5,713)	(7,466)
Gross profit		222	45	685	604
Other operating income		30	73	112	82
Administrative expenses		(213)	(208)	(258)	(272)
Operating profit/(loss)		39	(90)	539	414
Finance costs	9.3.5 (b)	(30)	(10)	(7)	(5)
Profit/(loss) before taxation	9.3.5 (c)	9	(100)	532	409
Taxation	9.3.5 (d)	(69)	6	(115)	(14)
Net (loss)/profit for the financial year, representing total comprehensive (loss)/income for the financial year		(60)	(94)	417	395
<i>Gross profit margin (%)</i>		<i>8.69</i>	<i>1.64</i>	<i>10.71</i>	<i>7.48</i>
<i>Profit/(loss) before tax margin (%)</i>		<i>0.35</i>	<i>(3.64)</i>	<i>8.32</i>	<i>5.07</i>
<i>Effective tax rate (%)</i>		<i>766.67</i>	<i>(6.00)</i>	<i>21.62</i>	<i>3.42</i>
<i>Number of ordinary shares in issue of RM1.00 each ('000)</i>		<i>300</i>	<i>300</i>	<i>300</i>	<i>300</i>
<i>Gross earnings/(loss) per share (RM)</i>		<i>0.03</i>	<i>(0.33)</i>	<i>1.77</i>	<i>1.36</i>
<i>Net (loss)/earnings per share (RM)</i>		<i>(0.20)</i>	<i>(0.31)</i>	<i>1.39</i>	<i>1.32</i>

13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.3 Audited Financial Statements of Delicom (Continued)****9.3.2 Audited Statements of Financial Position of Delicom**

The audited statements of financial position of Delicom as at 31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011 are as follows:-

		← As at →			
		31 December			
	Note	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000
ASSETS					
Non-Current Asset					
Property, plant and equipment	9.3.5 (e)	315	247	178	109
Total Non-Current Asset		315	247	178	109
Current Assets					
Trade and other receivables	9.3.5 (f)	865	997	1,344	1,745
Tax recoverable		-	1	-	-
Fixed deposit placed with a licensed bank		420	370	289	-
Cash and bank balances		14	55	20	388
Total Current Assets		1,299	1,423	1,653	2,133
TOTAL ASSETS		1,614	1,670	1,831	2,242
EQUITY AND LIABILITIES					
Equity attributable to owners of Delicom					
Share capital	9.3.5 (g)	300	300	300	300
Retained earnings	9.3.5 (h)	177	83	500	895
Total Equity		477	383	800	1,195
Non-Current Liabilities					
Hire purchase payables	9.3.5 (i)	202	149	93	35
Deferred tax liabilities	9.3.5 (j)	6	-	5	8
Total Non-Current Liabilities		208	149	98	43

13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.3 Audited Financial Statements of Delicom (Continued)****9.3.2 Audited Statements of Financial Position of Delicom (Continued)**

		← As at →			
		31 December			
		2008	2009	2010	2011
Note		RM'000	RM'000	RM'000	RM'000
		Restated			
Current Liabilities					
Trade and other payables	9.3.5 (k)	861	1,085	786	863
Hire purchase payables	9.3.5 (i)	51	53	56	58
Tax payables		17	-	91	83
Total Current Liabilities		929	1,138	933	1,004
Total Liabilities		1,137	1,287	1,031	1,047
TOTAL EQUITY AND LIABILITIES		1,614	1,670	1,831	2,242
<i>Number of ordinary shares of RM1.00 each in issue ('000)</i>					
		300	300	300	300
<i>NTA (RM'000)</i>		477	383	800	1,195
<i>NTA per ordinary share (RM)</i>		1.59	1.28	2.67	3.98
<i>NA (RM'000)</i>		477	383	800	1,195
<i>NA per ordinary share (RM)</i>		1.59	1.28	2.67	3.98

13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.3 Audited Financial Statements of Delicom (Continued)****9.3.3 Audited Statements of Changes in Equity of Delicom**

The audited statements of changes in equity of Delicom for the FYE 31 December 2008, FYE 31 December 2009, FYE 31 December 2010 and FYE 31 December 2011 are as follows:-

	Attributable to owners of Delicom		
	Distributable		Total Equity RM'000
	Share Capital RM'000	Retained Earnings RM'000	
At 1 January 2008	300	237	537
Total comprehensive loss for the financial year	-	(60)	(60)
At 31 December 2008	300	177	477
Total comprehensive loss for the financial year	-	(94)	(94)
At 31 December 2009	300	83	383
Total comprehensive income for the financial year	-	417	417
At 31 December 2010	300	500	800
Total comprehensive income for the financial year	-	395	395
At 31 December 2011	300	895	1,195

13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.3 Audited Financial Statements of Delicom (Continued)****9.3.4 Audited Statements of Cash Flows of Delicom**

The audited statements of cash flow of Delicom for the FYE 31 December 2008, FYE 31 December 2009, FYE 31 December 2010 and FYE 31 December 2011 are as follows:-

	← FYE → 31 December			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES:				
Profit/(loss) before taxation	9	(100)	532	409
Adjustments for:				
Allowance for impairment	-	-	-	4
Depreciation	29	68	69	69
Interest expense	30	10	7	5
Interest income	-	(5)	(39)	(10)
	68	(27)	569	477
Changes In Working Capital:				
Receivables	216	(133)	(235)	(77)
Payables	259	224	(215)	529
	543	64	119	929
Tax paid	(18)	(18)	(18)	(18)
Interests received	-	5	39	10
Net Operating Cash Flows	525	51	140	921
CASH FLOWS FROM INVESTING ACTIVITY:				
Purchase of property, plant and equipment *	(70)	-	-	-
Net Investing Cash Flows	(70)	-	-	-

13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.3 Audited Financial Statements of Delicom (Continued)****9.3.4 Audited Statements of Cash Flows of Delicom (Continued)**

	← FYE →			
	31 December			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES:				
Interests paid	(30)	(10)	(8)	(5)
Repayment to hire purchase payables	(21)	(51)	(53)	(56)
Repayment to bankers' acceptance	(452)	-	-	-
Advance to holding company	-	-	-	(976)
Net change in amount due from a director	(1)	1	(195)	195
Net Financing Cash Flows	(504)	(60)	(256)	(842)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(49)	(9)	(116)	79
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	483	434	425	309
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL YEAR	434	425	309	388
ANALYSIS OF CASH AND CASH EQUIVALENTS:				
Cash and bank balances	14	55	20	388
Fixed deposits	420	370	289	-
	434	425	309	388

Note:-

* In 2008, Delicom acquired property, plant and equipment with an aggregate cost of RM344,000, of which RM274,000 were acquired under hire purchase arrangements by Delicom. Cash payments made towards the hire purchase amounted to RM70,000.



13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.3 Audited Financial Statements of Delicom (Continued)****9.3.5 Notes to the Audited Financial Statements of Delicom****(a) Revenue**

Revenue represents the invoiced value of services rendered.

(b) Profit/(loss) before tax

Profit/(loss) before tax had been arrived at:-

	<div style="text-align: center;"> ← FYE → 31 December </div>			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
After charging:-				
Allowance for impairment	-	-	-	4
Audit fee				
- Statutory audit	4	4	7	9
- Others	-	-	-	17
Depreciation of property, plant and equipment	29	68	69	69
Directors' remuneration	85	104	106	96
Director's fee	9	12	19	21
Rental of premises	11	9	22	30
Staff costs				
- Salaries	82	444	371	351
- Employee Provident Fund and SOCSO	32	71	41	47
After crediting:-				
Car rental income	30	68	72	72
Fixed deposit interests	-	5	39	10

(c) Finance costs

	<div style="text-align: center;"> ← FYE → 31 December </div>			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
Hire purchase interest	(5)	(10)	(7)	(5)
Bankers' acceptance interest	(25)	-	-	-
	(30)	(10)	(7)	(5)

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.3 Audited Financial Statements of Delicom (Continued)****9.3.5 Notes to the Audited Financial Statements of Delicom (Continued)****(d) Taxation**

	← FYE → 31 December			
	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000
Income tax				
- current financial year	(1)	-	(110)	(100)
- prior financial year	(62)	-	-	89
Deferred taxation (Note 9.3.5 (j))				
- current financial year	(6)	6	(5)	5
- prior financial year	*	-	-	(8)
	(69)	6	(115)	(14)

The statutory tax rate applicable to SME incorporated in Malaysia with paid up capital of RM2,500,000 and below is subject to the statutory tax rate of 20% of chargeable income up to RM500,000. For chargeable income in excess of RM500,000, statutory tax rate of 25% (2010 and 2009: 25% and 2008: 26%) is still applicable.

Note:

* (RM360)

The reconciliation of income tax expense applicable to profit/(loss) before tax at the statutory income tax rate to income tax expense at the effective income tax rate of Delicom is as follows:-

	← FYE → 31 December			
	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000
Profit/(loss) before taxation	9	(100)	532	409
Taxation at applicable statutory tax rate of 25% (2010 and 2009: 25% and 2008: 26%)	(2)	25	(133)	(102)
Tax effects arising from				
- non-deductible expenses	(6)	(13)	(13)	(18)
- SME tax savings	+	-	25	25
- (Reversal)/Originations of deferred tax not recognised in the financial statements	-	(6)	6	-
- prior years	(61)	-	-	81
Tax expense for the financial year	(69)	6	(115)	(14)

Note:

+ RM427

13. ACCOUNTANTS' REPORT (Cont'd)**O.C.K. Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.3 Audited Financial Statements of Delicom (Continued)****9.3.5 Notes to the Audited Financial Statements of Delicom (Continued)****(e) Property, plant and equipment**

	Office equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost			
At 1 January 2008	9	-	9
Additions	-	344	344
Disposal/write-off	-	-	-
At 31 December 2008	9	344	353
Additions	-	-	-
Disposal/write-off	-	-	-
At 31 December 2009	9	344	353
Additions	-	-	-
Disposal/write-off	-	-	-
At 31 December 2010	9	344	353
Additions	-	-	-
Disposal/write-off	-	-	-
At 31 December 2011	9	344	353
Accumulated depreciation			
At 1 January 2008	9	-	9
Depreciation for the financial year	-	29	29
Disposal/write-off	-	-	-
At 31 December 2008	9	29	38
Depreciation for the financial year	-	68	68
Disposal/write-off	-	-	-
At 31 December 2009	9	97	106
Depreciation for the financial year	-	69	69
Disposal/write-off	-	-	-
At 31 December 2010	9	166	175
Depreciation for the financial year	-	69	69
Disposal/write-off	-	-	-
At 31 December 2011	9	235	244

13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.3 Audited Financial Statements of Delicom (Continued)****9.3.5 Notes to the Audited Financial Statements of Delicom (Continued)****(e) Property, plant and equipment (Continued)**

	Office equipment RM'000	Motor vehicles RM'000	Total RM'000
Carrying Amount			
At 31 December 2008	*	315	315
At 31 December 2009	*	247	247
At 31 December 2010	*	178	178
At 31 December 2011	*	109	109

*Note:*** RM1.00*

Included in property, plant and equipment of Delicom are assets acquired under hire purchase instalment plans with the following carrying amounts:

	← As at → 31 December			
	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000
Motor vehicles	315	247	178	109

(f) Trade and other receivables

	← As at → 31 December			
	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000
Trade receivables	165	254	1,143	1,222
Less: Allowance for impairment	-	-	-	(4)
	165	254	1,143	1,218
Other receivables	694	743	6	3
Amount due from holding company	5	-	-	524
Amount due from a director	1	-	195	-
Trade and other receivables	865	997	1,344	1,745
Fixed deposit placed with a licensed bank	420	370	289	-
Cash and bank balances	14	55	20	388
Total loans and receivables	1,299	1,422	1,653	2,133

13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.3 Audited Financial Statements of Delicom (Continued)****9.3.5 Notes to the Audited Financial Statements of Delicom (Continued)****(f) Trade and other receivables (Continued)**

Trade receivables are non-interest bearing and Delicom's normal trade credit terms ranges from 30 to 90 days (2010, 2009 and 2008: 30 to 90 days). Other credit terms are assessed and approved on a case-by-case basis. The credit period varies from customer to customer after taking into consideration their payment track period, financial background, length of business relationship and size of transactions.

The ageing analysis of Delicom's trade receivables are as follows:-

	← As at → 31 December	
	2010 RM'000	2011 RM'000
Neither past due nor impaired	1,139	1,073
1 to 30 days past due not impaired	-	145
31 to 60 days past due not impaired	-	-
61 to 90 days past due not impaired	-	-
91 to 120 days past due not impaired	4	-
	4	145
Impaired	-	4
	1,143	1,222

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with Delicom.

Receivables that are past due but not impaired

At the reporting date, Delicom has trade receivables amounting to RM145,147 (2010: RM3,695) that are past due but not impaired.

Trade receivables that were past due but not impaired relate to customers that have good track records with Delicom. Based on past experience and no adverse information to date, the directors of Delicom are of the opinion that no impairment is necessary in respect of these balances as there has not been a significant change in the credit quality and the balances are still considered fully recoverable.

13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.3 Audited Financial Statements of Delicom (Continued)****9.3.5 Notes to the Audited Financial Statements of Delicom (Continued)****(f) Trade and other receivables (Continued)****Receivables that are impaired**

Delicom's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment is as follows:

	← As at → 31 December	
	2010 RM'000	2011 RM'000
Individually impaired		
Trade receivables - nominal amounts	4	4
Less: Allowance for impairment	-	(4)
	4	-

Included in the other receivables are the following related party balances which are unsecured, interest free and repayable on demand:-

	← As at → 31 December			
	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000
Other receivables				
- Companies in which certain directors have interests	682	738	83	-
- A company in which a director's spouse has interest	-	15	-	-

The amount due to holding company consists of:-

	← As at → 31 December			
	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000
Trade	-	-	-	(535)
Non-trade	-	-	-	1,059
	-	-	-	524

13. ACCOUNTANTS' REPORT (Cont'd)

OCK Group Berhad
Accountants' Report

9. AUDITED FINANCIAL STATEMENTS (Continued)

9.3 Audited Financial Statements of Delicom (Continued)

9.3.5 Notes to the Audited Financial Statements of Delicom (Continued)

(f) Trade and other receivables (Continued)

On 28 June 2011, Delicom become a wholly-owned subsidiary of OCK Setia, which in turn is a 90% (2010, 2009 and 2008: Nil) owned subsidiary company of Aliran Armada Sdn. Bhd., being the ultimate holding company. Both companies are incorporated and domiciled in Malaysia.

The amount due from a director in 2010 was non-trade in nature, unsecured, interest free and repayable on demand.

13. ACCOUNTANTS' REPORT (Cont'd)

OCK Group Berhad
Accountants' Report

9. AUDITED FINANCIAL STATEMENTS (Continued)**9.3 Audited Financial Statements of Delicom (Continued)****9.3.5 Notes to the Audited Financial Statements of Delicom (Continued)****(g) Share capital**

	As at				
	31 December				
	2008	2009	2010	2011	
	Number of	Number of	Number of	Number of	
	shares	shares	shares	shares	
	Unit'000	Unit'000	Unit'000	Unit'000	
	RM'000	RM'000	RM'000	RM'000	RM'000
	1,000	1,000	1,000	1,000	1,000
	300	300	300	300	300



13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.3 Audited Financial Statements of Delicom (Continued)****9.3.5 Notes to the Audited Financial Statements of Delicom (Continued)****(h) Retained earnings**

In accordance with the Finance Act, 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividends paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system").

As such, Delicom will distribute the retained earnings as at 31 December 2011 as dividends under the single tier system.

(i) Hire purchase payables

	← As at → 31 December			
	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000
Gross amount payable	278	218	157	96
Less: Future interest charges	(25)	(16)	(8)	(3)
	253	202	149	93
Repayable within the next 12 months	51	53	56	58
Repayable after the next 12 months	202	149	93	35
	253	202	149	93
Represented by:-				
Current				
- not later than one year	51	53	56	58
Non-current				
- later than one year and not later than five years	202	149	93	35
	253	202	149	93

The hire purchase bears interest at rates ranging from 3.37% to 3.43% (2010: 3.43% to 3.48%, 2009: 3.51% to 3.57% and 2008: 3.58% to 3.61%) per annum.

13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.3 Audited Financial Statements of Delicom (Continued)****9.3.5 Notes to the Audited Financial Statements of Delicom (Continued)****(j) Deferred tax liabilities**

(i) Deferred tax liabilities is made up of the followings:-

	← As at → 31 December			
	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000
At the beginning of the financial year	*	6	-	5
Recognised to profit or loss (Note 9.3.5 (d))	6	(6)	5	(5)
- underaccrual in prior year	-	-	-	8
At the end of financial year	6	-	5	8

Note:

*(RM360)

(ii) The tax effect on the components of deferred tax liabilities as at the end of the financial year is as follows:-

	← As at → 31 December			
	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000
Deferred Tax Liabilities				
Excess of carrying amounts of property, plant and equipment over corresponding tax written value	6	-	5	8

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.3 Audited Financial Statements of Delicom (Continued)****9.3.5 Notes to the Audited Financial Statements of Delicom (Continued)****(k) Trade and other payables**

	← As at → 31 December			
	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000
Trade payables	710	1,054	*	-
Other payables	135	-	1	-
Accruals	16	31	44	12
Amount due to holding company	-	-	741	-
Amount due to a related company	-	-	-	851
	861	1,085	786	863
Hire purchase payables (Note: 9.3.5 (i))	253	202	149	93
Total financial liabilities carried at amortised cost	1,114	1,287	935	956

*Note:*** RM47*

Trade payables are non-interest bearing and the normal trade credit terms granted to Delicom ranges from 30 to 90 days (2010, 2009 and 2008: 30 to 90 days).

Included in trade payables is an amount of RM Nil (2010: RM824,748, 2009: RM1,053,953 and 2008: RM699,766) owing by the companies in which directors have interests.

The amount due to a related company is trade in nature and the trade credit terms granted ranges from 30 to 90 days.

(l) Significant related party transactions**(i) Identification of related parties**

A related party is an entity or person that directly or indirectly through one or more intermediary controls, is controlled by, or is under common or joint control with Delicom or that has an interest in Delicom that gives it significant influence over Delicom's financial operating policies. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence for which significant voting power in Delicom resides with, directly or indirectly.

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.3 Audited Financial Statements of Delicom (Continued)****9.3.5 Notes to the Audited Financial Statements of Delicom (Continued)****(l) Significant related party transactions (Continued)****(i) Identification of related parties (Continued)**

The nature of the relationship with the related parties is as follows:-

Related Parties	Nature of Relationship
OCK Setia	Holding company
Steadcom	Related company
MNSB	Company in which a director's spouse has interest

(ii) Significant related party transactions

In the normal course of business, Delicom undertakes transactions with some of its related parties listed above. Set out below are the significant related party transactions for the financial years (in addition to related party disclosures mentioned elsewhere in this report).

Significant related party transactions other than those disclosed elsewhere in this report are as follows:-

	← FYE →			
	31 December			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
Car rental income from				
- OCK Setia	30	68	72	72
Purchase from				
- OCK Setia	2,157	2,139	5,242	5,871
Management fees to				
- OCK Setia	6	6	4	6
Purchase from				
- Steadcom	-	-	-	1,151
Office rental to				
- OCK Setia	11	4	22	30
Utilisation charge to				
- OCK Setia	6	2	5	6
Sales to				
- MNSB	-	15	60	-

13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.3 Audited Financial Statements of Delicom (Continued)****9.3.5 Notes to the Audited Financial Statements of Delicom (Continued)****(I) Significant related party transactions (Continued)****(iii) Key management personnel compensation**

	← FYE → 31 December			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
<i>Directors</i>				
- Salaries and allowance	85	104	106	96
- Director's fee	9	12	19	21

Key management personnel are defined as those persons having the authority and responsibility for planning, directing and controlling the activities of Delicom either directly or indirectly.

(m) Financial risk management and objectives

The operations of Delicom are subject to a variety of financial risks, including credit risk and liquidity risk. Delicom has formulated a financial risk management framework whose principal objective is to minimise Delicom's exposure to risks and/or costs associated with the financing, investing and operating activities of Delicom.

The following sections provide details regarding Delicom's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(i) Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counter party default on its obligation. Delicom's exposure to credit risk arises primarily from trade and other receivables. It is Delicom's policy to monitor the financial standing of these receivables on an on-going basis to ensure that Delicom is exposed to minimal credit risk.

Trade receivables may give rise to credit risk which requires the loss to be recognised if a counter party fails to perform as contracted. It is Delicom's policy to monitor the financial standing of these receivables on an on-going basis to ensure that Delicom is exposed to minimal credit risk.

The credit risk is controlled by the application of the credit approvals, limit and monitoring procedures. An internal credit review is conducted if the credit risk is material.

13. ACCOUNTANTS' REPORT (Cont'd)

OCC Group Berhad
Accountants' Report

9. AUDITED FINANCIAL STATEMENTS (Continued)**9.3 Audited Financial Statements of Delicom (Continued)****9.3.5 Notes to the Audited Financial Statements of Delicom (Continued)****(m) Financial risk management and objectives (Continued)****(i) Credit Risk (Continued)****Exposure to credit risk**

At the reporting date, Delicom's maximum exposure to credit risk represented by the carrying amount of each class of financial assets recognised in the statement of financial position.

Information regarding credit enhancements for trade receivables is disclosed in Note 9.3.5 (f).

Credit risk concentration profile

Delicom determines concentrations of credit risk by monitoring the country profile of its trade receivables on an ongoing basis.

As at reporting date, Delicom has a significant concentration of credit risk in the form of outstanding balances arising from amount due from a customer (2010: 1 customer) representing 99% (2010: 99%) of the total trade receivables.

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 9.3.5 (f).

Financial assets that are past due but not impaired or impaired

Information regarding trade receivables that are past due but not impaired or impaired is disclosed in Note 9.3.5 (f).

(ii) Liquidity Risk

Liquidity risk is the risk that Delicom will not be able to meet its financial obligations as they fall due. Delicom's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

Delicom maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

(iii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of Delicom's and Delicom's financial instruments will fluctuate because of changes in market interest rates.

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.3 Audited Financial Statements of Delicom (Continued)****9.3.5 Notes to the Audited Financial Statements of Delicom (Continued)****(m) Financial risk management and objectives (Continued)****(iii) Interest Rate Risk (Continued)**

Delicom's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from Delicom's borrowings and is managed through the use of fixed and floating rate debts. Delicom does not use derivative financial instruments to hedge its risk.

Delicom manages the net exposure to interest rate risks by maintaining sufficient lines of credit to obtain acceptable lending costs and by monitoring the exposure to such risks on an on-going basis. Management does not enter into interest rate hedging transactions since it considers that the cost of such instruments outweigh the potential risk of interest rate fluctuation.

The interest rate profiles of Delicom's significant interest-bearing financial instruments, based on carrying amounts as the end of the reporting period were:

	Effective Interest Rate				As at			
	← As at →				← As at →			
	31 December				31 December			
	2008	2009	2010	2011	2008	2009	2010	2011
	%	%	%	%	RM'000	RM'000	RM'000	RM'000
<i>Fixed rate instruments</i>								
Financial asset								
Short term deposits	-	1.2	2.9	3.5	420	370	289	-
Financial liabilities								
Hire purchase payables								
- not later than one year					51	53	56	58
- later than one year and not later than five years					202	149	93	35
	3.58-3.61	3.51-3.57	3.43-3.48	3.37-3.43	253	202	149	93

Sensitivity analysis for interest rate risk

Fair value sensitivity analysis for fixed rate instruments.

Delicom does not account for any fixed rate financial assets and financial liabilities as a change in interest rates at the reporting date would not affect Delicom's profit or loss and equity.

13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.3 Audited Financial Statements of Delicom (Continued)****9.3.5 Notes to the Audited Financial Statements of Delicom (Continued)****(n) Comparative figures**

The following comparative amounts have been reclassified in order to conform with FYE 31 December 2011 presentation:-

	As previously reported RM'000	Reclassification RM'000	As restated RM'000
At 31 December 2010			
Statement of Financial Position			
Amount due to holding company	-	741	741
Trade payables	825	(825)	*
Other receivables	89	(83)	6

* RM47

(o) Capital Management

The primary objective of Delicom's capital management is to ensure that it maintains a strong capital base and safeguard Delicom's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. Delicom manages its capital structure by monitoring the capital and net debt on an on-going basis. To maintain the capital structure, Delicom may adjust the dividend payment to shareholders.

There were no changes in Delicom's approach to capital management during the financial years under review.

	← As at 31 December →			
	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000
Total liabilities	1,137	1,287	1,031	1,047
Equity attributable to owners of Delicom	477	383	800	1,195
Debt-to-equity ratio	238.36%	336.03%	128.88%	87.62%

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.4 Audited Financial Statements of OCK M&E****9.4.1 Audited Statements of Comprehensive Income of OCK M&E**

The audited statements of comprehensive income of OCK M&E for the FYE 31 December 2008, FYE 31 December 2009, FYE 31 December 2010 and FYE 31 December 2011 are as follows:-

	Note	← FYE →			
		31 December			
		2008	2009	2010	2011
		RM'000	RM'000	RM'000	RM'000
		Restated	Restated		
Revenue	9.4.5 (a)	5,030	436	4,292	3,953
Cost of sales	9.4.5 (b)	(4,191)	(476)	(3,970)	(3,432)
Gross profit/(loss)		839	(40)	322	521
Other income		85	72	72	1,184
Administrative expenses		(740)	(256)	(322)	(810)
Operating profit/(loss)		184	(224)	72	895
Finance costs	9.4.5 (c)	(3)	(6)	(17)	(66)
Profit/(loss) before tax	9.4.5 (d)	181	(230)	55	829
Income tax (expense)/benefit	9.4.5 (e)	(108)	(16)	(23)	1
Net profit/(loss) for the financial year		73	(246)	32	830
Other comprehensive income:					
Revaluation on leasehold land and building		-	-	-	312
Income tax relating to components of other comprehensive income		-	-	-	(16)
Other comprehensive income, net of tax		-	-	-	296
Total comprehensive income/(loss) for the financial year		73	(246)	32	1,126
<i>Gross profit/(loss) margin (%)</i>		<i>16.68</i>	<i>(9.17)</i>	<i>7.50</i>	<i>13.18</i>
<i>Profit/(loss) before tax margin (%)</i>		<i>3.60</i>	<i>(52.75)</i>	<i>1.28</i>	<i>20.97</i>
<i>Effective tax rate (%)</i>		<i>59.67</i>	<i>(6.96)</i>	<i>41.82</i>	<i>(0.12)</i>
<i>Number of ordinary shares of RM1.00 each in issue ('000)</i>		<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>
<i>Gross earnings/(loss) per share (RM)</i>		<i>1.81</i>	<i>(2.30)</i>	<i>0.55</i>	<i>16.58</i>
<i>Net earnings/(loss) per share (RM)</i>		<i>0.73</i>	<i>(2.46)</i>	<i>0.32</i>	<i>16.60</i>

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.4 Audited Financial Statements of OCK M&E (Continued)****9.4.2 Audited Statements of Financial Position of OCK M&E**

The audited statements of financial position of OCK M&E as at 31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011 are as follows:-

		← As at →			
		31 December			
Note		2008	2009	2010	2011
		RM'000	RM'000	RM'000	RM'000
		Restated	Restated		
ASSETS					
Non-Current Asset					
Property, plant and equipment	9.4.5 (f)	283	215	1,686	1,905
Total Non-Current Asset		283	215	1,686	1,905
Current Assets					
Inventories		-	-	51	132
Trade and other receivables	9.4.5 (g)	3,629	2,151	1,885	508
Amount due from customers for contract works	9.4.5 (h)	91	45	44	2,850
Tax recoverable		-	8	9	34
Cash and bank balances		15	92	38	263
Total Current Assets		3,735	2,296	2,027	3,787
TOTAL ASSETS		4,018	2,511	3,713	5,692
EQUITY AND LIABILITIES					
Equity attributable to owners of OCK M&E					
Share capital	9.4.5 (i)	100	100	100	600
Revaluation reserve	9.4.5 (j)	-	-	-	296
Retained earnings	9.4.5 (k)	263	17	49	879
Total Equity		363	117	149	1,775

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.4 Audited Financial Statements of OCK M&E (Continued)****9.4.2 Audited Statements of Financial Position of OCK M&E (Continued)**

		← As at →			
		31 December			
	Note	2008	2009	2010	2011
		RM'000	RM'000	RM'000	RM'000
		Restated	Restated		
Non-Current Liabilities					
Bank borrowings	9.4.5 (l)	194	140	882	1,097
Deferred tax liabilities	9.4.5 (n)	*	*	*	16
Total Non-Current Liabilities		194	140	882	1,113
Current Liabilities					
Trade and other payables	9.4.5 (o)	3,048	1,711	2,488	2,568
Amount due to customers for contract works	9.4.5 (h)	263	488	111	148
Tax payables		95	-	-	-
Bank borrowings	9.4.5 (l)	55	55	83	88
Total Current Liabilities		3,461	2,254	2,682	2,804
Total Liabilities		3,655	2,394	3,564	3,917
TOTAL EQUITY AND LIABILITIES		4,018	2,511	3,713	5,692
<i>Number of ordinary shares of RM1.00 each in issue ('000)</i>					
		100	100	100	600
<i>NTA (RM'000)</i>		363	117	149	1,775
<i>NTA per ordinary share (RM)</i>		3.63	1.17	1.49	2.96
<i>NA (RM'000)</i>		363	117	149	1,775
<i>NA per ordinary share (RM)</i>		3.63	1.17	1.49	2.96

Note:

*RM376



13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.4 Audited Financial Statements of OCK M&E (Continued)****9.4.3 Audited Statements of Changes in Equity of OCK M&E**

The audited statements of changes in equity of OCK M&E for the FYE 31 December 2008, FYE 31 December 2009, FYE 31 December 2010 and FYE 31 December 2011 are as follows:-

		Attributable to owners of OCK M&E			
		Non-distributable		Distributable	
	Note	Share Capital RM'000	Revaluation Reserve RM'000	Retained Earnings RM'000	Total Equity RM'000
At 1 January 2008					
As previously reported		100	-	79	179
Prior year adjustments	9.4.5 (r)	-	-	111	111
At 1 January 2008, as restated		100	-	190	290
Total comprehensive income for the financial year					
As previously reported		-	-	356	356
Prior year adjustments	9.4.5 (r)	-	-	(283)	(283)
Total comprehensive income for the financial year, as restated		-	-	73	73
At 31 December 2008, as restated		100	-	263	363
At 1 January 2009					
As previously reported		100	-	435	535
Prior year adjustments	9.4.5 (r)	-	-	(172)	(172)
At 1 January 2009, as restated		100	-	263	363
Total comprehensive income for the financial year					
As previously reported		-	-	25	25
Prior year adjustments	9.4.5 (r)	-	-	(271)	(271)
Total comprehensive loss for the financial year, as restated		-	-	(246)	(246)
At 31 December 2009, as restated		100	-	17	117

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.4 Audited Financial Statements of OCK M&E (Continued)****9.4.3 Audited Statements of Changes in Equity of OCK M&E (Continued)**

	Attributable to owners of OCK M&E			
	Non-distributable	Distributable		
	Share Capital RM'000	Revaluation Reserve RM'000	Retained Earnings RM'000	Total Equity RM'000
At 1 January 2010	100	-	17	117
Total comprehensive income for the financial year	-	-	32	32
At 31 December 2010	100	-	49	149
Issuance of shares	500	-	-	500
Total comprehensive income for the financial year	-	296	830	1,126
At 31 December 2011	600	296	879	1,775



13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.4 Audited Financial Statements of OCK M&E (Continued)****9.4.4 Audited Statements of Cash Flows of OCK M&E**

The audited statements of cash flow of OCK M&E for the FYE 31 December 2008, FYE 31 December 2009, FYE 31 December 2010 and FYE 31 December 2011 are as follows:-

	← FYE →			
	31 December			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES:				
Profit/(loss) before tax	181	(230)	55	829
Adjustments for:				
Allowance for impairment	-	-	-	265
Depreciation	74	72	74	93
Interest expense	3	6	17	66
Waiver of debt	-	-	-	(988)
	258	(152)	146	265
Changes in working capital:				
Inventories	-	-	(51)	(81)
Receivables	(2,092)	1,478	266	1,112
Payables	2,559	(655)	720	1,115
Amount due from/to customer for contract works	111	271	(376)	(2,769)
	836	942	705	(358)
Tax paid	(21)	(119)	(24)	(24)
Net Operating Cash Flows	815	823	681	(382)
CASH FLOWS FROM INVESTING ACTIVITY:				
Purchase of property, plant and equipment *	(75)	(4)	(1,545)	-
Net Investing Cash Flows	(75)	(4)	(1,545)	-

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.4 Audited Financial Statements of OCK M&E (Continued)****9.4.4 Audited Statements of Cash Flows of OCK M&E (Continued)**

	← FYE →			
	31 December			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES:				
Interests paid	(3)	(6)	(17)	(66)
Net proceed from issuance of shares	-	-	-	500
Amount due (to)/from holding company	(760)	(682)	57	(43)
Net drawdown of term loan	-	-	818	277
Repayment to hire purchase payables	(25)	(54)	(48)	(56)
Repayment to directors	-	-	-	(5)
Net Financing Cash Flows	(788)	(742)	810	607
NET CHANGE IN CASH AND CASH EQUIVALENTS	(48)	77	(54)	225
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	63	15	92	38
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	15	92	38	263
ANALYSIS OF CASH AND CASH EQUIVALENTS:				
Cash and bank balance	15	92	38	263

Note: -

** Included in the purchase of property, plant and equipment for FYE 31 December 2008 totalling RM0.35 million was an asset of RM0.34 million acquired under a hire purchase instalment plan. Cash payments totalling RM0.07 million was made towards the hire purchase.*

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.4 Audited Financial Statements of OCK M&E (Continued)****9.4.5 Notes to the Audited Financial Statements of OCK M&E****(a) Revenue**

	← FYE →			
	31 December			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
	Restated	Restated		
Contract income	4,933	268	4,122	3,806
Trading of goods	97	168	170	147
	5,030	436	4,292	3,953

(b) Cost of sales

	← FYE →			
	31 December			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
	Restated	Restated		
Contract costs	4,130	231	3,744	3,287
Trading costs	61	245	226	145
	4,191	476	3,970	3,432

(c) Finance costs

	← FYE →			
	31 December			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
Hire purchase interests	3	6	13	5
Interest charged by holding company	-	-	4	5
Term loan interests	-	-	-	56
	3	6	17	66

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.4 Audited Financial Statements of OCK M&E (Continued)****9.4.5 Notes to the Audited Financial Statements of OCK M&E (Continued)****(d) Profit/(loss) before tax**

Profit/(loss) before tax has been arrived at:

	<div style="text-align: center;"> <div style="display: flex; justify-content: space-between; align-items: center;"> ← FYE → </div> <div style="text-align: center;"> 31 December </div> </div>			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
After charging:-				
Allowance for impairment	-	-	-	265
Audit fee				
-Current Year	5	5	5	14
-Prior Year	-	-	2	3
Depreciation	74	72	74	93
Director's remuneration	170	-	-	-
Rental of office	-	9	12	15
Staff cost				
- Salaries	307	69	133	212
- Employee Provident Fund and SOCSO	40	6	13	38
After crediting:-				
Management fee received from holding company	-	-	-	120
Car rental income received from holding company	-	72	72	72
Waiver of debt	-	-	-	988

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.4 Audited Financial Statements of OCK M&E (Continued)****9.4.5 Notes to the Audited Financial Statements of OCK M&E (Continued)****(e) Income tax expense/(benefit)**

	← FYE →			
	31 December			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
Income tax				
- current financial year	108	16	23	-
- over-accrual in prior year	-	-	-	(1)
Income tax expense recognised in profit and loss	108	16	23	(1)
Deferred income tax related to other comprehensive income:				
-Surplus on revaluation of leasehold land and building	-	-	-	16

The income tax is calculated at the statutory rate of 25% (2010 and 2009: 25% and 2008: 26%) of the estimated assessable profit/(loss) for the financial years under review.

The statutory tax rate applicable to SME incorporated in Malaysia with paid up capital of RM2.5 million and below is subject to the statutory tax rate of 20% of chargeable income of up to RM500,000. For chargeable income in excess of RM500,000, statutory tax rate of 25% (2010 and 2009: 25% and 2008: 26%) is still applicable.

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.4 Audited Financial Statements of OCK M&E (Continued)****9.4.5 Notes to the Audited Financial Statements of OCK M&E (Continued)****(e) Income tax expense/(benefit) (Continued)**

A reconciliation of income tax expense applicable to profit/(loss) before tax at the statutory income tax rate to income tax expense at the effective income tax rate of OCK M&E is as follows:-

	<div style="text-align: center;"> <div style="display: flex; justify-content: space-between; align-items: center;"> ← FYE → </div> <div style="text-align: center;">31 December</div> <div style="display: flex; justify-content: space-between;"> <div style="text-align: center;">2008</div> <div style="text-align: center;">2009</div> <div style="text-align: center;">2010</div> <div style="text-align: center;">2011</div> </div> <div style="display: flex; justify-content: space-between;"> <div style="text-align: center;">RM'000</div> <div style="text-align: center;">RM'000</div> <div style="text-align: center;">RM'000</div> <div style="text-align: center;">RM'000</div> </div> </div>			
Profit/(loss) before tax	181	(230)	55	829
Taxation at applicable statutory tax rate of 25% (2010 and 2009: 25% and 2008: 26%)	47	(57)	14	207
Tax effects arising from				
- non-deductible expenses	73	69	12	40
- non-taxable income	-	-	-	(247)
- deferred tax assets not recognised in the financial statements	18	8	-	-
- over-accrual of income tax in prior year	-	-	-	(1)
- SME tax savings	(30)	(4)	(3)	-
Tax expense for the financial year	108	16	23	(1)

Further, the deferred tax assets have not been recognised for the following item:

	<div style="text-align: center;"> <div style="display: flex; justify-content: space-between; align-items: center;"> ← FYE → </div> <div style="text-align: center;">31 December</div> <div style="display: flex; justify-content: space-between;"> <div style="text-align: center;">2008</div> <div style="text-align: center;">2009</div> <div style="text-align: center;">2010</div> <div style="text-align: center;">2011</div> </div> <div style="display: flex; justify-content: space-between;"> <div style="text-align: center;">RM'000</div> <div style="text-align: center;">RM'000</div> <div style="text-align: center;">RM'000</div> <div style="text-align: center;">RM'000</div> </div> </div>			
Deductible temporary differences	24	16	-	-
Potential deferred tax assets not recognised at 25%	6	4	-	-

13. ACCOUNTANTS' REPORT (Cont'd)

OCK Group Berhad
Accountants' Report

9. AUDITED FINANCIAL STATEMENTS (Continued)

9.4 Audited Financial Statements of OCK M&E (Continued)

9.4.5 Notes to the Audited Financial Statements of OCK M&E (Continued)

(f) Property, plant and equipment

	Leasehold land and building RM'000	Furniture and fittings RM'000	Office equipment RM'000	Computer RM'000	Motor vehicles RM'000	Capital work-in progress RM'000	Total RM'000
	At valuation	←	At cost	→			
At 1 January 2008	-	4	3	13	-	-	20
Additions	-	-	-	5	344	-	349
Disposal/write-off	-	-	-	-	-	-	-
At 31 December 2008	-	4	3	18	344	-	369
Additions	-	-	-	4	-	-	4
Disposal/write-off	-	-	-	-	-	-	-
At 31 December 2009	-	4	3	22	344	-	373
Additions	-	-	-	-	-	1,545	1,545
Disposal/write-off	-	-	-	-	-	-	-
At 31 December 2010	-	4	3	22	344	1,545	1,918
Revaluation surplus	312	-	-	-	-	-	312
Elimination of accumulated depreciation on revaluation	(17)	-	-	-	-	-	(17)
Reclassification	1,545	-	-	-	-	(1,545)	-
At 31 December 2011	1,840	4	3	22	344	-	2,213

13. ACCOUNTANTS' REPORT (Cont'd)OCK Group Berhad
Accountants' Report**9. AUDITED FINANCIAL STATEMENTS (Continued)****9.4 Audited Financial Statements of OCK M&E (Continued)****9.4.5 Notes to the Audited Financial Statements of OCK M&E (Continued)****(f) Property, plant and equipment (Continued)**

	Leasehold land and building RM'000	Furniture and fittings RM'000	Office equipment RM'000	Computer RM'000	Motor vehicles RM'000	Capital work-in progress RM'000	Total RM'000
Accumulated depreciation							
At 1 January 2008	-	2	2	8	-	-	12
Depreciation for the financial year	-	*	^	5	69	-	74
Disposal/write-off	-	-	-	-	-	-	-
At 31 December 2008	-	2	2	13	69	-	86
Depreciation for the financial year	-	*	^	3	69	-	72
Disposal/write-off	-	-	-	-	-	-	-
At 31 December 2009	-	2	2	16	138	-	158
Depreciation for the financial year	-	2	^	3	69	-	74
Disposal/write-off	-	-	-	-	-	-	-
At 31 December 2010	-	4	2	19	207	-	232
Depreciation for the financial year	21	-	^	3	69	-	93
Elimination of accumulated depreciation on revaluation	(17)	-	-	-	-	-	(17)
At 31 December 2011	4	4	2	22	276	-	308

Note:

* RM391 ^ RM305



13. ACCOUNTANTS' REPORT (Cont'd)

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9. AUDITED FINANCIAL STATEMENTS (Continued)

9.4 Audited Financial Statements of OCK M&E (Continued)

9.4.5 Notes to the Audited Financial Statements of OCK M&E (Continued)

(f) Property, plant and equipment (Continued)

	Leasehold land and building RM'000	Furniture and fittings RM'000	Office equipment RM'000	Computer RM'000	Motor vehicles RM'000	Capital work-in progress RM'000	Total RM'000
Carrying Amount							
At 31 December 2008	-	2	1	5	275	-	283
At 31 December 2009	-	2	1	6	206	-	215
At 31 December 2010	-	-	1	3	137	1,545	1,686
At 31 December 2011	1,836	-	1	-	68	-	1,905



13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
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During the FYE 31 December 2011, an amount of RM1,545,160/- has been reclassified from capital in progress to leasehold land and building upon completion. The leasehold land and building is pledged to a licensed bank to secure credit facilities granted to OCK M&E as stated in Note 9.4.5 (l).

The carrying amounts of the motor vehicles which were acquired under the hire purchase instalment plans are as follow:

	← As at → 31 December			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
Motor vehicles	275	206	137	68

Leasehold land and building has been revalued at the reporting date based on a valuation performed by accredited independent valuers. The valuation is based on the comparison and cost method that makes reference to comparable properties that were transacted within a reasonable time frame in close proximity and similar nature of properties.

If the leasehold land and building were measured using the cost model, the carrying amount would be as follows:

	← As at → 31 December			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
Leasehold land at 31 December				
-Cost	-	-	-	618
-Accumulated depreciation and impairment	-	-	-	(5)
-Net carrying amount	-	-	-	613
Building at 31 December				
-Cost	-	-	-	927
-Accumulated depreciation and impairment	-	-	-	(15)
-Net carrying amount	-	-	-	912

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.4 Audited Financial Statements of OCK M&E (Continued)****9.4.5 Notes to the Audited Financial Statements of OCK M&E (Continued)****(g) Trade and other receivables**

	← As at → 31 December			
	2008 RM'000 Restated	2009 RM'000 Restated	2010 RM'000	2011 RM'000
Trade receivables	2,810	1,529	1,334	486
Allowance for impairment	-	-	-	(265)
	2,810	1,529	1,334	221
Retention sum	546	269	257	261
	3,356	1,798	1,591	482
Other receivables	264	22	294	25
Deposits	9	9	-	1
Prepayments	-	322	-	-
	3,629	2,151	1,885	508
Cash and bank balances	15	92	38	263
Total loans and receivables	3,644	2,243	1,923	771

Trade receivables are non-interest bearing and OCK M&E's normal trade credit terms ranges from 30 to 90 days (2010, 2009 and 2008: 30 to 90 days). Other credit terms are assessed and approved on a case-by-case basis. The credit period varies from customers to customers after taking into consideration their payment track record, financial background, length of business relationship and size of transactions.

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The ageing analysis of OCK M&E's trade receivables are as follows:-

	← As at →	
	31 December	
	2010	2011
	RM'000	RM'000
Neither past due nor impaired	712	179
1 to 30 days past due not impaired	97	-
31 to 60 days past due not impaired	132	-
61 to 90 days past due not impaired	100	-
91 to 120 days past due not impaired	-	-
More than 121 days past due not impaired	293	42
	622	42
Impaired	-	265
	1,334	486

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with OCK M&E.

Receivables that are past due but not impaired

At the reporting date, OCK M&E has trade receivables amounting to RM42,014 (2010: RM622,127, 2009: RM1,053,696 and 2008: RM2,789,935) that are past due but not impaired.

Trade receivables that were past due but not impaired relate to customers that have good track records with OCK M&E. Based on past experience and no adverse information to date, the directors of OCK M&E are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in the credit quality and the balances are still considered fully recoverable.

Included in trade receivables for 2010 was an amount of RM32,321 owing by a company in which the directors have interests.

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad**
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OCK M&E's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment is as follows:

	← As at → 31 December	
	2010 RM'000	2011 RM'000
Individually impaired		
Trade receivables - nominal amounts	-	265
Less: Allowance for impairment	-	(265)
	-	-

(h) Amount due from/(to) customers for contract works

	← As at → 31 December			
	2008 RM'000 Restated	2009 RM'000 Restated	2010 RM'000	2011 RM'000
Aggregate costs incurred to date	8,271	4,482	3,933	7,271
Add: Recognised profit less recognised loss	2,024	1,237	338	806
	10,295	5,719	4,271	8,077
Less: Progress billings	(10,467)	(6,162)	(4,338)	(5,375)
Net amounts due (to)/from customers for contract work	(172)	(443)	(67)	2,702

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.4 Audited Financial Statements of OCK M&E (Continued)****9.4.5 Notes to the Audited Financial Statements of OCK M&E (Continued)****(h) Amount due from/(to) customers for contract works (Continued)**

	← As at →			
	31 December			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
	Restated	Restated		
Analysed as:				
Amounts due from customers for contract works	91	45	44	2,850
Amounts due to customers for contract works	(263)	(488)	(111)	(148)
	(172)	(443)	(67)	2,702
Construction contract costs recognised as contract expenses during the financial year	4,130	231	3,744	3,287
Construction contract revenue recognised as contract revenue during the financial year	4,933	268	4,122	3,806

13. ACCOUNTANTS' REPORT (Cont'd)

OCK Group Berhad
Accountants' Report

9. AUDITED FINANCIAL STATEMENTS (Continued)

9.4 Audited Financial Statements of OCK M&E (Continued)

9.4.5 Notes to the Audited Financial Statements of OCK M&E (Continued)

(i) Share capital

	As at			
	31 December		2011	
	2008	2009	2010	2011
	Number of shares	Number of shares	Number of shares	Number of shares
	Unit'000	Unit'000	Unit'000	Unit'000
	RM'000	RM'000	RM'000	RM'000
At the beginning of the financial year	100	100	100	100
Issued during the year	-	-	-	900
At the end of the financial year	100	100	100	1,000

Ordinary shares of RM1 each:-

Authorised:

At the beginning of the financial year	100	100	100	100
Issued during the year	-	-	-	900
At the end of the financial year	100	100	100	1,000

Issued and fully paid:

At the beginning of the financial year	^	*	100	100	100	100
Issued during the year	100	100	-	-	-	500
At the end of the financial year	100	100	100	100	100	600

Note:

^ 2 units

* RM2



13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
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	← As at → 31 December			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
At 1 January	-	-	-	-
Other comprehensive income	-	-	-	296
At 31 December	-	-	-	296

The asset revaluation reserve represents increases in fair value of leasehold land and building (2010, 2009 and 2008: RM Nil), net of tax and decreases to the extent that such decreases relate to an increase on the same asset previously recognised in other comprehensive income.

(k) Retained earnings

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act, 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividend will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard Section 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007.

OCK M&E did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, OCK M&E may utilise the Section 108 balance as at 31 December 2011 to distribute cash dividend payments to ordinary shareholders as defined under Finance Act, 2007.

Subject to agreement with the Inland Revenue Board, OCK M&E has tax credit under Section 108 of the Income Tax Act, 1967 and tax exempt account under Section 12 of the Income Tax (Amendment) Act, 1999 to frank the distribution of its retained earnings of approximately RM63,850 as at 31 December 2011 by way of dividends. If the balance of the retained earnings of RM815,655 were to be distributed as dividends, OCK M&E may distribute such dividends under single tier system.

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	← As at 31 December →			
	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000
Non-current liabilities				
Term loan - secured	-	-	791	1,064
Hire purchase payables (Note 9.4.5(m))	194	140	91	33
	194	140	882	1,097
Current liabilities				
Term loan - secured	-	-	27	30
Hire purchase payables (Note 9.4.5(m))	55	55	56	58
	55	55	83	88
Total borrowings				
Term loan - secured	-	-	818	1,094
Hire purchase payables (Note 9.4.5(m))	249	195	147	91
	249	195	965	1,185

Term loan is secured by:-

- (i) a legal charge over the leasehold land building (Note 9.4.5 (f)) of OCK M&E;
- (ii) corporate guarantee by OCK Setia; and
- (iii) jointly and severally guaranteed by the directors of OCK M&E.

The said term loan bears interest at the rate of 4.8% (2010: 4.5%, 2009 and 2008: Nil) per annum.

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The repayment of term loan is as follows:

	← As at 31 December →			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
Comprising portion repayable				
- not later than one year	-	-	27	30
- later than one year but not later than five years	-	-	209	175
- later than five years	-	-	582	889
	-	-	791	1,064
	-	-	818	1,094

(m) Hire purchase payables

	← As at 31 December →			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
Minimum hire purchase payments				
- not later than one year	61	61	61	61
- later than one year but not later five years	215	155	94	33
	276	216	155	94
Less: Future finance charges	(27)	(21)	(8)	(3)
	249	195	147	91

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
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	← As at → 31 December			
	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000
Represented by:-				
Current liabilities				
- not later than one year	55	55	56	58
Non-current liabilities				
- later than one year but not later than five years	194	140	91	33
	249	195	147	91

The hire purchase payables bear interest at 3.36% to 3.43% (2010: 3.43% to 3.50%, 2009: 3.51% to 3.57% and 2008: 3.57% to 3.61%) per annum.

(n) Deferred tax liabilities

	← As at → 31 December			
	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000
At 1 January	*	*	*	*
Transferred from revaluation reserve	-	-	-	16
At 31 December	*	*	*	16
Representing the tax effect of:				
Temporary differences between the carrying amounts and the corresponding tax written values	*	*	*	*
Revaluation surplus	-	-	-	16
	*	*	*	16

Note:

* RM376

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
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	← As at → 31 December			
	2008 RM'000 Restated	2009 RM'000 Restated	2010 RM'000	2011 RM'000
Current				
Trade payables	1,037	661	1,035	2,447
Retention sum	145	49	51	51
	1,182	710	1,086	2,498
Other payables	-	-	-	23
Accruals	188	5	349	30
Amount due to holding company	1,673	991	1,048	17
Amount due to a director	5	5	5	-
	3,048	1,711	2,488	2,568
Add: Bank borrowings (Note 9.4.5 (i))	249	195	965	1,185
Total financial liabilities carried at amortised costs	3,297	1,906	3,453	3,753

Trade payables are non-interest bearing and the normal trade credit terms granted to OCK M&E ranges from 30 to 90 days (2010, 2009 and 2008: 30 to 90 days).

OCK M&E is a 100% (2010, 2009 and 2008: 60%) owned subsidiary company of OCK Setia, which in turn is a 90% (2010, 2009 and 2008: Nil) owned subsidiary company of Aliran Armada Sdn. Bhd., being the ultimate holding company. Both companies are incorporated and domiciled in Malaysia.

The amount due to holding company which are unsecured and repayable on demand, consist of:

	← As at → 31 December			
	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000
Non-trade -interest free	1,673	991	979	-
Non-trade -interest bearing at 6.50% to 7.00%	-	-	69	-
Trade	-	-	-	17
	1,673	991	1,048	17

During the FYE 31 December 2011, OCK Setia had waived the amount owing by OCK M&E amounted to RM987,982.

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The amount due to a director is non-trade in nature, unsecured, interest free and repayable on demand.

(p) Significant related party transactions**(i) Identification of related parties**

A related party is an entity or person that directly or indirectly through one or more intermediary controls, is controlled by, or is under common or joint control with OCK M&E or that has an interest in OCK M&E that gives it significant influence over OCK M&E's financial operating policies. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence for which significant voting power in OCK M&E resides with, directly or indirectly.

(ii) Significant related party transactions and balances

In the normal course of business, OCK M&E undertakes transactions with some of its related parties listed above. Set out below are the significant related party transactions for the financial years (in addition to related party disclosures mentioned elsewhere in this report).

Significant related party transactions other than those disclosed elsewhere in this report are as follows:-

	← FYE →			
	31 December			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
Transaction with holding company				
Sales	-	-	-	1,647
Purchase	-	-	-	114
Car rental income received	-	72	72	72
Management fee paid	6	6	6	6
Management fee received	-	-	-	120
Interest paid	-	-	4	5
Waiver of debt	-	-	-	988
Office rental	-	6	12	12
Utilities fee paid	-	2	4	4



13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad**
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	← FYE →			
	31 December			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
<i>Director</i>				
- Benefit in-kind	-	-	-	9
<i>Other key management personnel</i>				
- Benefit in-kind	-	-	-	9

Key management personnel are defined as those persons having the authority and responsibility for planning, directing and controlling the activities of OCK M&E either directly or indirectly.

(q) Financial risk management and objectives and policies

The operations of OCK M&E are subject to a variety of financial risks, including credit risk and liquidity risk. OCK M&E has formulated a financial risk management framework whose principal objective is to minimise OCK M&E's exposure to risks and/or costs associated with the financing, investing and operating activities of OCK M&E.

The following sections provide details regarding OCK M&E's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(i) Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counter party default on its obligation. OCK M&E's exposure to credit risk arises primarily from trade and other receivables. It is OCK M&E's policy to monitor the financial standing of these receivables on an on-going basis to ensure that OCK M&E is exposed to minimal credit risk.

Trade receivables may give rise to credit risk which requires the loss to be recognised if a counter party fails to perform as contracted. It is OCK M&E's policy to monitor the financial standing of these receivables on an on-going basis to ensure that OCK M&E is exposed to minimal credit risk.

The credit risk is controlled by the application of the credit approvals, limit and monitoring procedures. An internal credit review is conducted if the credit risk is material.

13. ACCOUNTANTS' REPORT (Cont'd)

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9. AUDITED FINANCIAL STATEMENTS (Continued)**9.4 Audited Financial Statements of OCK M&E (Continued)****9.4.5 Notes to the Audited Financial Statements of OCK M&E (Continued)****(q) Financial risk management and objectives and policies (Continued)****(i) Credit Risk (Continued)****Exposure to credit risk**

At the reporting date, OCK M&E's maximum exposure to credit risk represented by the carrying amount of each class of financial assets recognised in the statement of financial position.

Information regarding credit enhancements for trade receivables disclosed in Note 9.4.5(g).

Credit risk concentration profile

OCK M&E determines concentrations of credit risk by monitoring the country profile of its trade receivables on an on-going basis.

As at reporting date, OCK M&E has a significant concentration of credit risk in the form of outstanding balances arising from amount due from 3 customers (2010: 4 customers) representing 87% (2010: 93%) of the total trade receivables.

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 9.4.5(g).

Financial assets that are either past due nor impaired

Information regarding trade receivables that are past due or impaired is disclosed in Note 9.4.5(g).

(ii) Liquidity Risk

Liquidity risk is the risk that OCK M&E will not be able to meet its financial obligations as they fall due. OCK M&E's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

OCK M&E maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

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Interest rate risk is the risk that fair value or future cash flows of OCK M&E's financial instruments will fluctuate because of changes in market interest rates.

OCK M&E's exposure to interest rate risk arises primarily from their loans and borrowings. Most of OCK M&E's loans and borrowings are charged a fixed interest rate plus or minus the financial institutions' base lending rate or cost of fund per annum. The fixed interest rate is reviewed annually. Whilst, the base lending rate and cost of fund used by the financial institutions vary according to the rates set by Bank Negara Malaysia.

Analysis of financial instruments by remaining contractual maturities

The table below summaries the effective interest rate and the maturity profile of OCK M&E's liabilities at the reporting date.

	Effective interest rate %	Within 1 year RM'000	1 - 5 years RM'000	More than 5 years RM'000	Total RM'000
As at 31 December 2011					
Financial liabilities					
Hire purchase payables	3.36 - 3.43	58	33	-	91
Term loan - secured	4.8	30	175	889	1,094
As at 31 December 2010					
Financial liabilities					
Hire purchase payables	3.43 - 3.50	56	91	-	147
Term loan - secured	4.5	27	209	582	818
Amount due to holding company	6.50 - 7.00	69	-	-	69
As at 31 December 2009					
Financial liability					
Hire purchase payables	3.51 - 3.57	55	140	-	195
As at 31 December 2008					
Financial liability					
Hire purchase payables	3.57 - 3.61	55	215	-	270

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
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The table below demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of OCK M&E's profit after tax:-

	Carrying Amount 2011	Movement in basis point	Effect on profit after tax
Borrowing			
Current	88	0.50%	>
Non-current	1,097	0.50%	4
Total effect on profit after tax			<u>4</u>

> RM332

The profit after tax will be higher/lower when the interest rates decrease /increase.

(r) Prior year adjustments

The prior year adjustments were in relation to the following:-

- (i) The prior year adjustments were in relation to the adoption of FRS 111: Construction Contracts during the FYE 31 December 2010.
- (ii) Other corresponding adjustments resulting from the above prior year's adjustments.

As a result of the above prior year's adjustments, corresponding adjustments have been made to the statements of changes in equity and statements of cash flows.

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	As previously reported RM'000	Adjustments RM'000	As restated RM'000
2009			
Statement of Financial Position			
Amount due from customers for contract works	-	(45)	(45)
Amount due to customers for contract works	-	488	488
Amount due to holding company	894	97	991
Trade payables	807	(97)	710
Retained earnings	460	(443)	17
Statement of Comprehensive Income			
Revenue	707	(271)	436
2008			
Statement of Financial Position			
Amount due from customers for contract works	-	(91)	(91)
Amount due to customers for contract works	-	263	263
Amount due to holding company	1,576	97	1,673
Trade payables	1,279	(97)	1,182
Retained earnings	435	(172)	263
Statement of Comprehensive Income			
Revenue	5,313	(283)	5,030

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
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The primary objective of OCK M&E's capital management is to ensure that it maintains a strong capital base and safeguard OCK M&E's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business.

OCK M&E manages its capital structure by monitoring the capital and net debt on an on-going basis. To maintain the capital structure, OCK M&E may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares, raise new debts and reduce existing debts.

OCK M&E monitors the level of dividends to be paid to shareholders. OCK M&E's objective is to pay out regular dividends to the shareholders based on the level of the Company's profitability and cash flows.

The capital structure of OCK M&E consists of equity attributable to the owners of OCK M&E, comprising share capital, accumulated losses and total liabilities.

	← As at → 31 December			
	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000
Total liabilities	3,655	2,394	3,564	3,917
Equity attributable to owners of OCK M & E	363	117	149	1,775
Debt-to-equity ratio	1006.89%	2046.15%	2391.95%	220.68%

There were no changes in OCK M&E's approach to capital management during the financial year under review.

OCK M&E is not subject to externally imposed capital requirements.

13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.5 Audited Financial Statements of Firatel****9.5.1 Audited Statements of Comprehensive Income of Firatel**

The audited statements of comprehensive income of Firatel for the FYE 31 December 2008, FYE 31 December 2009, FYE 31 December 2010 and FYE 31 December 2011 are as follows:-

	Note	← FYE → 31 December			
		2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000
Revenue	9.5.5 (a)	158	461	3,387	3,618
Cost of sales		(130)	(303)	(2,469)	(2,508)
Gross profit		28	158	918	1,110
Other income		-	-	7	39
Administrative expenses		(24)	(120)	(341)	(389)
Operating profit		4	38	584	760
Finance cost		-	-	-	-
Profit before taxation	9.5.5 (b)	4	38	584	760
Taxation	9.5.5 (c)	(1)	(8)	(123)	(174)
Net profit for the financial year, representing total comprehensive income for the financial year		3	30	461	586
Gross profit margin (%)		17.72	34.27	27.10	30.68
Profit before tax margin (%)		2.53	8.24	17.24	21.01
Effective tax rate (%)		25.00	21.05	21.06	22.89
Number of ordinary shares in issue of RM1.00 each ('000)		100	100	100	100
Gross EPS (RM)		0.04	0.38	5.84	15.20
Net EPS (RM)		0.03	0.30	4.61	11.72



13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.5 Audited Financial Statements of Firatel (Continued)****9.5.2 Audited Statements of Financial Position of Firatel**

The audited statements of financial position of Firatel as at 31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011 are as follows:-

		← As at → 31 December			
	Note	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000
ASSETS					
Non-Current Asset					
Property, plant and equipment	9.5.5 (d)	-	-	2	3
Total Non-Current Asset		-	-	2	3
Current Assets					
Inventories, at cost	9.5.5 (e)	-	-	329	619
Trade and other receivables	9.5.5 (f)	117	114	337	1,638
Cash and bank balances	9.5.5 (g)	6	43	257	301
Total Current Assets		123	157	923	2,558
TOTAL ASSETS		123	157	925	2,561
EQUITY AND LIABILITIES					
Equity attributable to owners of Firatel					
Share capital	9.5.5 (h)	100	100	100	100
Retained earnings	9.5.5 (i)	3	33	494	1,030
Total Equity		103	133	594	1,130
Non-Current Liability					
Deferred tax liabilities	9.5.5 (j)	-	-	-	1
Total Non-Current Liability		-	-	-	1

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.5 Audited Financial Statements of Firatel (Continued)****9.5.2 Audited Statements of Financial Position of Firatel (Continued)**

	Note	← As at 31 December →			
		2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000
Current Liabilities					
Trade and other payables	9.5.5 (k)	19	16	209	1,299
Tax payable		1	8	122	131
Total Current Liabilities		20	24	331	1,430
Total Liabilities		20	24	331	1,431
TOTAL EQUITY AND LIABILITIES		123	157	925	2,561
<i>Number of ordinary shares of RM1.00 each in issue ('000)</i>		100	100	100	100
<i>NTA (RM'000)</i>		103	133	594	1,130
<i>NTA per ordinary share (RM)</i>		1.03	1.33	5.94	11.30
<i>NA (RM'000)</i>		103	133	594	1,130
<i>NA per ordinary share (RM)</i>		1.03	1.33	5.94	11.30

13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.5 Audited Financial Statements of Firatel Continued)****9.5.3 Audited Statements of Changes in Equity of Firatel**

The audited statements of changes in equity of Firatel for the FYE 31 December 2008, FYE 31 December 2009, FYE 31 December 2010 and FYE 31 December 2011 are as follows:-

		Attributable to owners of Firatel		
			<u>Distributable</u>	
		Share Capital RM'000	Retained Earnings RM'000	Total Equity RM'000
	Note			
At 1 January 2008		*	^	+
Issuance of shares		100	-	100
Total comprehensive income for the financial year		-	3	3
At 31 December 2008		100	3	103
Total comprehensive income for the financial year		-	30	30
At 31 December 2009		100	33	133
Total comprehensive income for the financial year		-	461	461
At 31 December 2010		100	494	594
Total comprehensive income for the financial year		-	586	586
Dividend paid	9.5.5 (l)	-	(50)	(50)
At 31 December 2011		100	1,030	1,130

Note:

* RM2

^ (RM515)

+ (RM513)

13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.5 Audited Financial Statements of Firatel (Continued)****9.5.4 Audited Statements of Cash Flows of Firatel**

The audited statements of cash flows of Firatel for the FYE 31 December 2008, FYE 31 December 2009, FYE 31 December 2010 and FYE 31 December 2011 are as follows:-

	<div style="text-align: center;"> <div style="display: flex; justify-content: space-between; align-items: center;"> ← FYE → </div> <div style="text-align: center;">31 December</div> </div>			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES:				
Profit before taxation	4	38	584	760
Adjustments for:				
Depreciation	-	-	1	1
Unrealised loss on foreign currency exchange	-	-	4	4
	4	38	589	765
Changes in Working Capital:				
Inventories	-	-	(329)	(290)
Receivables	(117)	3	(228)	(1,305)
Payables	17	(3)	187	258
	(96)	38	219	(572)
Tax paid	-	(1)	(8)	(165)
Net Operating Cash Flows	(96)	37	211	(737)
CASH FLOWS FROM INVESTING ACTIVITY:				
Purchase of property, plant and equipment	-	-	(3)	(2)
Net Investing Cash Flows	-	-	(3)	(2)

13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad**
Accountants' Report**9. AUDITED FINANCIAL STATEMENTS (Continued)****9.5 Audited Financial Statements of Firatel (Continued)****9.5.4 Audited Statements of Cash Flows of Firatel (Continued)**

	<div style="text-align: center;"> <div style="display: flex; justify-content: space-between; align-items: center;"> ← FYE → </div> <div style="text-align: center;">31 December</div> </div>			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from issuance of shares	100	-	-	-
Repayment from directors	-	*	-	-
Net change in amount due to holding company	-	-	+	839
Net change in amount due from related company	-	-	6	(6)
Dividend paid	-	-	-	(50)
Net Financing Cash Flows	100	*	6	783
NET CHANGE IN CASH AND CASH EQUIVALENTS	4	37	214	44
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEARS	2	6	43	257
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEARS	6	43	257	301
ANALYSIS OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	6	43	257	301

Note:

* RM2

+RM427

13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.5 Audited Financial Statements of Firatel (Continued)****9.5.5 Notes to the Audited Financial Statements of Firatel****(a) Revenue**

Revenue represents the invoiced value of goods sold and services rendered.

(b) Profit before taxation

Profit before taxation is arrived at:-

	<div style="text-align: center;"> <div style="display: flex; justify-content: space-between; align-items: center;"> ← FYE → </div> <div style="text-align: center;"> 31 December </div> </div>			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
After charging:-				
Audit fee	1	1	3	7
Depreciation	-	-	1	1
Directors' remuneration				
- Salaries and allowances	-	28	104	116
- Employees' Provident Fund	-	3	12	13
Rental of office	-	6	10	10
Staff costs				
- Salaries	-	40	61	126
- Wages	6	12	24	2
- Employees' Provident Fund and SOCSO	-	3	8	11
Unrealised loss on foreign currency exchange	-	-	4	4
After crediting:-				
Rental of income	-	-	7	38

13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.5 Audited Financial Statements of Firatel (Continued)****9.5.5 Notes to the Audited Financial Statements of Firatel (Continued)****(c) Taxation**

	← FYE →			
	31 December			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
Income tax				
- current year	1	8	123	170
- prior year	-	-	-	3
	<u>1</u>	<u>8</u>	<u>123</u>	<u>173</u>
Deferred tax liabilities (Note 9.5.5 (j))				
- current year	-	-	-	>
- prior year	-	-	-	1
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>
Tax expense recognised in profit or loss	<u>1</u>	<u>8</u>	<u>123</u>	<u>174</u>

Note:

> RM250

The income tax is calculated at the statutory rate of 25% (2010 and 2009: 25% and 2008: 26%) of the estimated assessable profit for the financial year. The statutory tax rate applicable to SME incorporated in Malaysia with paid up capital of RM2.5 million and below is subject to the statutory tax rate of 20% of chargeable income of up to RM500,000. For chargeable income in excess of RM500,000, statutory tax rate of 25% (2010 and 2009: 25% and 2008: 26%) is still applicable.

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.5 Audited Financial Statements of Firatel (Continued)****9.5.5 Notes to the Audited Financial Statements of Firatel (Continued)****(c) Taxation (Continued)**

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of Firatel are as follows:-

	<div style="text-align: center;"> <div style="display: flex; justify-content: space-between; align-items: center;"> ← FYE → </div> <div style="text-align: center;"> 31 December </div> </div>			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	4	38	584	760
Taxation at applicable statutory tax rate of 25% (2010 and 2009: 25% and 2008: 26%)	1	10	146	190
Tax effects arising from				
- non-deductible expenses	*	1	8	5
- SME tax savings	-	(3)	(31)	(25)
- deferred tax not recognised in the financial statements	-	-	^	-
-under-accrual of income tax in prior year	-	-	-	3
-under-accrual of deferred tax in prior year	-	-	-	1
Tax expense for the financial year	1	8	123	174

Note:

* (RM97)

^ (RM172)

13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.5 Audited Financial Statements of Firatel (Continued)****9.5.5 Notes to the Audited Financial Statements of Firatel (Continued)****(d) Property, plant and equipment**

	Tools and Equipment RM'000	Computer RM'000	Total RM'000
Cost			
At 1 January 2010	-	-	-
Additions	3	-	3
At 31 December 2010	3	-	3
Additions	-	2	2
At 31 December 2011	3	2	5
Accumulated Depreciation			
At 1 January 2010	-	-	-
Depreciation for the financial year	1	-	1
At 31 December 2010	1	-	1
Depreciation for the financial year	1	*	1
At 31 December 2011	2	*	2
Carrying Amount			
At 31 December 2010	2	-	2
At 31 December 2011	1	2	3

*Note:*** RM211***(e) Inventories**

	← As at 31 December →			
	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000
At Cost				
Finished goods	-	-	329	545
Goods in transit	-	-	-	74
	-	-	329	619

13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.5 Audited Financial Statements of Firatel (Continued)****9.5.5 Notes to the Audited Financial Statements of Firatel (Continued)****(f) Trade and other receivables**

	←———— As at —————→ 31 December			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
Trade receivables	50	113	315	1,615
Sundry deposits	-	-	22	23
Amount due from holding company	67	1	-	-
Amount due from directors	*	-	-	-
	117	114	337	1,638
Cash and bank balances (Note 9.5.5 (g))	6	43	257	301
Total loans and receivables	123	157	594	1,939

*Note:*** RM2*

Firatel's normal trade credit terms ranges from 30 to 90 days terms (2010, 2009 and 2008: 30 to 90 days). Other credit terms are assessed and approved on a case-by-case basis. The credit period varies from customers to customers after taking into consideration their payment track record, financial background, length of business relationship and size of transactions.

Included in trade receivables was an amount of RM1,846 (2010: RM1,989, 2009 and 2008: RM Nil) owing by a company in which a director's spouse has interest.

The amount due from holding company was non-trade in nature, unsecured, interest free and repayable on demand.

13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.5 Audited Financial Statements of Firatel (Continued)****9.5.5 Notes to the Audited Financial Statements of Firatel (Continued)****(f) Trade and other receivables (Continued)**

The ageing analysis of Firatel's trade receivables are as follows:-

	← As at → 31 December	
	2010 RM'000	2011 RM'000
Neither past due nor impaired	199	1,460
1 to 30 days past due not impaired	115	155
31 to 60 days past due not impaired	*	-
61 to 90 days past due not impaired	-	-
91 to 120 days past due not impaired	1	-
	116	155
	315	1,615

Note:

* RM400

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with Firatel.

Receivables that are past due but not impaired

At the reporting date, Firatel has trade receivables amounting to RM154,666 (2010: RM116,317) that are past due but not impaired.

Trade receivables that were past due but not impaired relate to customers that have good track records with Firatel. Based on past experience and no adverse information to date, the directors of Firatel are of the opinion that no impairment is necessary in respect of these balances as there has not been a significant change in the credit quality and the balances are still considered fully recoverable.

13. ACCOUNTANTS' REPORT (Cont'd)

OCC Group Berhad
Accountants' Report

9. AUDITED FINANCIAL STATEMENTS (Continued)**9.5 Audited Financial Statements of Firatel (Continued)****9.5.5 Notes to the Audited Financial Statements of Firatel (Continued)****(f) Trade and other receivables (Continued)**

The foreign currency exposure profile of the trade receivables are as follows:-

	← As at 31 December →			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
United States Dollar	-	54	57	-
RM	50	59	258	1,615
	50	113	315	1,615

(g) Cash and bank balances

The foreign currency exposure profile of the cash and bank balances are as follows:-

	← As at 31 December →			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
United States Dollar	-	-	16	51
RM	6	43	241	250
	6	43	257	301

13. ACCOUNTANTS' REPORT (Cont'd)**9. AUDITED FINANCIAL STATEMENTS (Continued)****9.5 Audited Financial Statements of Firatel (Continued)****9.5.5 Notes to the Audited Financial Statements of Firatel (Continued)****(h) Share capital**

	← 2008		2009		As at 31 December		2010		2011	
	Number of shares Unit'000	RM'000	Number of shares Unit'000	RM'000	Number of shares Unit'000	RM'000	Number of shares Unit'000	RM'000	Number of shares Unit'000	RM'000
Ordinary shares of RM1 each:-										
Authorised										
At the beginning/end of the financial year	100	100	100	100	100	100	100	100	100	100
Issued and fully paid:										
At the beginning of the financial year	^	*	100	100	100	100	100	100	100	100
Issued during the financial year	100	100	-	-	-	-	-	-	-	-
At the end of the financial year	100	100	100	100	100	100	100	100	100	100

Note:

^ 2 units

* RM2



13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad**
Accountants' Report**9. AUDITED FINANCIAL STATEMENTS (Continued)****9.5 Audited Financial Statements of Firatel (Continued)****9.5.5 Notes to the Audited Financial Statements of Firatel (Continued)****(i) Retained earnings**

In accordance with the Finance Act, 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividends paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system").

As such, Firatel will distribute the retained earnings as at 31 December 2011 as dividends under the single tier system.

(j) Deferred tax liabilities

	← As at → 31 December			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
At 1 January	-	-	-	-
Recognised to profit or loss (Note 9.5.5(c))	-	-	-	1
At end of the financial year	-	-	-	1
Representing the tax effect of :- Temporary differences between net book values and the corresponding tax written values	-	-	-	1

(k) Trade and other payables

	← As at → 31 December			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
Trade payables	14	12	138	269
Other payables	-	-	-	2
Accruals	5	4	30	154
Amount due to holding company	-	-	35	874
Amount due to related company	-	-	6	-
Total financial liabilities carried at amortised costs	19	16	209	1,299

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.5 Audited Financial Statements of Firatel (Continued)****9.5.5 Notes to the Audited Financial Statements of Firatel (Continued)****(k) Trade and other payables (Continued)**

Trade payables are non-interest bearing and the normal trade credit terms granted to Firatel ranges from 30 to 90 days (2010, 2009 and 2008: 30 to 90 days).

Firatel is a 61% (2010 and 2009: 51% and 2008:80%) owned subsidiary company of OCK Setia, which in turn is a 90% (2010, 2009 and 2008: Nil) owned subsidiary company of Aliran Armada Sdn Bhd, being the ultimate holding company. Both companies are incorporated and domiciled in Malaysia

The amount due to holding company and related company are trade in nature, unsecured, interest free and repayable on demand.

The foreign currency exposure profile of the trade payables are as follows:-

	← As at → 31 December			
	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000
United States Dollar	-	1	33	242
RM	14	11	105	27
	14	12	138	269

(l) Dividend paid

	← As at → 31 December			
	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000
Dividend paid :				
In respect of the financial year ended 31 December 2011				
Interim tax exempt dividend of RM0.50 per ordinary share of RM1 each paid on 29 August 2011	-	-	-	50

13. ACCOUNTANTS' REPORT (Cont'd)

**OCC Group Berhad
Accountants' Report**

9. AUDITED FINANCIAL STATEMENTS (Continued)**9.5 Audited Financial Statements of Firatel (Continued)****9.5.5 Notes to the Audited Financial Statements of Firatel (Continued)****(m) Significant related party transactions****(i) Identification of related parties**

A related party is an entity or person that directly or indirectly through one or more intermediary controls, is controlled by, or is under common or joint control with Firatel or that has an interest in Firatel that gives it significant influence over Firatel's financial operating policies. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence for which significant voting power in Firatel resides with, directly or indirectly.

The nature of the relationship with the related parties is as follows:

Related Parties	Nature of Relationship
OCC Setia	Holding company
EI Power	Related company
Steadcom	Related company
MNSB	A company in which a director's spouse has interest

(ii) Significant related party transactions and balances

In the normal course of business, Firatel undertakes transactions with some of its related parties listed above.

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.5 Audited Financial Statements of Firatel (Continued)****9.5.5 Notes to the Audited Financial Statements of Firatel (Continued)****(m) Significant related party transactions (Continued)****(ii) Significant related party transactions and balances (Continued)**

Significant related party transactions other than those disclosed elsewhere in this report are as follows:-

	← FYE → 31 December			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
Rental income from:				
- OCK Setia	-	-	-	35
- MNSB	-	-	-	2
Sales to holding company				
- OCK Setia	-	17	88	55
Office rental paid to:				
-OCK Setia	-	6	10	10
Sales to a related party				
- MNSB	-	1	2	11
Purchases from holding company				
- OCK Setia	-	-	-	796
Purchase from related companies				
- Steadcom	-	-	-	50
- EI Power	-	-	21	-
Utilities fee paid to holding company				
-OCK Setia	8	2	4	4
Management fee paid to holding company				
- OCK Setia	2	6	6	6

(iii) Key management personnel compensation

	← FYE → 31 December			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
Directors				
- Salaries and allowances	-	28	104	116

13. ACCOUNTANTS' REPORT (Cont'd)

OCK Group Berhad
Accountants' Report

9. AUDITED FINANCIAL STATEMENTS (Continued)**9.5 Audited Financial Statements of Firatel (Continued)****9.5.5 Notes to the Audited Financial Statements of Firatel (Continued)****(m) Significant related party transactions (Continued)****(iii) Key management personnel compensation (Continued)**

Key management personnel are defined as those persons having the authority and responsibility for planning, directing and controlling the activities of Firatel either directly or indirectly. There is no disclosure for the compensation to other key management personnel of Firatel as the authority and responsibility for planning, directing and controlling the activities of the entity is performed by the directors.

(n) Financial risk management objectives and policies

The operations of Firatel are subject to a variety of financial risks, including credit risk and liquidity risk. Firatel has formulated a financial risk management framework whose principal objective is to minimise Firatel's exposure to risks and/or costs associated with the financing, investing and operating activities of Firatel.

The following sections provide details regarding Firatel's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(i) Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counter party default on its obligation. Firatel's exposure to credit risk arises primarily from trade and other receivables.

Firatel objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. Firatel trades only with recognised and creditworthy third parties. In addition, receivables balances are monitored on an on-going basis with the result that Firatel's exposure to bad debt is not significant.

Exposure to credit risk

At the reporting date, Firatel's maximum exposure to credit risk represented by the carrying amount of each class of financial assets recognised in the statement of financial position.

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 9.5.5(f).

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.5 Audited Financial Statements of Firatel (Continued)****9.5.5 Notes to the Audited Financial Statements of Firatel (Continued)****(n) Financial risk management objectives and policies (Continued)****(ii) Liquidity Risk**

Liquidity risk is the risk that Firatel will not be able to meet its financial obligations as they fall due. Firatel's exposure to liquidity risk arises principally from its various payables.

Firatel maintains a level of cash and cash equivalents deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

(iii) Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Firatel has transactional currency exposures arising from sales or purchases that are denominated in a currency than Firatel's functional currency. The foreign currencies in which these transactions are denominated are mainly United States Dollar.

Firatel's exposure to foreign currency (a currency which is other than currency of Firatel entities) risk, based on carrying amounts as at the end of reporting period was:-

	United States Dollar			
	← As at →			
	31 December			
	2008	2009	2010	2011
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	-	-	16	51
Trade receivables	-	54	57	-
Trade payables	-	1	33	242
	-	55	106	293

13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.5 Audited Financial Statements of Firatel (Continued)****9.5.5 Notes to the Audited Financial Statements of Firatel (Continued)****(n) Financial risk management objectives and policies (Continued)****(iii) Foreign Currency Risk (Continued)****Sensitivity analysis**

The following table indicates the approximate change in Firatel's profit after tax and retained earnings in response to reasonable possible changes in the foreign exchange rates to which Firatel has significant exposure at the reporting date, assuming all other variable risk variables remained constant. Other components of the equity would not be affected by changes in the foreign exchange rate:-

	United States Dollar Increase/(Decrease)	
	Strengthen (10%) RM'000	Weaken (10%) RM'000
31 December 2011		
Firatel's net profit		
Trade payables	(24)	24
31 December 2010		
Firatel's net profit		
Trade receivables	6	(6)
Trade payables	(3)	3

(o) Fair Values**(i) Recognised Financial Instruments**

The fair values of financial assets and financial liabilities of Firatel approximate their carrying values on the statement of financial position of Firatel.

(ii) Unrecognised Financial Instruments

There were no unrecognised financial instruments as at 31 December 2011 that are required to be disclosed.

13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad**
Accountants' Report**9. AUDITED FINANCIAL STATEMENTS (Continued)****9.5 Audited Financial Statements of Firatel (Continued)****9.5.5 Notes to the Audited Financial Statements of Firatel (Continued)****(p) Capital management**

The primary objective of Firatel's capital management is to build and maintain a strong capital base so as to maintain healthy capital ratios and at the same time be able to leverage on the capital to provide the funds to fund their expansion and growth.

Firatel manages their capital structure, and make adjustment to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, Firatel may adjust dividend payment to shareholders, return capital to shareholders or issue new shares, raise new debts and reduce existing debts.

Firatel monitors the level of dividends to be paid to shareholders. Firatel's objective is to pay out regular dividends to the shareholders based on the level of Firatel's profitability and cash flows.

The capital structure of Firatel consists of equity attributable to the owners of Firatel, comprising share capital, retained earnings and total liabilities

	← As at → 31 December			
	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000
Total liabilities	20	24	331	1,431
Equity attributable to owners of Firatel	103	133	594	1,130
Debt-to-equity ratio	19.42%	18.05%	55.72%	126.64%

There were no changes in Firatel's approach to capital management during the financial year.

Firatel is not subject to externally imposed capital requirements.

(q) Comparative figures

The comparative figures for FYE 31 December 2009 and FYE 31 December 2008 have been audited by a firm of Chartered Accountants other than Messrs. Baker Tilly Monteiro Heng.

13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.6 Audited Financial Statements of Steadcom****9.6.1 Audited Statements of Comprehensive Income of Steadcom**

The audited statements of comprehensive income of Steadcom for the financial period from 12 March 2010 (*date of incorporation*) to 31 December 2010 and FYE 31 December 2011 are as follows:-

	Note	12.3.2010 to 31.12.2010 RM'000 Restated	FYE 31 December 2011 RM'000
Revenue	9.6.5 (a)	66	3,432
Cost of sales		(146)	(3,075)
Gross (loss)/profit		(80)	357
Other income		-	11
Administrative expenses		(67)	(261)
Operating (loss)/profit		(147)	107
Finance cost		-	-
(Loss)/profit before taxation	9.6.5 (b)	(147)	107
Taxation	9.6.5 (c)	-	-
Net (loss)/profit for the financial period/ year, representing total comprehensive (loss)/income for the financial period/year		(147)	107
<i>Gross (loss)/profit margin (%)</i>		<i>(121.21)</i>	<i>10.40</i>
<i>(Loss)/profit before tax margin (%)</i>		<i>(222.73)</i>	<i>3.12</i>
<i>Effective tax rate (%)</i>		<i>N/A</i>	<i>N/A</i>
<i>Number of ordinary shares in issue of RM1.00 each ('000)</i>		<i>200</i>	<i>200</i>
<i>Gross (loss)/earnings per share (RM)</i>		<i>(0.88) ^</i>	<i>0.54</i>
<i>Net (loss)/earnings per share (RM)</i>		<i>(0.88) ^</i>	<i>0.54</i>

Note:

^ Annualised to (12) months for comparison purposes.

13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.6 Audited Financial Statements of Steadcom (Continued)****9.6.2. Audited Statements of Financial Position of Steadcom**

The audited statements of financial position of Steadcom as at 31 December 2010 and 31 December 2011 are as follows:-

		← As at → 31 December	
	Note	2010 RM'000	2011 RM'000
ASSETS			
Non-Current Asset			
Property, plant and equipment	9.6.5 (d)	157	201
Total Non-Current Asset		157	201
Current Assets			
Inventories, at cost		218	356
Trade and other receivables	9.6.5 (e)	-	917
Cash at bank		25	159
Total Current Assets		243	1,432
TOTAL ASSETS		400	1,633
EQUITY AND LIABILITIES			
Equity attributable to owners of Steadcom			
Share capital	9.6.5 (f)	200	200
Accumulated losses		(147)	(40)
Total Equity		53	160
Current Liability			
Trade and other payables	9.6.5 (g)	347	1,473
Total Current Liability		347	1,473
Total Liability		347	1,473
TOTAL EQUITY AND LIABILITIES		400	1,633
<i>Number of ordinary shares of RM1.00 each in issue ('000)</i>			
		200	200
<i>NTA (RM'000)</i>			
		53	160
<i>NTA per ordinary share (RM)</i>			
		0.27	0.80
<i>NA (RM'000)</i>			
		53	160
<i>NA per ordinary share (RM)</i>			
		0.27	0.80

13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad**
Accountants' Report**9. AUDITED FINANCIAL STATEMENTS (Continued)****9.6 Audited Financial Statements of Steadcom (Continued)****9.6.3 Audited Statements of Changes in Equity of Steadcom**

The audited statements of changes in equity of Steadcom for the financial period from 12 March 2010 (*date of incorporation*) to 31 December 2010 and FYE 31 December 2011 are as follows:-

	Attributable to owners of Steadcom		
	Distributable		
	Share Capital RM'000	Accumulated Losses RM'000	Total Equity RM'000
At 12 March 2010 (<i>date of incorporation</i>)	*	-	*
Issuance of shares during the financial period	200	-	200
Total comprehensive loss for the financial period	-	(147)	(147)
At 31 December 2010	200	(147)	53
Total comprehensive income for the financial year	-	107	107
At 31 December 2011	200	(40)	160

Note:

* RM2

13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.6 Audited Financial Statements of Steadcom (Continued)****9.6.4 Audited Statements of Cash Flows of Steadcom**

The audited statements of cash flow of Steadcom for the financial period from 12 March 2010 (*date of incorporation*) to 31 December 2010 and FYE 31 December 2011 are as follows:-

	12.3.2010 to 31.12.2010 RM'000	FYE 31 December 2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
(Loss)/profit before taxation	(147)	107
Adjustments for:		
Depreciation	42	70
Gain on disposal of property, plant and equipment	-	(11)
	(105)	166
Changes in working capital:		
Inventories	(218)	(138)
Receivables	-	(66)
Payables	249	88
	(74)	50
Tax paid	-	-
Net Operating Cash Flows	(74)	50
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from disposal of property, plant and equipment	-	99
Purchase of property, plant and equipment	(199)	(202)
Net Investing Cash Flows	(199)	(103)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of shares	200	-
Net change in amount due from a related company	-	(851)
Net change in amount due to a holding company	-	646
Advance from directors	98	392
Net Financing Cash Flows	298	187
NET CHANGE IN CASH AND CASH EQUIVALENTS	25	134
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD/YEAR	*	25
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD/YEAR	25	159
ANALYSIS OF CASH AND CASH EQUIVALENTS:		
Cash at bank	25	159

Note:

* RM2



13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.6 Audited Financial Statements of Steadcom (Continued)****9.6.5 Notes to the Audited Financial Statements of Steadcom****(a) Revenue**

	12.3.2010 to 31.12.2010 RM'000	FYE 31 December 2011 RM'000
Sales of telecommunication products	-	51
Provision of engineering services	66	3,381
	<u>66</u>	<u>3,432</u>

(b) (Loss)/profit before taxation

(Loss)/profit before taxation has been arrived at:-

	12.3.2010 to 31.12.2010 RM'000	FYE 31 December 2011 RM'000
After charging:-		
Audit fee	1	10
Depreciation	42	70
Directors' remuneration	9	-
Rental of office	2	12
Rental of apartment	-	19
Rental of motor vehicles	-	277
Rental of equipment	-	14
Staff costs		
- Salaries, wages and allowances	72	1,637
- Employee Provident Fund and SOCSO	6	99
- Other staff related expenses	-	4
		<u>11</u>
And crediting:-		
Gain on disposal of property, plant and equipment	-	11

13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.6 Audited Financial Statements of Steadcom (Continued)****9.6.5 Notes to the Audited Financial Statements of Steadcom (Continued)****(c) Taxation**

The statutory tax rate applicable to SME incorporated in Malaysia with paid up capital of RM2,500,000 and below is subject to the statutory tax rate of 20% of chargeable income of up to RM500,000. For chargeable income in excess of RM500,000, statutory tax rate of 25% (2010: 25%) is still applicable.

A reconciliation of income tax expense applicable to (loss)/profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of Steadcom are as follows:-

	12.3.2010 to 31.12.2010 RM'000	FYE 31 December 2011 RM'000
(Loss)/profit before taxation	(147)	107
Taxation at applicable statutory tax rate of 25% (2010: 25%)	(36)	27
Tax effects arising from		
- non-deductible expenses	1	1
- Reversal/(originations) of deferred tax assets not recognised in the financial statements	35	(28)
Tax expense for the financial period/year	-	-

Deferred tax assets have not been recognised for the following items:-

	12.3.2010 to 31.12.2010 RM'000	FYE 31 December 2011 RM'000
Unutilised tax losses	142	29
Potential deferred tax assets not recognised at 25%	35	7

13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.6 Audited Financial Statements of Steadcom (Continued)****9.6.5 Notes to the Audited Financial Statements of Steadcom (Continued)****(d) Property, plant and equipment**

	Equipment RM'000	Computer RM'000	Total RM'000
Cost			
At date of incorporation	-	-	-
Additions	184	15	199
Disposals	-	-	-
At 31 December 2010	184	15	199
Additions	168	34	202
Disposals	(100)	-	(100)
At 31 December 2011	252	49	301
Accumulated Depreciation			
At date of incorporation	-	-	-
Depreciation for the financial period	37	5	42
Disposals	-	-	-
At 31 December 2010	37	5	42
Depreciation for the financial year	59	11	70
Disposals	(12)	-	(12)
At 31 December 2011	84	16	100
Carrying Amount			
At 31 December 2010	147	10	157
At 31 December 2011	168	33	201

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.6 Audited Financial Statements of Steadcom (Continued)****9.6.5 Notes to the Audited Financial Statements of Steadcom (Continued)****(e) Trade and other receivables**

	← As at → 31 December	
	2010 RM'000	2011 RM'000
Trade receivables	-	58
Other receivables		
Amount due from a related party	-	851
Deposits	-	8
	-	859
Total financial assets carried at amortised costs	-	917
Cash and bank balances	25	159
Total loans and receivables	25	1,076

Steadcom's normal trade credit terms ranges from 30 to 90 days (2010: Nil). Other credit terms are assessed and approved on a case-by-case basis. The credit period varies from customers to customers after taking into consideration their payment track record, financial background, length of business relationship and size of transactions.

Ageing analysis of trade receivables are as follows:-

	← As at → 31 December	
	2010 RM'000	2011 RM'000
Neither past due nor impaired	-	58

Receivables that are neither past due nor impaired

The directors of Steadcom are of the opinion that no impairment loss is necessary in respect of these not past due trade receivables.

Amount due from a related company is trade in nature, unsecured, interest free and repayable on demand.

13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.6 Audited Financial Statements of Steadcom (Continued)****9.6.5 Notes to the Audited Financial Statements of Steadcom (Continued)****(f) Share capital**

	← As at → 31 December			
	2010		2011	
	Number of shares		Number of shares	
	Unit'000	RM'000	Unit'000	RM'000
Ordinary shares of RM1 each:-				
Authorised				
At the beginning of the financial period/year	100	100	500	500
Created during the financial period/year	400	400	-	-
At the end of the financial period/year	500	500	500	500
Issued and fully paid:				
At the beginning of the financial period/year	^	*	200	200
Issued during the financial period/year	200	200	-	-
At the end of the financial period/year	200	200	200	200

Note:

^ 2 units

* RM2

(g) Trade and other payables

	← As at → 31 December	
	2010	2011
	RM'000	RM'000
Trade payables	46	183
Other payables		
Other payable	-	2
Amount due to holding company	102	748
Amount due to directors	98	490
Accruals	101	50
	301	1,290
Total financial liabilities carried at amortised costs	347	1,473

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.6 Audited Financial Statements of Steadcom (Continued)****9.6.5 Notes to the Audited Financial Statements of Steadcom (Continued)****(g) Trade and other payables (Continued)**

Trade payables are non-interest bearing and the normal trade credit terms granted to Steadcom ranges from 30 to 90 days (2010: 30 to 90 days).

Steadcom is a 51% (2010: 51%) owned subsidiary company of OCK Setia, which in turn is a 90% (2010: Nil) owned subsidiary company of Aliran Armada Sdn Bhd, being the ultimate holding company. Both companies are incorporated and domiciled in Malaysia.

The amount due to holding company is trade in nature, unsecured, interest free and payable on demand.

The amount due to directors is non-trade in nature, which is unsecured, interest free and payable on demand.

(h) Significant related party transactions**(i) Identification of related parties**

A related party is an entity or person that directly or indirectly through one or more intermediary controls, is controlled by, or is under common or joint control with Steadcom or that has an interest in Steadcom that gives it significant influence over Steadcom's financial operating policies. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence for which significant voting power in Steadcom resides with, directly or indirectly.

The nature of the relationship with the related parties is as follows:

Related Parties	Nature of Relationship
OCK Setia	Holding company
Firatel	Related company
Delicom	Related company

(ii) Significant related party transactions and balances

In the normal course of business, Steadcom undertakes transactions with some of its related parties listed above.

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.6 Audited Financial Statements of Steadcom (Continued)****9.6.5 Notes to the Audited Financial Statements of Steadcom (Continued)****(h) Significant related party transactions (Continued)****(ii) Significant related party transactions and balances (Continued)**

Significant related party transactions other than those disclosed elsewhere in this report are as follows:-

	12.3.2010 to 31.12.2010 RM'000	FYE 31 December 2011 RM'000
Sales to holding company		
- OCK Setia	66	2,172
Sales to related companies		
- Firatel	-	50
- Delicom	-	1,151
Rental paid to holding company		
- OCK Setia	2	12
Rental of equipment paid to holding company		
- OCK Setia	-	8
Utilities fee paid to holding company		
- OCK Setia	1	4
Management fee paid to holding company		
- OCK Setia	2	6
Disposal of equipment to holding company		
- OCK Setia	-	93

(iii) Key management personnel compensation

	12.3.2010 to 31.12.2010 RM'000	FYE 31 December 2011 RM'000
<i>Directors</i>		
- Salary	9	-

13. ACCOUNTANTS' REPORT (Cont'd)

**OCC Group Berhad
Accountants' Report**

9. AUDITED FINANCIAL STATEMENTS (Continued)**9.6 Audited Financial Statements of Steadcom (Continued)****9.6.5 Notes to the Audited Financial Statements of Steadcom (Continued)****(h) Significant related party transactions (Continued)****(iii) Key management personnel compensation (Continued)**

Key management personnel are defined as those persons having the authority and responsibility for planning, directing and controlling the activities of Steadcom either directly or indirectly. There is no disclosure for the compensation to other key management personnel of Steadcom as the authority and responsibility for planning directing and controlling the activities of the entity are performed by the directors.

(i) Financial risk management objectives and policies

The operations of Steadcom are subject to a variety of financial risk including credit risk and liquidity risk. Steadcom has formulated a financial risk management framework whose principal objective is to minimise Steadcom's exposure to risks and/or costs associated with the financing, investing and operating activities of Steadcom.

The following sections provide details regarding Steadcom's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(i) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligation. Steadcom's exposure to credit risk arises primarily from trade and other receivables.

Steadcom's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. Steadcom trades only with recognised and creditworthy third parties. In addition, receivables balances are monitored on an on-going basis with the result that Steadcom's exposure to bad debt is not significant.

Exposure to credit risk

At the reporting date, Steadcom's maximum exposure to credit risk represented by the carrying amount of each class of financial assets recognised in the statement of financial position.

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 9.6.5(e).

13. ACCOUNTANTS' REPORT (Cont'd)

OCC Group Berhad Accountants' Report

9. AUDITED FINANCIAL STATEMENTS (Continued)

9.6 Audited Financial Statements of Steadcom (Continued)

9.6.5 Notes to the Audited Financial Statements of Steadcom (Continued)

(i) Financial risk management objectives and policies (Continued)

(ii) Liquidity Risk

Liquidity risk is the risk that Steadcom will not be able to meet its financial obligations as they fall due. Steadcom's exposure to liquidity risk arises principally from its various payables.

Steadcom maintains a level of cash and cash equivalents deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

(j) Fair values

(i) Recognised Financial Instruments

The fair values of financial assets and financial liabilities of Steadcom approximate their carrying values on the statement of financial position of Steadcom.

(ii) Unrecognised Financial Instruments

There were no unrecognised financial instruments as at 31 December 2011 that are required to be disclosed.

(k) Capital management

The primary objective of Steadcom's capital management is to build and maintain a strong capital base so as to maintain healthy capital ratios and at the same time be able to leverage on the capital to provide the funds to fund their expansion and growth.

Steadcom manages their capital structure, and make adjustment to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, Steadcom may adjust dividend payment to shareholders, return capital to shareholders or issue new shares, raise new debts and reduce existing debts.

Steadcom monitors the level of dividends to be paid to shareholders. Steadcom's objective is to pay out regular dividends to the shareholders based on the level of Steadcom's profitability and cash flows.

The capital structure of Steadcom consists of equity attributable to the owners of Steadcom, comprising share capital, accumulated losses and total liabilities.

13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.6 Audited Financial Statements of Steadcom (Continued)****9.6.5 Notes to the Audited Financial Statements of Steadcom (Continued)****(k) Capital management (Continued)**

	12.3.2010 to 31.12.2010 RM'000	FYE 31 December 2011 RM'000
Total liabilities	347	1,473
Equity attributable to owners of Steadcom	53	160
Debt-to-equity ratio	654.72%	920.63%

There were no changes in Steadcom's approach to capital management during the financial period/year under review.

Steadcom is not subject to externally imposed capital requirements.

(l) Comparative figures

- (i) The financial statements of Steadcom have been prepared for the financial year ended 31 December 2011. The comparatives are for the financial period from 12 March 2010 (*date of incorporation*) to 31 December 2010.
- (ii) The following comparative amounts have been reclassified in order to conform with the FYE 31 December 2011 presentation:-

	As previously reported RM'000	Reclassification RM'000	As restated RM'000
FPE 31 December 2010			
Statement of Comprehensive Income			
Cost of sales	54	92	146
Administrative expenses	159	(92)	67

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.7 Audited Financial Statements of EI Power****9.7.1 Audited Statements of Comprehensive Income of EI Power**

The audited statements of comprehensive income of EI Power for the financial period from 3 September 2010 (*date of incorporation*) to 31 December 2010 and FYE 31 December 2011 are as follows:-

		3.9.2010 to 31.12.2010 RM'000	FYE 31 December 2011 RM'000
	Note		
Revenue	9.7.5 (a)	2,355	14,959
Cost of sales		(2,110)	(12,726)
Gross profit		245	2,233
Other operating income		3	-
Administrative expenses		(165)	(1,153)
Operating profit		83	1,080
Finance cost	9.7.5 (b)	-	(2)
Profit before taxation	9.7.5 (c)	83	1,078
Taxation	9.7.5 (d)	(21)	(251)
Net profit for the financial period/year, representing total comprehensive income for the financial period/year		62	827
<i>Gross profit margin (%)</i>		10.40	14.93
<i>Profit before tax margin (%)</i>		3.52	7.21
<i>Effective tax rate (%)</i>		25.30	23.28
<i>Number of ordinary shares in issue of RM1.00 each ('000)</i>		400	400
<i>Gross earnings per share (RM)</i>		0.62 ^	2.70
<i>Net earnings per share (RM)</i>		0.47 ^	2.07

Note:

^ Annualised to (12) months for comparison purposes.

13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.7 Audited Financial Statements of EI Power (Continued)****9.7.2 Audited Statements of Financial Position of EI Power**

The audited statements of financial position of EI Power as at 31 December 2010 and 31 December 2011 are as follows:-

		← As at → 31 December	
	Note	2010 RM'000	2011 RM'000
ASSETS			
Non-Current Asset			
Property, plant and equipment	9.7.5 (e)	128	328
Total Non-Current Asset		128	328
Current Assets			
Trade and other receivables	9.7.5 (f)	2,529	4,281
Cash at bank		#	1,303
Total Current Assets		2,529	5,584
TOTAL ASSETS		2,657	5,912
EQUITY AND LIABILITIES			
Equity attributable to owners of EI Power			
Share capital	9.7.5 (g)	400	400
Retained earnings	9.7.5 (h)	62	889
Total Equity		462	1,289
Non-Current Liabilities			
Hire purchase payables	9.7.5 (i)	-	33
Deferred tax liabilities	9.7.5 (j)	5	37
Total Non-Current Liabilities		5	70
Current Liabilities			
Trade and other payables	9.7.5 (k)	2,174	4,309
Hire purchase payables	9.7.5 (i)	-	9
Tax payables		16	235
Total Current Liabilities		2,190	4,553
Total Liabilities		2,195	4,623
TOTAL EQUITY AND LIABILITIES		2,657	5,912



13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad**
Accountants' Report**9. AUDITED FINANCIAL STATEMENTS (Continued)****9.7 Audited Financial Statements of EI Power (Continued)****9.7.2 Audited Statements of Financial Position of EI Power (Continued)**

	← As at → 31 December	
	2010 RM'000	2011 RM'000
<i>Number of ordinary shares of</i>		
<i>RM1.00 each in issue ('000)</i>	400	400
<i>NTA (RM'000)</i>	462	1,289
<i>NTA per ordinary share (RM)</i>	1.16	3.22
<i>NA (RM'000)</i>	462	1,289
<i>NA per ordinary share (RM)</i>	1.16	3.22

Note:

RM134



13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.7 Audited Financial Statements of EI Power (Continued)****9.7.3 Audited Statements of Changes in Equity of EI Power**

The audited statements of changes in equity of EI Power for the financial period from 3 September 2010 (*date of incorporation*) to 31 December 2010 and FYE 31 December 2011 are as follows:-

	Attributable to owners of EI Power		
	<u>Distributable</u>		Total Equity RM'000
	Share Capital RM'000	Retained Earnings RM'000	
At 3 September 2010 (<i>date of incorporation</i>)	*	-	*
Issuance of shares during the financial period	400	-	400
Total comprehensive income for the financial period	-	62	62
At 31 December 2010	400	62	462
Total comprehensive income for the financial year	-	827	827
At 31 December 2011	400	889	1,289

Note:

*RM100

13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.7 Audited Financial Statements of EI Power (Continued)****9.7.4 Audited Statements of Cash Flows of EI Power**

The audited statements of cash flow of EI Power for the financial period from 3 September 2010 (*date of incorporation*) to 31 December 2010 and FYE 31 December 2011 are as follows:-

	3.9.2010 to 31.12.2010 RM'000	FYE 31 December 2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before taxation	83	1,078
Adjustments for:		
Depreciation	16	54
Interest expenses	-	152
	99	1,284
Changes In Working Capital:		
Receivables	(2,529)	(1,758)
Payables	694	817
Net Operating Cash Flows	(1,736)	343
CASH FLOWS FROM INVESTING ACTIVITY:		
Purchase of property, plant and equipment @	(144)	(204)
Net Investing Cash Flows	(144)	(204)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Interests paid	-	(152)
Proceeds from issuance of shares	400	-
Repayment of hire purchase	-	(8)
Net change in amount due to holding company	1,480	1,318
Net change in amount due from a related company	-	6
Net Financing Cash Flows	1,880	1,164
NET CHANGE IN CASH AND CASH EQUIVALENTS	^	1,303

13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.7 Audited Financial Statements of EI Power (Continued)****9.7.4 Audited Statements of Cash Flows of EI Power (Continued)**

	3.9.2010 to 31.12.2010 RM'000	FYE 31 December 2011 RM'000
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD/ YEAR	*	#
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD/YEAR	#	1,303
ANALYSIS OF CASH AND CASH EQUIVALENTS:		
Cash at bank	#	1,303

Note:

^ RM34

* RM100

RM134

@ During the financial period/year, EI Power acquired property, plant and equipment with an aggregate costs of RM253,892 (2010: RM144,070), of which RM62,661 (2010: RM Nil) was acquired under hire purchase arrangements by EI Power. Cash payments made by EI Power towards hire purchase amounted to RM12,661 (2010: RM Nil).

13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.7 Audited Financial Statements of EI Power (Continued)****9.7.5 Notes to the Audited Financial Statements of EI Power****(a) Revenue**

Revenue represents the invoiced value of goods sold and services rendered.

(b) Finance costs

	3.9.2010 to 31.12.2010 RM'000	FYE 31 December 2011 RM'000
Hire purchase interest	-	2
Interest charges	-	150
	-	152
Finance cost included in cost of sales		
Interest charges	-	(150)
	-	2

(c) Profit before taxation

	3.9.2010 to 31.12.2010 RM'000	FYE 31 December 2011 RM'000
After charging:-		
Audit fee	2	15
Depreciation	16	54
Directors' remuneration		
- Salaries	30	150
- Other emoluments	-	28
Loss on foreign exchange - realised	-	^
Rental of factory	24	144
Staff costs		
- Bonuses	-	20
- Salaries and allowances	23	195
- Employee Provident Fund and SOCSO	7	27
- Other related expenses	1	13

Note:

^ RM18

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.7 Audited Financial Statements of EI Power (Continued)****9.7.5 Notes to the Audited Financial Statements of EI Power (Continued)****(d) Taxation**

	3.9.2010 to 31.12.2010 RM'000	FYE 31 December 2011 RM'000
Income tax		
- current financial period/year	16	235
- prior financial period	-	(16)
Deferred tax liabilities (Note 9.7.5 (j))		
- current financial period/year	5	15
- prior financial period	-	17
	21	251

The income tax is calculated at the statutory rate of 25% of the estimated assessable profit for the financial period/year.

The statutory tax rate applicable to SME incorporated in Malaysia with paid up capital of RM2.5 million and below is subject to the statutory tax rate of 20% of chargeable income of up to RM500,000. For chargeable income in excess of RM500,000, statutory tax rate of 25% (2010: 25%) is still applicable.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of EI Power are as follows:-

	3.9.2010 to 31.12.2010 RM'000	FYE 31 December 2011 RM'000
Profit before taxation	83	1,078
Taxation at applicable statutory tax rate of 25% (2010: 25%)	21	269
Tax effects arising from		
- non-deductible expenses	4	6
- SME tax savings	(4)	(25)
-Over-accrual of income tax in prior financial period	-	(16)
-Under-accrual of deferred tax in prior financial period	-	17
Tax expense for the financial period/year	21	251

13. ACCOUNTANTS' REPORT (Cont'd)

OCK Group Berhad
Accountants' Report

9. AUDITED FINANCIAL STATEMENTS (Continued)

9.7 Audited Financial Statements of EI Power (Continued)

9.7.5 Notes to the Audited Financial Statements of EI Power (Continued)

(d) Property, plant and equipment

	Furniture and fittings RM'000	Renovation RM'000	Office equipment RM'000	Factory equipment RM'000	Computer RM'000	Motor vehicle RM'000	Total RM'000
Cost							
At 3.9.2010 (date of incorporation)	-	-	-	-	-	-	-
Additions	44	56	24	16	4	-	144
Disposals/write-off	-	-	-	-	-	-	-
At 31 December 2010	44	56	24	16	4	-	144
Additions	2	-	17	160	12	63	254
Disposals/write-off	-	-	-	-	-	-	-
At 31 December 2011	46	56	41	176	16	63	398



13. ACCOUNTANTS' REPORT (Cont'd)

OCK Group Berhad
Accountants' Report

9. AUDITED FINANCIAL STATEMENTS (Continued)

9.7 Audited Financial Statements of EI Power (Continued)

9.7.5 Notes to the Audited Financial Statements of EI Power (Continued)

(e) Property, plant and equipment (Continued)

	Furniture and fittings RM'000	Renovation RM'000	Office equipment RM'000	Factory equipment RM'000	Computer RM'000	Motor vehicle RM'000	Total RM'000
Accumulated Depreciation							
At 3.9.2010 (date of incorporation)	-	-	-	-	-	-	-
Depreciation for the financial period	4	6	2	3	1	-	16
Disposals/write-off	-	-	-	-	-	-	-
At 31 December 2010	4	6	2	3	1	-	16
Depreciation for the financial year	4	6	4	25	2	13	54
Disposals/write-off	-	-	-	-	-	-	-
At 31 December 2011	8	12	6	28	3	13	70
Carrying Amount							
At 31 December 2010	40	50	22	13	3	-	128
At 31 December 2011	38	44	35	148	13	50	328

Motor vehicle with net book value of RM50,129 (2010: RM Nil) were acquired under a hire purchase arrangement.



13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.7 Audited Financial Statements of EI Power (Continued)****9.7.5 Notes to the Audited Financial Statements of EI Power (Continued)****(f) Trade and other receivables**

	← As at → 31 December	
	2010 RM'000	2011 RM'000
Trade receivables	2,174	3,671
Other receivables		
Deposits	44	34
Prepayments	305	576
Amount due from a related company	6	-
	355	610
	2,529	4,281
Cash at bank	#	1,303
Total loans and receivables	2,529	5,584

Note:

RM134

Trade receivables are non-interest bearing and EI Power's normal trade credit terms ranges from 30 to 90 days (2010: 30 to 90 days). Other credit terms are assessed and approved on a case-by-case basis. The credit period varies from customers to customers after taking into consideration their payment track record, financial background, length of business relationship and size of transactions.

The ageing analysis of EI Power's trade receivables are as follows:-

	← As at → 31 December	
	2010 RM'000	2011 RM'000
Neither past due nor impaired	2,174	3,523
1 to 30 days past due not impaired	-	123
31 to 60 days past due not impaired	-	-
61 to 90 days past due not impaired	-	25
91 to 120 days past due not impaired	-	-
More than 121 days past due not impaired	-	-
	-	148
	2,174	3,671

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.7 Audited Financial Statements of EI Power (Continued)****9.7.5 Notes to the Audited Financial Statements of EI Power (Continued)****(f) Trade and other receivables (Continued)**Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with EI Power.

Receivables that are past due but not impaired

At the reporting date, EI Power has trade receivables amounting to RM148,340 (2010: RM Nil) that are past due but not impaired.

Trade receivables that are past due but not impaired relate to customers that have good track records with EI Power. Based on past experience and no adverse information to date, the directors of EI Power are of the opinion that no impairment is necessary in respect of these balances as there has not been a significant change in the credit quality and the balances are still considered fully recoverable.

The amount due from related company was trade in nature, unsecured, interest free and repayable on demand.

(g) Share capital

	← As at 31 December →			
	2010		2011	
	Number of shares Unit'000	RM'000	Number of shares Unit'000	RM'000
Ordinary shares of RM 1.00 each:-				
Authorised				
At the date of incorporation/ beginning of the financial year	^	*	500	500
Created during the financial period/year	500	500	-	-
At the end of the financial period/year	500	500	500	500
Issued and fully paid:				
At the date of incorporation/ beginning of the financial year	^	*	400	400
Issued during the financial period/year	400	400	-	-
At the end of the financial period/year	400	400	400	400

Note:

^ 100 units

* RM100

13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.7 Audited Financial Statements of EI Power (Continued)****9.7.5 Notes to the Audited Financial Statements of EI Power (Continued)****(h) Retained earnings**

In accordance with the Finance Act, 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividends paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system").

As such, EI Power will distribute the retained earnings as at 31 December 2011 as dividends under the single tier system.

(i) Hire purchase payables

	← As at → 31 December	
	2010 RM'000	2011 RM'000
Future minimum hire purchase payments :-		
- not later than one year	-	12
- later than one years but not later than five years	-	35
	-	47
Less: Future interest charges	-	(5)
Present value of hire purchase payables	-	42
Represented by:-		
Current	-	9
Non-current	-	33
	-	42

The hire purchase liabilities bear interest at 4.64% to 4.75% per annum.

13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.7 Audited Financial Statements of EI Power (Continued)****9.7.5 Notes to the Audited Financial Statements of EI Power (Continued)****(j) Deferred tax liabilities**

	← As at → 31 December	
	2010 RM'000	2011 RM'000
At the date of incorporation/ beginning of the financial period	-	5
Recognised to profit or loss (Note 9.7.5 (d))	5	32
At the end of the financial period/year	5	37
Representing the tax effect of:-		
Temporary differences between the carrying amount and the corresponding tax written values of property, plant and equipment	5	37

(k) Trade and other payables

	← As at → 31 December	
	2010 RM'000	2011 RM'000
Trade payables	192	77
Other payables		
Other payable	-	5
Deposit	-	61
Accruals	503	1,369
Amount due to holding company	1,479	2,797
	1,982	4,232
Total trade and other payables	2,174	4,309
Add: Hire purchase payables (Note 9.7.5 (i))	-	42
Total financial liabilities carried at amortised costs	2,174	4,351

Trade payables are non-interest bearing and the normal trade credit terms granted to EI Power ranges from 30 to 90 days (2010: 30 to 90 days).

13. ACCOUNTANTS' REPORT (Cont'd)

OCK Group Berhad
Accountants' Report

9. AUDITED FINANCIAL STATEMENTS (Continued)**9.8 Audited Financial Statements of EI Power (Continued)****9.7.5 Notes to the Audited Financial Statements of EI Power (Continued)****(k) Trade and other payables (Continued)**

EI Power is a 52% (2010: 52%) owned subsidiary company of OCK Setia, which in turn is a 90% (2010: Nil) owned subsidiary company of Aliran Armada Sdn Bhd, being the ultimate holding company. Both companies are incorporated and domiciled in Malaysia.

The amount due to holding company is non-trade in nature, unsecured, repayable on demand, and bear interest rates ranging from 7.00% to 8.60% (2010 : Nil) per annum.

(l) Significant related party transactions**(i) Identification of related parties**

A related party is an entity or person that directly or indirectly through one or more intermediary controls, is controlled by, or is under common or joint control with EI Power or that has an interest in EI Power that gives it significant influence over EI Power's financial operating policies. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence for which significant voting power in EI Power resides with, directly or indirectly.

The nature of the relationship with the related parties is as follows:

Related Parties	Nature of Relationship
OCK Setia	Holding company
Firatel	Related company

(ii) Significant related party transactions

In the normal course of business, EI Power undertakes transactions with some of its related parties listed above.

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.7 Audited Financial Statements of EI Power (Continued)****9.7.5 Notes to the Audited Financial Statements of EI Power (Continued)****(I) Significant related party transactions (Continued)****(ii) Significant related party transactions**

Significant related party transactions other than those disclosed elsewhere in this report are as follows:-

	3.9.2010 to 31.12.2010 RM'000	FYE 31 December 2011 RM'000
Sales to a related company		
- Firatel	21	-
Sales to holding company		
- OCK Setia	-	2
Purchases from holding company		
- OCK Setia	-	17
Interest expenses paid to holding company		
- OCK Setia	-	134

(iii) Key management personnel compensation

	3.9.2010 to 31.12.2010 RM'000	FYE 31 December 2011 RM'000
Directors		
- Salaries	30	150
- Other emoluments	-	28
	30	178
Key management personnel		
- Short term employee benefits	-	121
- Define contribution plan	-	14
	-	135

Key management personnel are defined as those persons other than the directors of EI Power having the authority and responsibility for planning, directing and controlling the activities of EI Power either directly or indirectly.

13. ACCOUNTANTS' REPORT (Cont'd)

**OCK Group Berhad
Accountants' Report**

9. AUDITED FINANCIAL STATEMENTS (Continued)**9.7 Audited Financial Statements of EI Power (Continued)****9.7.5 Notes to the Audited Financial Statements of EI Power (Continued)****(m) Financial risk management objectives and policies**

The operations of EI Power are subject to a variety of financial risks, including credit risk, liquidity risk and interest rate risk. EI Power has formulated a financial risk management framework whose principal objective is to minimise EI Power's exposure to risks and/or costs associated with the financing, investing and operating activities of EI Power.

The following sections provide details regarding EI Power's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(i) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counter party default on its obligation. EI Power's exposure to credit risk arises primarily from trade and other receivables.

EI Power's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. EI Power trades only with recognised and creditworthy third parties. In addition, receivables balances are monitored on an on-going basis with the result that EI Power's exposure to bad debt is not significant.

Exposure to credit risk

At the reporting date, EI Power's maximum exposure to credit risk represented by the carrying amount of each class of financial assets recognised in the statement of financial position.

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 9.7.5 (f).

Financial assets that are either past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 9.7.5 (f).

(ii) Liquidity Risk

Liquidity risk is the risk that EI Power will not be able to meet its financial obligations as they fall due. EI Power's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

EI Power maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.7 Audited Financial Statements of EI Power (Continued)****9.7.5 Notes to the Audited Financial Statements of EI Power (Continued)****(m) Financial risk management objectives and policies (Continued)****(iii) Interest Rate Risk**

EI Power's primary interest rate risk relates to interest-bearing debt as at 31 December 2011.

The investment in financial assets mainly short term in nature and they are not held for speculative purposes.

	Effective Interest Rate %	Within 1 Year RM'000	1 - 5 Year RM'000	More Than 5 Years RM'000	Total RM'000
As at 31 December 2011					
Financial liabilities					
Hire purchase payables	4.64 - 4.75	9	33	-	42
Amount due to holding company	7.00 - 8.60	2,797	-	-	2,797

(n) Fair values**(i) Recognised Financial Instruments**

The fair values of financial assets and financial liabilities of EI Power approximate their carrying values on the statement of financial position of EI Power.

(ii) Unrecognised Financial Instruments

There were no unrecognised financial instruments as at 31 December 2011 that are required to be disclosed.

(o) Capital management

The primary objective of EI Power's capital management is to build and maintain a strong capital base so as to maintain healthy capital ratios and at the same time be able to leverage on the capital to provide the funds to fund their expansion and growth.

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.7 Audited Financial Statements of EI Power (Continued)****9.7.5 Notes to the Audited Financial Statements of EI Power (Continued)****(o) Capital management (Continued)**

EI Power manages their capital structure, and make adjustment to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, EI Power may adjust dividend payment to shareholders, return capital to shareholders or issue new shares, raise new debts and reduce existing debts.

EI Power monitors the level of dividends to be paid to shareholders. EI Power's objective is to pay out regular dividends to the shareholders based on the level of EI Power's profitability and cash flows.

The capital structure of EI Power consists of equity attributable to the owners of EI Power, comprising share capital, accumulated losses and total liabilities.

	3.9.2010 to 31.12.2010 RM'000	FYE 31 December 2011 RM'000
Total liabilities	2,195	4,623
Equity attributable to owners of EI Power	462	1,289
Debt-to-equity ratio	475.11%	358.65%

There were no changes in EI Power's approach to capital management during the financial period/ year.

EI Power is not subject to externally imposed capital requirements.

(p) Comparative figures

The financial statements of EI Power have been prepared for the financial year ended 31 December 2011. The comparatives are for the financial period from 3 September 2010 (*date of incorporation*) to 31 December 2010.

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.8 Audited Financial Statements of Fortress Singapore****9.8.1 Audited Statement of Comprehensive Income of Fortress Singapore**

The audited statement of comprehensive income of Fortress Singapore for the financial period from 7 March 2011 (*date of incorporation*) to 31 December 2011 is as follows:-

		7.3.2011 to 31.12.2011	
	Note	SGD'000	RM'000
Revenue	9.8.5 (a)	251	614
Cost of sales		(168)	(411)
Gross profit		83	203
Other income	9.8.5 (b)	64	157
Administrative expenses		(196)	(479)
Other operating expenses		(83)	(203)
Operating loss		(132)	(323)
Finance costs		(4)	(10)
Loss before taxation		(136)	(333)
Taxation	9.8.5 (c)	-	-
Net loss for the financial period		(136)	(333)
Other comprehensive income:			
Foreign currency translation		-	1
Other comprehensive income, net of tax		-	1
Total comprehensive loss for the financial period		(136)	(332)
<i>Gross profit margin (%)</i>		<i>33.07</i>	<i>33.07</i>
<i>Loss before tax margin (%)</i>		<i>(54.18)</i>	<i>(54.18)</i>
<i>Effective tax rate (%)</i>		<i>N/A</i>	<i>N/A</i>
<i>Number of ordinary shares in issue</i>		<i>10</i>	<i>10</i>
<i>Gross loss per share (SGD'000/RM'000)</i>		<i>(13.60)</i>	<i>(33.30)</i>
<i>Net loss per share (SGD'000/RM'000)</i>		<i>(13.60)</i>	<i>(33.30)</i>

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.8 Audited Financial Statements of Fortress Singapore (Continued)****9.8.2 Audited Statement of Financial Position of Fortress Singapore**

The audited statement of financial position of Fortress Singapore as at 31 December 2011 is as follows:-

		As at 31 December 2011	
	Note	SGD'000	RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment	9.8.5 (d)	9	22
Investment in a subsidiary	9.8.5 (e)	>	*
Total Non-Current Assets		9	22
Current Assets			
Trade and other receivables	9.8.5 (f)	131	320
Fixed deposit placed with a licensed bank	9.8.5 (g)	15	37
Cash and bank balances		139	337
Total Current Assets		285	694
TOTAL ASSETS		294	715
EQUITY AND LIABILITY			
Equity attributable to owner of Fortress Singapore			
Share capital	9.8.5 (h)	#	+
Foreign currency translation reserve		-	1
Current financial period loss		(136)	(333)
Total Equity		(136)	(332)

13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.8 Audited Financial Statements of Fortress Singapore (Continued)****9.8.2 Audited Statement of Financial Position of Fortress Singapore (Continued)**

		As at 31 December 2011	
	Note	SGD'000	RM'000
Current Liability			
Trade and other payables	9.8.5 (i)	430	1,047
Total Current Liability		430	1,047
Total Liability		430	1,047
TOTAL EQUITY AND LIABILITY		294	715
<i>Number of ordinary shares</i>		10	10
<i>NTA (SGD'000/RM'000)</i>		(136)	(332)
<i>NTA per ordinary share (SGD/RM)</i>		(13.60)	(33.15)
<i>NA (SGD'000/RM'000)</i>		(136)	(332)
<i>NA per ordinary share (SGD/RM)</i>		(13.60)	(33.15)

Note:
 > SGD1
 * RM2
 # SGD2
 + RM5

13. ACCOUNTANTS' REPORT (Cont'd)

OCK Group Berhad
Accountants' Report

9. AUDITED FINANCIAL STATEMENTS (Continued)

9.8 Audited Financial Statements of Fortress Singapore (Continued)

9.8.3 Audited Statement of Changes in Equity of Fortress Singapore

The audited statement of changes in equity of Fortress Singapore for the financial period from 7 March 2011 (*date of incorporation*) to 31 December 2011 is as follows:-

	Share Capital SGD'000	RM'000	Attributable to owners of Fortress Singapore			Total Equity SGD'000	RM'000
			Translation Reserve RM'000	Financial Period Loss SGD'000	Distributable RM'000		
At 7 March 2011 (<i>date of incorporation</i>)	#	+	-	-	-	#	+
Foreign currency translation reserve	-	-	1	-	-	-	1
Total comprehensive loss for the financial period	-	-	-	(136)	(333)	(136)	(333)
At 31 December 2011	#	+	1	(136)	(333)	(136)	(332)

Note:

SGD2
+ RM5



13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.8 Audited Financial Statements of Fortress Singapore (Continued)****9.8.4 Audited Statement of Cash Flows of Fortress Singapore**

The audited statement of cash flows of Fortress Singapore for the financial period from 7 March 2011 (*date of incorporation*) to 31 December 2011 is as follows:-

	7.3.2011 to 31.12.2011	
	SGD'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Loss before taxation	(136)	(333)
Adjustment for:		
Depreciation	2	4
Interest expenses	4	10
	(130)	(319)
Changes In Working Capital		
Receivables	(126)	(308)
Payables	125	306
	(131)	(321)
Interests paid	(4)	(10)
Net Operating Cash Flows	(135)	(331)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(11)	(26)
Investment in a subsidiary company	>	*
Net Investing Cash Flows	(11)	(26)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Amount due from a related party	(5)	(13)
Amount due to immediate holding company	305	745
Fixed deposits pledged for security values	(15)	(37)
Net Financing Cash Flows	285	695
NET CHANGE IN CASH AND CASH EQUIVALENTS	139	338
Effect of the exchange rate changes	-	(1)
CASH AND CASH EQUIVALENTS AT THE DATE OF INCORPORATION	#	+
CASH AND CASH EQUIVALENTS AT THE AT THE END OF THE FINANCIAL PERIOD	139	337

13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.8 Audited Financial Statements of Fortress Singapore (Continued)****9.8.4 Audited Statement of Cash Flows of Fortress Singapore (Continued)**

	7.3.2011 to 31.12.2011	
	SGD'000	RM'000
ANALYSIS OF CASH AND CASH EQUIVALENTS:		
Cash and bank balances	139	337
Fixed deposit	15	37
	<u>154</u>	<u>374</u>
Less: Fixed deposit held as security values	(15)	(37)
	<u>139</u>	<u>337</u>

Note:
 > SGD1
 * RM2
 # SGD2
 + RM5

13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.8 Audited Financial Statements of Fortress Singapore (Continued)****9.8.5 Notes to the Audited Financial Statements of Fortress Singapore****(a) Revenue**

	7.3.2011 to 31.12.2011	
	SGD'000	RM'000
Sales of goods	49	120
Rending of services	202	494
	<u>251</u>	<u>614</u>

(b) Other income

	7.3.2011 to 31.12.2011	
	SGD'000	RM'000
Recharges of salaries and office expenses to a related party	54	132
Foreign exchange gain	6	15
Others	4	10
	<u>64</u>	<u>157</u>

13. ACCOUNTANTS' REPORT (Cont'd)

OCK Group Berhad
Accountants' Report

9. AUDITED FINANCIAL STATEMENTS (Continued)**9.8 Audited Financial Statements of Fortress Singapore (Continued)****9.8.5 Notes to the Audited Financial Statements of Fortress Singapore (Continued)****(c) Taxation**

The income tax expense on the results of the financial period differs from the amount of income tax determined by applying the Singapore standard rate of income tax due to the following factors:-

	7.3.2011 to 31.12.2011	
	SGD'000	RM'000
Loss before taxation	(136)	(333)
Tax calculated at a tax rate of 17%	(23)	(56)
Expenses not deductible for tax purpose	1	2
Deffered tax assets not recognised	22	54
Others	√	@
	-	-

Note:

√ SGD 326

@ RM797

At the reporting date, Fortress Singapore has unabsorbed capital allowance and unutilised tax losses amounting to approximately \$3,000 or RM7,338 and \$132,000 or RM322,872 respectively that are available for carry forward to offset against future taxable income, subject to compliance with relevant provisions of the Income Tax Act in Singapore and agreement by tax authority. The tax benefits have not been recognised in the financial statements as it is not probable that future taxable profits will be sufficient to allow the related tax benefits to be realised.

13. ACCOUNTANTS' REPORT (Cont'd)

OCK Group Berhad
Accountants' Report

9. AUDITED FINANCIAL STATEMENTS (Continued)

9.8 Audited Financial Statements of Fortress Singapore (Continued)

9.8.5 Notes to the Audited Financial Statements of Fortress Singapore (Continued)

(d) Property, plant and equipment

	Computer equipment		Furniture and fixture		Total	
	SGD'000	RM'000	SGD'000	RM'000	SGD'000	RM'000
Cost						
At date of incorporation	-	-	-	-	-	-
Additions	6	16	5	10	11	26
At 31 December 2011	6	16	5	10	11	26
Accumulated Depreciation						
At date of incorporation	-	-	-	-	-	-
Depreciation for the financial period	1	2	1	2	2	4
Foreign exchange translation adjustment	-	>	-	<	-	**
At 31 December 2011	1	2	1	2	2	4
Carrying Amount						
At 31 December 2011	5	14	4	8	9	22

> RM (10)

< RM (4)

** RM (14)



13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.8 Audited Financial Statements of Fortress Singapore (Continued)****9.8.5 Notes to the Audited Financial Statements of Fortress Singapore (Continued)****(e) Investment in a subsidiary**

	As at 31 December 2011	
	SGD'000	RM'000
Unquoted equity shares, at cost	>	*

> SGD 1

* RM 2

On 27 July 2011, Fortress Singapore acquired 100% of the issued share capital of Fortress Malaysia, a company incorporated in Malaysia for cash consideration of RM2 (Approximately SGD1). The principal activities of the subsidiary are those of distribution and installation of network security products and solutions for enterprise customers and provision of technical support.

(f) Trade and other receivables

	As at 31 December 2011	
	SGD'000	RM'000
Trade receivables	97	237
Rental deposit	9	23
Prepayments	5	12
Sundry receivables	20	48
	131	320
Add: Cash and bank balances	139	337
Fixed deposit (Note 9.8.5(g))	15	37
Total loans and receivables	285	694

(g) Fixed deposit placed with a licensed bank

Fixed deposits placed with a licensed bank amounting to SGD15,000 or RM36,560 has been pledged to the license bank for banking facilities granted to Fortress Singapore.

13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.8 Audited Financial Statements of Fortress Singapore (Continued)****9.8.5 Notes to the Audited Financial Statements of Fortress Singapore (Continued)****(h) Share capital**

	As at 31 December 2011			
	Number of shares Units('000)	SGD'000	Number of shares Units('000)	RM'000
Issued and fully paid-up with no par value:				
At date of incorporation/end of the financial period	^	#	^	+

Note:

^ 10 Units

SGD 2

+ RM5

On the date of incorporation, Fortress Singapore issued and allotted 10 ordinary shares for cash of SGD 2.

The holder of ordinary shares is entitled to receive dividends as and when declared by Fortress Singapore. All ordinary shares carry one vote per share without restrictions.

(i) Trade and other payables

	As at 31 December 2011	
	SGD'000	RM'000
Trade payables	99	241
Accruals	12	29
Unearned income	14	34
Amount due to immediate holding company	305	743
Total trade and other payables, representing total financial liabilities carried at amortised cost	430	1,047

The amount due to immediate holding company is non-trade in nature, unsecured, interest-free and repayable on demand.

13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.8 Audited Financial Statements of Fortress Singapore (Continued)****9.8.5 Notes to the Audited Financial Statements of Fortress Singapore (Continued)****(j) Significant related party transactions**

A related party is an entity or person that directly or indirectly through one or more intermediary controls, is controlled by, or is under common or joint control with Fortress Singapore or that has an interest in Fortress Singapore that gives it significant influence over Fortress's financial operating policies. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence for which significant voting power in Fortress Singapore resides with, directly or indirectly.

In the normal course of business, Fortress Singapore undertakes transactions with some of its related parties.

Significant related party transactions other than those disclosed elsewhere in the financial statements are as follows:-

	7.3.2011 to 31.12.2011	
	SGD'000	RM'000
Recharges of salaries and office expenses to a related party	54	132
Payments made on behalf of a related party	25	61
Advances from a related party	31	76
Payments made on behalf by a related party	109	267
Payments made on behalf by the immediate holding company	(36)	(88)
Advance from the immediate holding company	340	832

Key management personnel compensation is analysed as follows:

	7.3.2011 to 31.12.2011	
	SGD'000	RM'000
Salaries	90	220

13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.8 Audited Financial Statements of Fortress Singapore (Continued)****9.8.5 Notes to the Audited Financial Statements of Fortress Singapore (Continued)****(k) Operating lease commitments**

At the reporting date, Fortress Singapore has leases of premise from non-related parties under non-cancellable operating lease. The leases have varying terms, escalation clauses and renewal rights.

Commitments in relation to non-cancellable operating leases contracted for but not recognised as liabilities, are payable as follows:-

	7.3.2011 to 31.12.2011	
	SGD'000	RM'000
Not later than one year	59	144
Later than one year but not later than five years	27	64
	<u>86</u>	<u>208</u>

(l) Financial instruments**(i) Financial risk management**

Fortress Singapore's risk management is determined and carried out by the directors on an informal basis. Fortress Singapore is exposed to the following financial risks:-

(a) Foreign currency risk

Fortress Singapore's operations expose it to movements in foreign currency rate, primarily to United State dollars ("USD"). Fortress Singapore does not hedge its foreign currency denominated assets and liabilities.

13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.8 Audited Financial Statements of Fortress Singapore (Continued)****9.8.5 Notes to the Audited Financial Statements of Fortress Singapore (Continued)****l) Financial instruments (Continued)****(i) Financial risk management (Continued)****(a) Foreign currency risk (Continued)**

Fortress Singapore's foreign currency expose is as follows:

	As at 31 December 2011	
	SGD'000	RM'000
Financial assets in USD		
Fixed deposit and bank balances	117	285
Trade receivables	59	144
	<u>176</u>	<u>429</u>
Financial liabilities in USD		
Trade payables	61	149
Net financial assets in USD	<u>115</u>	<u>280</u>

A 5% fluctuation in the USD exchange rate against SGD, with all other variables held constant, will not have a significant impact on Fortress Singapore's profit for the current financial period.

(b) Interest rate risk

Fortress Singapore's exposure to the risk of changes in market interest rates relates primarily to Fortress Singapore's bank balance with floating interest rates. Management considers Fortress Singapore's exposure to cash flows interest rate risk to be minimal.

(c) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. Fortress Singapore's exposure to credit risk arises primarily from trade and other receivables, fixed deposit and bank balances.

At the reporting date, Fortress Singapore's maximum exposure to credit risk is presented by the carrying amount of each class of financial assets recognised in the statement of financial position.

13. ACCOUNTANTS' REPORT (Cont'd)

OCK Group Berhad
Accountants' Report

9. AUDITED FINANCIAL STATEMENTS (Continued)**9.8 Audited Financial Statements of Fortress Singapore (Continued)****9.8.5 Notes to the Audited Financial Statements of Fortress Singapore (Continued)****(l) Financial instruments (Continued)****(i) Financial risk management (Continued)****(c) Credit risk (Continued)**

Fortress Singapore's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. Fortress Singapore trades only with recognised and creditworthy third parties. In addition, debtor balances are monitored on an on-going basis with the result that Fortress Singapore's exposure to bad debts is not significant.

Financial assets that are neither past due nor impaired

Other receivables that are neither past due nor impaired are creditworthy debtors.

Fixed deposit and bank balances are placed with licensed banks.

Financial assets that are past due and/or impaired

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

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

	As at 31 December 2011	
	SGD'000	RM'000
Past due 1 to 30 days	2	5
Past due 31 to 90 days	1	2
	<u>3</u>	<u>7</u>

There are no financial assets that are past due and impaired.

(d) Liquidity risks

Fortress Singapore is dependent on its immediate holding company for continuing financial support so as to enable Fortress Singapore to pay its debts as and when they fall due. The directors are satisfied that the financial support will be available when required.

Fortress Singapore's financial liabilities are all due within the next 12 months from the reporting date and approximate the contractual undiscounted payments.

13. ACCOUNTANTS' REPORT (Cont'd)

OCC Group Berhad
Accountants' Report

9. AUDITED FINANCIAL STATEMENTS (Continued)

9.8 Audited Financial Statements of Fortress Singapore (Continued)

9.8.5 Notes to the Audited Financial Statements of Fortress Singapore (Continued)

(l) Financial instruments (Continued)

(ii) Fair Values of financial assets and liabilities

The carrying amounts of the financial assets and liabilities approximate their respective fair values.

(m) Capital management

Fortress Singapore's objectives when managing capital are to safeguard its ability to continue as going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain an optimal structure, Fortress Singapore may adjust its dividend payment, return capital to shareholder, obtain funding from shareholder or issue new shares. Fortress Singapore's capital comprises its equity.

(n) Comparative figures

The financial statements cover the financial period from 7 March 2011 (*date of incorporation*) to 31 December 2011. There are no comparative figures as this is the first set of financial statements presented since incorporation.

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad**
Accountants' Report**9. AUDITED FINANCIAL STATEMENTS (Continued)****9.9 Audited Financial Statements of Fortress Malaysia****9.9.1 Audited Statement of Comprehensive Income of Fortress Malaysia**

The audited statement of comprehensive income of Fortress Malaysia for the financial period from 23 June 2011 (*date of incorporation*) to 31 December 2011 is as follows:-

	Note	23.6.2011 to 31.12.2011 RM'000
Revenue		-
Cost of sales		-
Gross profit		-
Administrative expenses		(4)
Loss before tax	9.9.5 (a)	(4)
Taxation	9.9.5 (b)	-
Net loss for the financial period, representing total comprehensive loss for the financial period		(4)
<i>Gross profit margin (%)</i>		N/A
<i>Loss before tax margin (%)</i>		N/A
<i>Effective tax rate (%)</i>		N/A
<i>Number of ordinary shares of RM1.00 each in issue</i>		2
<i>Gross loss per share (RM'000)</i>		(2.00)
<i>Net loss per share (RM'000)</i>		(2.00)

13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.9 Audited Financial Statements of Fortress Malaysia (Continued)****9.9.2 Audited Statement of Financial Position of Fortress Malaysia**

The audited statement of financial position of Fortress Malaysia as at 31 December 2011 is as follows:-

	Note	As at 31 December 2011 RM'000
ASSET		
Current Asset		
Cash in hand		*
Total Current Asset		*
TOTAL ASSET		*
EQUITY AND LIABILITY		
Equity attributable to owner of Fortress Malaysia		
Share capital	9.9.5 (c)	*
Current financial period losses		(4)
Total Equity		(4)
Current Liability		
Other payables	9.9.5 (d)	4
Total Current Liability		4
TOTAL EQUITY AND LIABILITY		*
<i>Number of ordinary shares of RM1.00 each in issue ('000)</i>		#
<i>NTA (RM'000)</i>		(4)
<i>NTA per ordinary share (RM'000)</i>		(2.00)
<i>NA (RM'000)</i>		(4)
<i>NA per ordinary share (RM'000)</i>		(2.00)

Note:

* RM2

2 units

13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.9 Audited Financial Statements of Fortress Malaysia (Continued)****9.9.3 Audited Statement of Changes in Equity of Fortress Malaysia**

The audited statement of changes in equity of Fortress Malaysia for the financial period from 23 June 2011 (*date of incorporation*) to 31 December 2011 is as follows:-

	Attributable to owner of Fortress Malaysia		
	Share Capital RM'000	Distributable Current Financial Period Losses RM'000	Total Equity RM'000
At 23 June 2011 (<i>date of incorporation</i>)	*	-	*
Total comprehensive loss for the financial period	-	(4)	(4)
At 31 December 2011	*	(4)	(4)

Note:

*RM2

13. ACCOUNTANTS' REPORT (Cont'd)**OCC Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.9 Audited Financial Statements of Fortress Malaysia (Continued)****9.9.4 Audited Statement of Cash Flows of Fortress Malaysia**

The audited statement of cash flows of Fortress Malaysia for the financial period from 23 June 2011 (*date of incorporation*) to 31 December 2011 is as follows:-

	23.6.2011 to 31.12.2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Loss before tax	(4)
Changes In Working Capital	
Accruals	1
Net Operating Cash Flows	(3)
CASH FLOWS FROM FINANCING ACTIVITY	
Advances from holding company	3
Net Financing Cash Flows	3
NET CHANGE IN CASH AND CASH EQUIVALENTS	-
CASH AND CASH EQUIVALENTS AT THE DATE OF THE INCORPORATION	*
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	*
ANALYSIS OF CASH AND CASH EQUIVALENTS	
Cash in hand	*

Note:

*RM2

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.9 Audited Financial Statements of Fortress Malaysia (Continued)****9.9.5 Notes to the Audited Financial Statements of Fortress Malaysia****(a) Loss before tax**

Loss before tax is arrived at after charging the following:-

**23.6.2011
to
31.12.2011
RM'000**

After charging:-

Audit fee

1

(b) Taxation

No provision for income tax has been made as Fortress Malaysia incurred losses and has no chargeable income during the financial period.

The reconciliation of income tax expense applicable to loss before tax at the statutory income tax rate to income tax expense at the effective income tax rate of Fortress Malaysia is as follows:-

**23.6.2011
to
31.12.2011
RM'000**

Loss before tax	<u>(4)</u>
Taxation at statutory tax rate of 25%	(1)
Non-deductible expenses	<u>1</u>
Tax expense for the financial period	<u>-</u>

13. ACCOUNTANTS' REPORT (Cont'd)**OCK Group Berhad
Accountants' Report****9. AUDITED FINANCIAL STATEMENTS (Continued)****9.9 Audited Financial Statements of Fortress Malaysia (Continued)****9.9.5 Notes to the Audited Financial Statements of Fortress Malaysia (Continued)****(c) Share capital**

	As at 31 December 2011	
	Number of Shares Unit'000	RM'000
Ordinary shares of RM1 each:-		
Authorised:		
At the date of incorporation/end of the financial period	100	100
Issued and fully paid:		
At the date of incorporation/end of the financial period	#	*

Note:

2 units

* RM 2

(d) Other payables

	As at 31 December 2011 RM'000
Accruals	1
Amount due to holding company	3
Total other financial liabilities carried at amortised cost	4

On 7 July 2011, Fortress Malaysia became a wholly-owned subsidiary company of Fortress Singapore, which in turn is a wholly-owned subsidiary company of OCK Setia, a 90% owned subsidiary company of Aliran Armada Sdn Bhd, being the ultimate holding company. Fortress Singapore is incorporated and domiciled in Singapore whilst OCK Setia and Aliran Armada Sdn Bhd are incorporated and domiciled in Malaysia.

The amount due to holding company is non-trade in nature, unsecured, interest free and payable on demand.

13. ACCOUNTANTS' REPORT (Cont'd)

OCK Group Berhad
Accountants' Report

9. AUDITED FINANCIAL STATEMENTS (Continued)

9.9 Audited Financial Statements of Fortress Malaysia (Continued)

9.9.5 Notes to the Audited Financial Statements of Fortress Malaysia (Continued)

(e) Financial instruments

(i) Financial risk management and objectives

Fortress Malaysia has limited number of transactions and does not have significant exposure to financial risks. Financial support from ultimate holding company is available as and when required.

(ii) Fair values

(a) Recognised financial instruments

The fair values of financial assets and financial liabilities of Fortress Malaysia approximate their carrying values on the statement of financial position of Fortress Malaysia.

(b) Unrecognised financial instruments

There were no unrecognised financial instruments as at 31 December 2011 that are required to be disclosed.

(f) Capital management

The primary objective of Fortress Malaysia's capital management is to build and maintain a strong capital base so as to maintain healthy capital ratios and at the same time be able to leverage on the capital to provide the funds to fund their expansion and growth.

Fortress Malaysia managed their capital structure, and make adjustment to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, Fortress Malaysia may adjust dividend payment to shareholders, return capital to shareholders or issue new shares, raise new debts and reduce existing debts.

The capital structure of Fortress Malaysia consists of equity attributable to owner of Fortress Malaysia, comprising share capital, current financial period losses and total liability.

There were no changes in Fortress Malaysia's approach to capital management during the financial period.

Fortress Malaysia is not subject to externally imposed capital requirements.

(g) Comparative figures

There are no comparative figures as this is Fortress Malaysia's first set of audited financial statements since its incorporation on 23 June 2011.

13. ACCOUNTANTS' REPORT (Cont'd)

OCK Group Berhad
Accountants' Report


10. EVENTS AFTER THE END OF REPORTING PERIOD

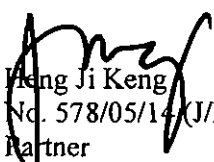
Other than as disclosed elsewhere in this Report, there were no other significant events between the date of the last audited financial statements used in the preparation of this Report and the date of this Report which will materially affect the content of this Report.

11. AUTHORISATION OF AUDITED FINANCIAL STATEMENTS

As at the date of this Report, no audited financial statements have been prepared in respect of any period subsequent to 31 December 2011 for OCK and its subsidiary companies.

Yours faithfully,


Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants


Heng Ji Keng
No. 578/05/14 (J/PH)
Partner

13. ACCOUNTANTS' REPORT (Cont'd)

Company No. 955915-M



BAKER TILLY
MONTEIRO HENG

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
OCK GROUP BERHAD
(Incorporated in Malaysia)

BAKER TILLY MONTEIRO HENG
Chartered Accountants (IAF 0117)
Monteiro & Heng Chambers
22 Jalan Tun Sambanthan 3
50470 Kuala Lumpur, Malaysia
phone : +603 2274 8988
fax : +603 2260 1708
email : info@bakertillymh.com.my
www.bakertillymh.com.my

Report on the Financial Statements

We have audited the accompanying financial statements of OCK GROUP BERHAD, which comprise the statement of financial position as at 31 December 2011 of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial period from 5 August 2011 (date of incorporation) to 31 December 2011, and a summary of significant accounting policies and other explanatory information, as set out on pages 5 to 29.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company'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 Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

13. ACCOUNTANTS' REPORT (Cont'd)

Company No. 955915-M

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2011 and of its financial performance and cash flows for the financial period from 5 August 2011 (date of incorporation) to 31 December 2011.

Report on Other Legal and Regulatory Requirements

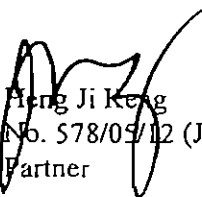
In accordance with the requirements of the Companies Act, 1965 in Malaysia, in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

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



Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants



Heng Ji Keang
No. S78/09/12 (J/PH)
Partner

Kuala Lumpur

Date: 23 APR 2012



13. ACCOUNTANTS' REPORT (Cont'd)



HALIMAHMAD & CO (AF 1205)

Chartered Accountants



Malaysian Institute of Accountants

(Established under the Accountants Act 1967)

Institut Akuntansi Malaysia

(Dipertubuhkan di bawah Akta Akuntan 1967)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
OCK SETIA ENGINEERING SDN. BHD. (528998-K)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of OCK SETIA ENGINEERING SDN. BHD., which comprise the balance sheet as at 31 December 2008, of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with the applicable Malaysian Accounting Standards Board approved accounting standards for private entities and the Companies Act, 1965 in Malaysia. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

13. ACCOUNTANTS' REPORT (Cont'd)

HALIM AHMAD & CO.

Company No.: 528998-K

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the applicable Malaysian Accounting Standards Board approved accounting standards for private entities and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2008 and of its financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements


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

- a) In our opinion the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purpose of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act

Other Matters

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


HALIM AHMAD & CO.
AF 1205
Chartered Accountants


ABD. HALIM BIN AHMAD
1962/06/09 (J)
Chartered Accountant

Date : 12 JUN 2009
Kuala Lumpur

13. ACCOUNTANTS' REPORT (Cont'd)



HALIMAHMAD & CO (AF 1205)
Chartered Accountants



Malaysian Institute of Accountants
(Incorporated under the Companies Act 1965)
Institut Akuntan Malaysia
(Ditubuhkan di bawah Akta 1965)

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
OCK SETIA ENGINEERING SDN. BHD. (528998-K)
(Incorporated in Malaysia)**

Report on the Financial Statements

We have audited the financial statements of OCK SETIA ENGINEERING SDN. BHD., which comprise the balance sheet as at 31 December 2009, of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with the applicable Malaysian Accounting Standards Board approved accounting standards for private entities and the Companies Act, 1965 in Malaysia. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

13. ACCOUNTANTS' REPORT (Cont'd)

HALIM AHMAD & CO.

Company No.: 528998-K

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the applicable Malaysian Accounting Standards Board approved accounting standards for private entities and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2009 and of its financial performance and cash flows for the year then ended.


Report on Other Legal and Regulatory Requirements


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

- a) In our opinion the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purpose of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act

Other Matters

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


HALIM AHMAD & CO.
AF 1205
Chartered Accountants


ABD. HALIM BIN AHMAD
1962/06/11 (J)
Chartered Accountant

Date : 14 JUN 2010
Kuala Lumpur

13. ACCOUNTANTS' REPORT (Cont'd)



BAKER TILLY
MONTEIRO HENG

Company No. 528998 - K

**INDEPENDENT AUDITORS' REPORT TO THE
MEMBERS OF OCK SETIA ENGINEERING SDN. BHD.**
(Incorporated in Malaysia)

BAKER TILLY MONTEIRO HENG
Chartered Accountants (AF 01171)
Monteiro & Heng Chambers
22 Jalan Tun Sambanthan 3
50470 Kuala Lumpur, Malaysia
phone : +603 2274 8988
fax : +603 2260 1708
email : info@bakertillymh.com.my
www.bakertillymh.com.my

Report on the Financial Statements

We have audited the financial statements of OCK Setia Engineering Sdn. Bhd., which comprise the statements of financial position as at 31st December 2010 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 6 to 71.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with the Financial Reporting Standards ("FRS") and the Companies Act, 1965 ("the Act") in Malaysia, and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud and error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company's preparation and fair presentation of the financial statements 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 Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

13. ACCOUNTANTS' REPORT (Cont'd)

Company No. 528998 - K

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the FRS and the Act so as to give a true and fair view of the financial position of the Group and of the Company as of 31st December 2010 and of their financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements


In accordance with the requirements of the Act, we also report the following:-

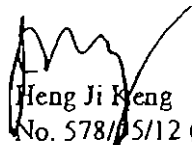
- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in the form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- c) Our audit reports on the financial statements of the subsidiaries did not contain any material qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

The financial statements of the Company for the financial year ended 31st December 2008 and 31st December 2009 were audited by another firm of Chartered Accountants whose report dated 12th June 2009 and 14th June 2010 respectively, expressed a unqualified opinion on those financial statements.

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


Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants


Heng Ji Keng
No. 578/05/12 (J/PH)
Partner

Kuala Lumpur

Date: 28 JUN 2011

13. ACCOUNTANTS' REPORT (Cont'd)



BAKER TILLY
MONTEIRO HENG

Company No. 528998 - K

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
OCK SETIA ENGINEERING SDN. BHD.
(Incorporated in Malaysia)

BAKER TILLY MONTEIRO HENG
Chartered Accountants (AF 0117)
Monteiro & Heng Chambers
22 Jalan Tun Sambanthan 3
50470 Kuala Lumpur, Malaysia
phone : +603 2274 8988
fax : +603 2260 1708
email : info@bakertillymh.com.my
www.bakertillymh.com.my

Report on the Financial Statements

We have audited the financial statements of OCK Setia Engineering Sdn. Bhd., which comprise the statements of financial position as at 31 December 2011 of the Group and the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 6 to 75.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company'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 Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

13. ACCOUNTANTS' REPORT (Cont'd)

Company No. 528998 - K

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2011 and of its financial performance and cash flows for the financial year then ended.


Report on Other Legal and Regulatory Requirements

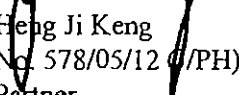
In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:-

- a) In our opinion, the accounting and other records and the registers required by the Companies Act, 1965 in Malaysia to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Companies Act, 1965 in Malaysia.
- b) We have considered the accounts and the auditors' reports of the subsidiary of which we have not acted as auditors, which are indicated in Note 5 to the financial statements.
- c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in the form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- d) The auditors' reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Companies Act, 1965 in Malaysia.

Other Matters

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


Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants


Heng Ji Keng
No. 578/05/12 (P/PH)
Partner

Kuala Lumpur

Date: 23 APR 2012

13. ACCOUNTANTS' REPORT (Cont'd)



BAKER TILLY
MONTEIRO HENG

BAKER TILLY MONTEIRO HENG
Chartered Accountants (AF 9117)
Monteiro & Heng Chambers
22 Jalan Tun Sambanthan 3
50470 Kuala Lumpur, Malaysia
phone : +603 2274 8988
fax : +603 2260 1708
email : info@bakertillymh.com.my
www.bakertillymh.com.my

Company No. 505154 - W

**INDEPENDENT AUDITORS' REPORT TO THE
MEMBERS OF DELICOM SDN.BHD.**

(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Delicom Sdn. Bhd., which comprise the statement of financial position as at 31st December 2008, 31st December 2009, and 31st December 2010 of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial period from 1st January 2008 to 31st December 2010, and a summary of significant accounting policies and other explanatory information, as set out on pages 1 to 34.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with the Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud and error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company's preparation and fair presentation of the financial statements 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 Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

13. ACCOUNTANTS' REPORT (Cont'd)

Company No. 505154 - W

Opinion


In our opinion, the financial statements have been properly drawn up in accordance with the Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31st December 2008, 31st December 2009 and 31st December 2010 and of its financial performance and cash flows for the financial years then ended.

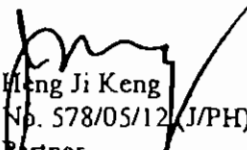
Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

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


Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants


Heng Ji Keng
No. 578/05/12 (J/PH)
Partner

Kuala Lumpur

Date: 03 NOV 2011

13. ACCOUNTANTS' REPORT (Cont'd)



BAKER TILLY
MONTEIRO HENG

Company No. 505154 - W

INDEPENDENT AUDITORS' REPORT TO THE
MEMBER OF DELICOM SDN. BHD.
(Incorporated in Malaysia)

BAKER TILLY MONTEIRO HENG
Chartered Accountants (AF 0117)
Monteiro & Heng Chambers
22 Jalan Tun Sambanthan 3
50470 Kuala Lumpur, Malaysia
phone : +603 2274 8988
fax : +603 2260 1708
email : info@bakertillymh.com.my
www.bakertillymh.com.my

Report on the Financial Statements

We have audited the financial statements of Delicom Sdn. Bhd., which comprise the statement of financial position as at 31 December 2011 of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 5 to 43.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements that give a true and fair view in accordance with the Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company'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 Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

13. ACCOUNTANTS' REPORT (Cont'd)

Company No. 505154 - W

Opinion

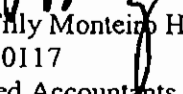
In our opinion, the financial statements have been properly drawn up in accordance with the Financial Reporting Standards and Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2011 and of its financial performance and cash flows for the financial year then ended.

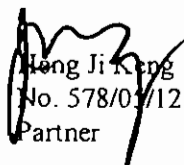
Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company has been properly kept in accordance with the provisions of the Act.

Other Matters

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


Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants


Heng Ji Keng
No. 578/01/12 (J/PH)
Partner

Kuala Lumpur

Date: 23 APR 2012

13. ACCOUNTANTS' REPORT (Cont'd)



HALIMA AHMAD & CO (AF 1205)

Chartered Accountants



Malaysian Institute of Accountants

(Incorporated under the Companies Act 1967)

Institut Akuntan Malaysia

(Incorporated under the Companies Act 1967)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
OCK M & E SDN. BHD. (598002-K)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of OCK M & E SDN. BHD., which comprise the balance sheet as at 31 December, 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with the applicable Malaysian Accounting Standards Board approved accounting standards for private entities and the Companies Act, 1965 in Malaysia. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

13. ACCOUNTANTS' REPORT (Cont'd)

HALIM AHMAD & CO.

Company No.: 598002-K

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the applicable Malaysian Accounting Standards Board approved accounting standards for private entities and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2008 and of its financial performance and cash flows for the year then ended.


Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

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


HALIM AHMAD & CO.
AF 1205
Chartered Accountants


ABD. HALIM BIN AHMAD
1962/06/09 (J)
Chartered Accountant

Date : 12 JUN 2009

Kuala Lumpur

13. ACCOUNTANTS' REPORT (Cont'd)



HALIMA AHMAD & CO (AF 1205)

Chartered Accountants



Malaysian Institute of Accountants

(Incorporated under the Companies Act 1965)

Institut Akuntansi Malaysia

(Incorporated under the Companies Act 1965)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
OCK M & E SDN. BHD. (598002-K)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of OCK M & E SDN. BHD., which comprise the balance sheet as at 31 December, 2009, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with the applicable Malaysian Accounting Standards Board approved accounting standards for private entities and the Companies Act, 1965 in Malaysia. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

13. ACCOUNTANTS' REPORT (Cont'd)

HALIM AHMAD & CO.

Company No.: 598002-K

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the applicable Malaysian Accounting Standards Board approved accounting standards for private entities and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December, 2009 and of its financial performance and cash flows for the year then ended


Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

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


HALIM AHMAD & CO.
AF 1205
Chartered Accountants


ABD. HALIM BIN AHMAD
1962/06/11 (J)
Chartered Accountant

Date: 14 JUN 2010

Kuala Lumpur

13. ACCOUNTANTS' REPORT (*Cont'd*)



BAKER TILLY
MONTEIRO HENG

BAKER TILLY MONTEIRO HENG
Chartered Accountants (AF 0117)
Monteiro & Heng Chambers
22 Jalan Tunj Sambanthan 3
50470 Kuala Lumpur, Malaysia
phone : +603 2274 8988
fax : +603 2260 1708
email : info@bakertillymh.com.my
www.bakertillymh.com.my

Company No. 598002 - K

**INDEPENDENT AUDITORS' REPORT TO THE
MEMBERS OF OCK M & E SDN. BHD.**
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of OCK M & E Sdn. Bhd., which comprise the statement of financial position as at 31st December 2010 of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 5 to 41.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with the Financial Reporting Standards ("FRS") and the Companies Act, 1965 ("the Act") in Malaysia, and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud and error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company's preparation and fair presentation of the financial statements 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 Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

13. ACCOUNTANTS' REPORT (Cont'd)

Company No. 598002 - K

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the FRS and the Act so as to give a true and fair view of the financial position of the Company as of 31st December 2010 and of its financial performance and cash flows for the financial year then ended.

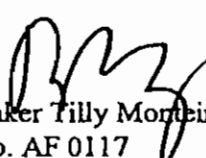
Report on Other Legal and Regulatory Requirements

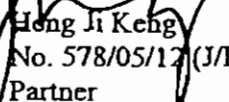
In accordance with the requirements of the Act, we also report in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

The financial statements of the Company for the financial year ended 31st December 2008 and 31st December 2009 were audited by another firm of Chartered Accountants whose report dated 12th June 2009 and 14th June 2010 respectively, expressed a unqualified opinion on those financial statements.

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


Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants


Heng Ji Keng
No. 578/05/12 (J/PH)
Partner

Kuala Lumpur

Date: 28 JUN 2011



13. ACCOUNTANTS' REPORT (Cont'd)



BAKER TILLY
MONTEIRO HENG

Company No. 598002 - K

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
OCK M & E SDN. BHD.
(Incorporated in Malaysia)

BAKER TILLY MONTEIRO HENG
Chartered Accountants (AF 0117)
Monteiro & Heng Chambers
22 Jalan Tun Sambanthan 3
50470 Kuala Lumpur, Malaysia
phone : +603 2174 8988
fax : +603 2260 1708
email : info@bakertillymh.com.my
www.bakertillymh.com.my

Report on the Financial Statements

We have audited the financial statements of OCK M & E Sdn. Bhd., which comprise the statement of financial position as at 31 December 2011 of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 5 to 43.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company'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 Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

13. ACCOUNTANTS' REPORT (Cont'd)

Company No. 598002 - K

Opinion


In our opinion, the financial statements have been properly drawn up in accordance with the Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2011 and of their financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

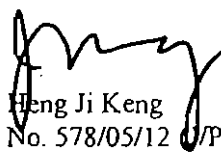
In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

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



Baker Tilly Monteiro-Heng
No. AF 0117
Chartered Accountants



Heng Ji Keng
No. 578/05/12 (CPH)
Partner

Kuala Lumpur

Date: 23 APR 2012



13. ACCOUNTANTS' REPORT (Cont'd)



Chartered Accountants

HALIMAH AHMAD & CO (AF 1205)



Malaysian Institute of Accountants

(Incorporated under the Companies Act 1965)

Institut Akakuntan Malaysia

(Dibubuatkan di bawah Akta 1965)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
FIRATEL SDN. BHD. (749375-D)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of FIRATEL SDN. BHD., which comprise the balance sheet as at 31 December, 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with the applicable Malaysian Accounting Standards Board approved accounting standards for private entities and the Companies Act, 1965 in Malaysia. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

13. ACCOUNTANTS' REPORT (Cont'd)

HALIM AHMAD & CO.

Company No.: 749375-D

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the applicable Malaysian Accounting Standards Board approved accounting standards for private entities and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2008 and of its financial performance and cash flows for the year then ended.


Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

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


HALIM AHMAD & CO.
AF 1205
Chartered Accountants


ABD. HALIM BIN AHMAD
1962/06/09 (J)
Chartered Accountant

Date : 12 JUN 2009

Kuala Lumpur

13. ACCOUNTANTS' REPORT (Cont'd)



HALIMAH & CO. (AF 1265)

Chartered Accountants



Malaysian Institute of Accountants

Malaysia Institute of Accountants (MIA)

Institut Akauntan Malaysia

Chartered Accountants of Malaysia

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
FIRATEL SDN. BHD. (749375-D)
(Incorporated in Malaysia)**

Report on the Financial Statements

We have audited the financial statements of FIRATEL SDN. BHD., which comprise the balance sheet as at 31 December, 2009, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with the applicable Malaysian Accounting Standards Board approved accounting standards for private entities and the Companies Act, 1965 in Malaysia. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

13. ACCOUNTANTS' REPORT (Cont'd)

HALIM AHMAD & CO.

Company No.: 749375-D

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the applicable Malaysian Accounting Standards Board approved accounting standards for private entities and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December, 2009 and of its financial performance and cash flows for the year then ended.

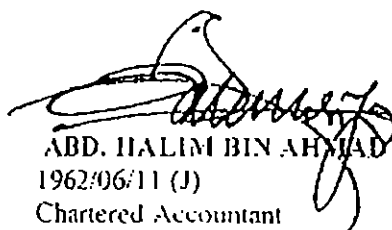
Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

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


HALIM AHMAD & CO.
AF 1205
Chartered Accountants


ABD. HALIM BIN AHMAD
1962/06/11 (J)
Chartered Accountant

Date : 14 JUN 2010

Kuala Lumpur

13. ACCOUNTANTS' REPORT (*Cont'd*)



BAKER TILLY
MONTEIRO HENG

Company No. 749375 - D

BAKER TILLY MONTEIRO HENG
Chartered Accountants (AF 0117)
Monteiro & Heng Chambers
22 Jalan Tun Sambanthan 3
50470 Kuala Lumpur, Malaysia
phone : +603 2274 8988
fax : +603 2260 1708
email : info@bakertillymh.com.my
www.bakertillymh.com.my

**INDEPENDENT AUDITORS' REPORT TO THE
MEMBERS OF FIRATEL SDN. BHD.**
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Firatel Sdn. Bhd., which comprise the statement of financial position as at 31st December 2010 of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 5 to 33.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with the Financial Reporting Standards ("FRS") and the Companies Act, 1965 ("the Act") in Malaysia, and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud and error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company's preparation and fair presentation of the financial statements 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 Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

13. ACCOUNTANTS' REPORT (Cont'd)

Company No. 749375 - D

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the FRS and the Act so as to give a true and fair view of the financial position of the Company as of 31st December 2010 and of its financial performance and cash flows for the financial year then ended.

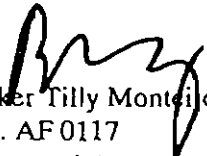
Report on Other Legal and Regulatory Requirements


In accordance with the requirements of the Act, we also report in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

Other Matters

The financial statements of the Company for the financial year ended 31st December 2008 and 31st December 2009 were audited by another firm of Chartered Accountants whose report dated 12th June 2009 and 14th June 2010 respectively, expressed unqualified opinion on those financial statements.

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


Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants


Heng Ji Keng
No. 578/05/12 (J/PH)
Partner

Kuala Lumpur

Date: 28 JUN 2011

13. ACCOUNTANTS' REPORT (Cont'd)



BAKER TILLY
MONTEIRO HENG

Company No. 749375 - D

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
FIRATEL SDN. BHD.
(Incorporated in Malaysia)

BAKER TILLY MONTEIRO HENG
Chartered Accountants (IAF 0117)
Monteiro & Heng Chambers
22 Jalan Tun Sambanthan 3
50470 Kuala Lumpur, Malaysia
phone : +603 2274 8988
fax : +603 2260 1708
email : info@bakertillymh.com.my
www.bakertillymh.com.my

Report on the Financial Statements

We have audited the financial statements of Firatel Sdn. Bhd., which comprise the statement of financial position as at 31 December 2011 of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 6 to 38.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company'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 Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

13. ACCOUNTANTS' REPORT (Cont'd)

Company No. 749375 – D

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2011 and of its financial performance and cash flows for the financial year then ended.

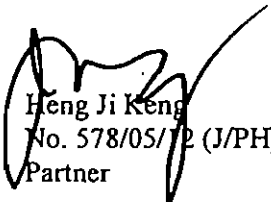
Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

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


Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants


Heng Ji Keng
No. 578/05/12 (J/PH)
Partner

Kuala Lumpur

Date: **23 APR 2012**

13. ACCOUNTANTS' REPORT (Cont'd)



BAKER TILLY
MONTEIRO HENG

BAKER TILLY MONTEIRO HENG
Chartered Accountants (AF 8117)
Monteiro & Heng Chambers
22 Jalan Tun Sambanthan 3
50470 Kuala Lumpur, Malaysia
phone : +603 2274 8988
fax : +603 2260 1708
email : info@bakertillymh.com.my
www.bakertillymh.com.my

Company No. 893120 - U

**INDEPENDENT AUDITORS' REPORT TO THE
MEMBERS OF STEADCOM SDN. BHD.**
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Steadcom Sdn. Bhd., which comprise the statement of financial position as at 31st December 2010 of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial period then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 5 to 28.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with the Financial Reporting Standards ("FRS") and the Companies Act, 1965 ("the Act") in Malaysia, and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud and error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company's preparation and fair presentation of the financial statements 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 Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

13. ACCOUNTANTS' REPORT (Cont'd)

Company No. 893120 - U

Opinion

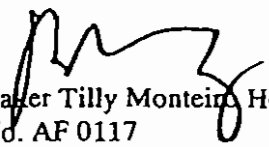
In our opinion, the financial statements have been properly drawn up in accordance with the FRS and the Act so as to give a true and fair view of the financial position of the Company as of 31st December 2010 and of its financial performance and cash flows for the financial period then ended.

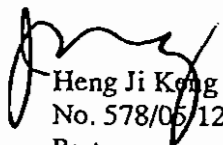
Report on Other Legal and Regulatory Requirements

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

Other Matters

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


Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants


Heng Ji Kong
No. 578/05/12 (J/PH)
Partner

Kuala Lumpur

Date: 28 JUN 2011

13. ACCOUNTANTS' REPORT (Cont'd)



BAKER TILLY
MONTEIRO HENG

Company No. 893120 - U

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
STEADCOM SDN. BHD.
(Incorporated in Malaysia)

BAKER TILLY MONTEIRO HENG
Chartered Accountants (AF 01171)
Monteiro & Heng Chambers
22 Jalan Tun Sambanthan 3
50470 Kuala Lumpur, Malaysia
phone : +603 2274 8988
fax : +603 2260 1708
email : info@bakertillymh.com.my
www.bakertillymh.com.my

Report on the Financial Statements

We have audited the financial statements of Steadcom Sdn. Bhd., which comprise the statement of financial position as at 31 December 2011 of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 5 to 36.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company'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 Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

13. ACCOUNTANTS' REPORT (Cont'd)

Company No. 893120 - U

Opinion

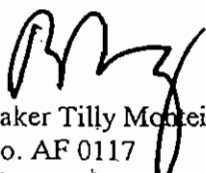
In our opinion, the financial statements have been properly drawn up in accordance with the Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2011 and of its financial performance and cash flows for the financial year then ended.

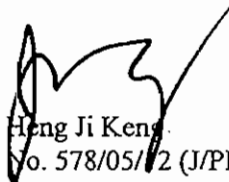
Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

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


Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants


Heng Ji Keng
No. 578/05/12 (J/PH)
Partner

Kuala Lumpur

Date: **23** APR 2012



13. ACCOUNTANTS' REPORT (*Cont'd*)



BAKER TILLY
MONTEIRO HENG

Company No. 913886 - A

BAKER TILLY MONTEIRO HENG
Chartered Accountants (AF 0117)
Monteiro & Heng Chambers
22 Jalan Tun Sambanthan 3
50470 Kuala Lumpur, Malaysia
phone : +603 2274 8988
fax : +603 2260 1708
email : info@bakertillymh.com.my
www.bakertillymh.com.my

**INDEPENDENT AUDITORS' REPORT TO THE
MEMBERS OF EI POWER TECHNOLOGIES SDN. BHD.**
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of EI Power Technologies Sdn. Bhd., which comprise the statement of financial position as at 31st December 2010 of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial period then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 5 to 31.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with the Financial Reporting Standards ("FRS") and the Companies Act, 1965 ("the Act") in Malaysia, and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud and error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company's preparation and fair presentation of the financial statements 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 Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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



an independent member of

**BAKER TILLY
INTERNATIONAL**

13. ACCOUNTANTS' REPORT (Cont'd)

Company No. 913886 - A

Opinion

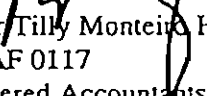
In our opinion, the financial statements have been properly drawn up in accordance with the FRS and the Act so as to give a true and fair view of the financial position of the Company as of 31st December 2010 and of its financial performance and cash flows for the financial period then ended.


Report on Other Legal and Regulatory Requirements

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

Other Matters

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


Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants


Heng Ji Ken
No. 578/05/12 (J/PH)
Partner

Kuala Lumpur

Date: 28 JUN 2011

13. ACCOUNTANTS' REPORT (Cont'd)



BAKER TILLY
MONTEIRO HENG

Company No. 913886 – A

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
EI POWER TECHNOLOGIES SDN. BHD.**
(Incorporated in Malaysia)

BAKER TILLY MONTEIRO HENG
Chartered Accountants (AF 0117)
Monteiro & Heng Chambers
22 Jalan Tun Sambanthan 3
50470 Kuala Lumpur, Malaysia
phone : +603 2274 8988
fax : +603 2260 1708
email : info@bakertillymh.com.my
www.bakertillymh.com.my

Report on the Financial Statements

We have audited the financial statements of EI Power Technologies Sdn. Bhd., which comprise the statement of financial position as at 31 December 2011 of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 6 to 41.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company'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 Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

13. ACCOUNTANTS' REPORT (Cont'd)

Company No. 913886 - A

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2011 and of its financial performance and cash flows for the financial year then ended.

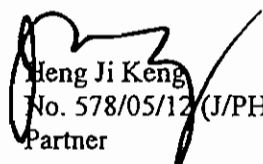
Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

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


Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants


Heng Ji Keng
No. 578/05/12 (J/PH)
Partner

Kuala Lumpur

Date: 23 APR 2012

13. ACCOUNTANTS' REPORT (Cont'd)
**BAKER TILLY
TFW LLP**

Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF
FORTRESS PTE. LTD.
(Incorporated in Singapore)**

 15 Beach Road #05-01 Beach Centre
Singapore 189677
Tel: (65) 6336 2828
Fax: (65) 6339 0238
www.bakertilly.com

Report on the Financial Statements

We have audited the accompanying financial statements of Fortress Pte. Ltd. (the "Company") set out on pages 5 to 20, which comprise the balance sheet as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period from 7 March 2011 (date of incorporation) to 31 December 2011, 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 (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 account and balance sheet 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 financial statements 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 Company as at 31 December 2011 and the results, changes in equity and cash flows of the Company for the period from 7 March 2011 (date of incorporation) to 31 December 2011.

Report on Other Legal and Regulatory Requirements

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

Baker Tilly TFW LLP
Public Accountants and
Certified Public Accountants
Singapore

4 April 2012

13. ACCOUNTANTS' REPORT (Cont'd)

Company No. 949821-D



BAKER TILLY
MONTEIRO HENG

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
FORTRESS DISTRIBUTION SDN. BHD.
(Incorporated in Malaysia)

BAKER TILLY MONTEIRO HENG
Chartered Accountants (AF 0117)
Monteiro & Heng Chambers
22 Jalan Tun Sambanthan 3
50470 Kuala Lumpur, Malaysia
phone : +603 2274 8988
fax : +603 2260 1708
email : info@bakertillymh.com.my
www.bakertillymh.com.my

Report on the Financial Statements

We have audited the accompanying financial statements of **FORTRESS DISTRIBUTION SDN. BHD.**, which comprise the statement of financial position as at 31 December 2011 of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial period from 23 June 2011 (date of incorporation) to 31 December 2011, and a summary of significant accounting policies and other explanatory information, as set out on pages 6 to 29.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company'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 Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

13. ACCOUNTANTS' REPORT (Cont'd)

Company No. 949821-D

Opinion


In our opinion, the financial statements have been properly drawn up in accordance with the Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2011 and of its financial performance and cash flows for the financial period from 23 June 2011 (date of incorporation) to 31 December 2011.

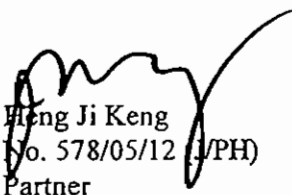
Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

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


Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants


Heng Ji Keng
No. 578/05/12 (JPH)
Partner

Kuala Lumpur

Date: **23 APR 2012**