# KARYON INDUSTRIES BERHAD (“KIB”)

(Company No: 612797-T)

(Incorporated in Malaysia)

# UNAUDITED QUARTERLY REPORT FOR THE 4TH QUARTER ENDED 31 DECEMBER 2012

Explanatory notes to the Interim Financial Statements

## Accounting Policies and Basis of Preparation

This interim financial statements has been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134: Interim Financial Reporting and Rule 9.22 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2011.

1. **Significant Accounting Policies**

The significant accounting policies adopted by KIB and its subsidiaries (“Group”) in this interim financial statements are consistent with those adopted in the financial statements for the financial year ended 31 December 2011 except for the newly-issued Malaysian Accounting Standards Board approved accounting framework - MFRS and IC Interpretations (“IC Int.”) to be applied by all Entities Other Than Private Entities for the financial period beginning on 1 January 2012. The Group has reviewed its accounting policies and concluded that the transition from Financial Reporting Standards (“FRS”) to MFRS did not give rise to any significant effects on the financial statements of the Group in the initial application.

At the date of authorisation of these interim financial statements, the following MFRSs and Amendments to MFRSs were issued but not yet effective and have not been applied by the Group:

|  |  |
| --- | --- |
| **MFRSs and Amendments to FRSs issued but not yet effective** | **Effective for annual periods beginning on or after** |
| Amendments to MFRS 101 | Presentation of Items of Other Comprehensive Income | 1 July 2012 |
| MFRS 10 | Consolidated Financial Statements | 1 January 2013 |
| MFRS 11 | Joint Arrangements | 1 January 2013 |
| MFRS 12 | Disclosure of Interests in Other Entities | 1 January 2013 |
| MFRS 13 | Fair Value Measurement | 1 January 2013 |
| MFRS 119 | Employee Benefits | 1 January 2013 |
| MFRS 127 | Separate Financial Statements | 1 January 2013 |
| MFRS 128 | Investments in Associates and Joint Ventures | 1 January 2013 |
| Amendments to MFRS 7 | Disclosures – Offsetting Financial Assets and Financial Liabilities | 1 January 2013 |
| Amendments to MFRS 10, MFRS 11 and MFRS 12) | Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance | 1 January 2013 |
| Annual Improvements 2009-2011 cycle issued in July 2012 | 1 January 2013 |
| Amendments to MFRS 132 | Offsetting Financial Assets and Financial Liabilities  | 1 January 2014 |
| MFRS 9 | Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010) | 1 January 2015 |

**3. Audit Report of the Preceding Audited Financial Statements**

The auditors’ report of the preceding annual financial statements of the Group was not subject to any qualification.

**4. Seasonal or Cyclical Factors**

There were no seasonal or cyclical factors affecting the results of the Group for the current financial quarter under review.

**5. Unusual Items**

There were no items or events that arose, which is unusual because of its nature, size, or incidence that has affected the assets, liabilities, equity, net income or cash flows of the Group for the current financial quarter under review.

**6. Material Changes in Estimates**

There were no material changes in estimates of amounts reported in prior financial years that have material effect on the current financial quarter under review.

**7. Changes in Debts and Equity Securities**

A total of 95,224,994 KIB warrants were exercised into new ordinary shares of RM0.10 in KIB during the current financial year-to-date.

Save for the above, there were no issuance and repayment of debt and equity securities, share buy-backs and share cancellation, for the current financial quarter under review.

**8. Dividend Declared/Paid**

The dividend declared/paid during the current financial quarter and cumulative financial year-to-date is as follows:

|  |  |  |
| --- | --- | --- |
|  |  |  |
|  | **2012** | **2011** |
| Final dividend: | **RM** | **RM** |
| Final tax exempt dividend of 6.50% or RM0.0065 per ordinary share of RM0.10 each in respect of the financial year ended 31 December 2011, which was declared on 24 April 2012 and paid on 18 July 2012 | 2,472,431 |  |
| Interim dividend: |  |  |
| Interim single tier dividend of 5.00% or RM0.0050 per ordinary share of RM0.10 each in respect of the financial year ended 31 December 2012, which was declared on 3 September 2012 and paid on 10 October 2012 | 1,901,872 |  |

|  |  |
| --- | --- |
| Interim dividend:Interim tax exempt dividend of 5.00% or RM0.0050 per ordinary share of RM0.10 each in respect of the financial year ended 31 December 2012,which was declared on 27 November 2012 and paid on 26 December 2012  | 1,901,872 |

|  |  |  |
| --- | --- | --- |
| Interim dividend:Interim tax exempt dividend of 3.50% or RM0.0035 per ordinary share of RM0.10 each in respect of the financial year ended 31 December 2011, which was declared on 3 August 2011 and paid on 14 September 2011 |  | 831,685 |

1. **Segmental Reporting**

The segmental result of the Group for the current financial quarter under review is set out below:

**3 months ended 31 December 2012**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Investment Holding | Manufacturing of Polymeric product | Manufacturing of Oleochemical product | Total |
|  | RM’000 | RM’000 | RM’000 | RM’000 |
| **REVENUE** |  |  |  |  |
| Sales (Gross) | 1,029 | 30,371 | 5,170 | 36,570 |
| Inter-segment sales | (977) | (2,760) | - | (3,737) |
| External | 52 | 27,611 | 5,170 | 32,833 |
|  |  |  |  |  |
| **RESULT** |  |  |  |  |
| Segment result | (319) | 3,021 | 227 | 2,929 |
| Finance costs  | - | (45) | (11) | (56) |
| Share of profit in a jointly controlled entity | 2 | - | - | 2 |
| (Loss)/Profit before tax  | (317) | 2,976 | 216 | 2,875 |
| Tax (expense)/benefit | (69) | 345 | 110 | 386 |
| (Loss)/Profit after tax | (386) | 3,321 | 326 | 3,261 |
|  |  |  |  |  |
| **Consolidated Statement of Financial Position** |  |  |  |  |
| Segment assets | 11,418 | 64,837 | 10,497 | 86,752 |
| Segment liabilities | 421 | 13,166 | 1,299 | 14,886 |

**3 months ended 31 December 2011**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Investment Holding | Manufacturing of Polymeric product | Manufacturing of Oleochemical product | Total |
|  | RM’000 | RM’000 | RM’000 | RM’000 |
| **REVENUE** |  |  |  |  |
| Sales (Gross) | 474 | 23,716 | 4,710 | 28,900 |
| Inter-segment sales |  (469) | (1,968) | - | (2,437) |
| External | 5 | 21,748 | 4,710 | 26,463 |
|  |  |  |  |  |
| **RESULT** |  |  |  |  |
| Segment result | (465) | 2,428 | 417 | 2,380 |
| Finance costs  | - | (39) | (17) |  (56) |
| Share of profit in a jointly controlled entity | 161 | - | - | 161 |
| (Loss)/Profit before tax  | (304) | 2,389 | 400 | 2,485 |
| Tax benefit /(expense) | 191 | (312) | (84) |  (205) |
| (Loss)/Profit after tax | (113) |  2,077 | 316 | 2,280 |
|  |  |  |  |  |
| **Consolidated Statement of Financial Position** |  |  |  |  |
| Segment assets | 6,118 | 53,614 | 9,527 | 69,259 |
| Segment liabilities | 624 | 13,059 | 1,708 | 15,391 |

1. **Segmental Reporting (cont’d)**

 The segmental result of the Group for the cumulative financial year-to-date under review is set out below:

**12 months ended 31 December 2012**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Investment Holding | Manufacturing of Polymeric product | Manufacturing of Oleochemical product | Total |
|  | RM’000 | RM’000 | RM’000 | RM’000 |
| **REVENUE** |  |  |  |  |
| Sales (Gross) | 6,861 | 113,748 | 19,857 | 140,466 |
| Inter-segment sales |  (6,677) | (10,187) | - | (16,864) |
| External | 184 | 103,561 | 19,857 | 123,602 |
|  |  |  |  |  |
| **RESULT** |  |  |  |  |
| Segment result | (1,413) | 10,221 | 1,215 | 10,023 |
| Finance costs  | - | (162) | (36) | (198) |
| Share of profit in a jointly controlled entity |  115 | - | - | 115 |
| (Loss)/Profit before tax  | (1,298) | 10,059 | 1,179 | 9,940 |
| Tax expense | (354) | (1,278) | (68) | (1,700) |
| (Loss)/Profit after tax | (1,652) | 8,782 | 1,110 | 8,240 |
|  |  |  |  |  |
| **Consolidated Statement of Financial Position** |  |  |  |  |
| Segment assets | 11,418 | 64,837 | 10,497 | 86,752 |
| Segment liabilities | 421 | 13,166 | 1,299 | 14,886 |

**12 months ended 31 December 2011**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Investment Holding | Manufacturing of Polymeric product | Manufacturing of Oleochemical product | Total |
|  | RM’000 | RM’000 | RM’000 | RM’000 |
| **REVENUE** |  |  |  |  |
| Sales (Gross) | 7,450 | 99,829 | 18,386 | 125,665 |
| Inter-segment sales |  (7,427) | (7,885) | - | (15,312) |
| External | 23 | 91,944 | 18,386 | 110,353 |
|  |  |  |  |  |
| **RESULT** |  |  |  |  |
| Segment result | (1,616) | 9,447 | 1,009 | 8,840 |
| Finance costs  | (1) | (152) | (67) | (220) |
| Share of profit in a jointly controlled entity | 250 | - | - | 250 |
| (Loss)/Profit before tax  | (1,367) | 9,295 | 942 | 8,870 |
| Tax expense | (59) | (1,343) | (190) | (1,592) |
| (Loss)/Profit after tax | (1,426) | 7,952 | 752 | 7,278 |
|  |  |  |  |  |
| **Consolidated Statement of Financial Position** |  |  |  |  |
| Segment assets | 6,118 | 53,614 | 9,527 | 69,259 |
| Segment liabilities | 624 | 13,059 | 1,708 | 15,391 |

**10. Valuation of Property, Plant and Equipment**

The Group did not revalue any of its property, plant and equipment during the current financial quarter under review. Therefore, the valuation of property, plant and equipment has been brought forward without amendment from the previous annual financial statements.

**11. Material Events Subsequent to the End of the Current Financial Quarter**

There were no material events occurred from 1 January 2013 to the date of announcement.

## 12. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current financial quarter under review.

**13. Contingent Liabilities and Contingent Assets**

1. **Contingent liabilities**

The amounts of contingent liabilities as at 31 December 2012 are as follows:

|  |  |
| --- | --- |
|  | RM |
| Guarantees to banks for trade facilities granted | 23,050,000 |
| Guarantees to suppliers  |  3,000,000 |

**(b) Contingent assets**

There were no contingent assets as at the end of current financial quarter under review.

**14. Capital Commitment**

Capital commitment as at 31 December 2012 is as follows:

|  |  |
| --- | --- |
| Capital expenditure: | RM |
| Approved but not contracted for | 704,749 |

**15. Performance Review**

 **Current Financial Quarter as compared with Previous Year Corresponding Quarter**

|  |  |  |
| --- | --- | --- |
|  | **3 Months Ended** | **Variance** |
|  | **31.12.2012** | **31.12.2011** | **Amount** | **%** |
|  | **RM’000** | **RM’000** | **RM’000** |
| Revenue | 32,833 | 26,463 | 6,370 | 24.07 |
| Profit before tax  | 2,875 | 2,485 | 390 | 15.69 |

For the quarter ended 31 December 2012, the Group recorded revenue of RM32.833 million, an increase of RM6.370 million or 24.07% as compared to revenue of RM26.463 million recorded for the corresponding quarter ended 31 December 2011. The higher revenue was due mainly to the growth in sales volume for both polymeric and oleochemical divisions.

The Group’s profit before tax for the quarter ended 31 December 2012 had correspondingly increased by 15.69% to RM2.875 million as compared to the profit before tax of RM2.485 million recorded in the preceding financial year corresponding period due to the increase in revenue. However, the profit before tax was not increased in tandem with sales due mainly to the higher magnitude of increases in manufacturing cost and distribution costs. There were no other unusual or one-off gains that affect the revenue and profit before tax of the Company for the current financial quarter and previous year corresponding quarter.

Performance of the respective operating business segments for the current financial quarter as compared to the previous year corresponding quarter is analysed as follows:

Polymeric division

The revenue of polymeric division had increased by RM5.863 million, which was contributed mainly by the increase in sales volume by 1,351 metric tonnes. Similarly, the profit before tax has also increased by RM0.587 million due principally to the increase in revenue.

Oleochemical division

The revenue of oleochemical division had increased by RM0.460 million which was due mainly to the slight increase in sales volume by 210 metric tonnes. However, profit before tax had decreased by RM0.184 million due mainly to the increase in freight charges and sales commission.

Investment holding

No significant changes.

**15. Performance Review (cont’d)**

**Current Financial Period compared with Previous Year Corresponding Period**

|  |  |  |
| --- | --- | --- |
|  | **12 Months Ended** | **Variance** |
|  | **31.12.2012** | **31.12.2011** | **Amount** | **%** |
|  | **RM’000** | **RM’000** | **RM’000** |
| Revenue | 123,602 | 110,353 | 13,249 | 12.01 |
| Profit before tax  | 9,940 | 8,870 | 1,070 | 12.06 |

The Group registered revenue of RM123.602 million for the current financial year as compared to RM110.353 million in the previous financial year. Profit before tax for the financial year ended 31 December 2012 has also increased by 12.06%, from RM8.870 million to RM9.940 million due principally to the higher sales volume while the gross profit margin are consistent for both financial years.

Performance of the respective operating business segments for the financial year ended 31 December 2012 as compared to the previous financial year is analysed as follows:

Polymeric division

The revenue of polymeric division had increased by RM11.617 million or 12.63% as compared to the previous financial year. This was due mainly to the increase in production capacity which enabled the Group to cater for increased demand from both existing and new customers subsequent to the installation of new machinery in the fourth quarter of the previous financial year. The total sales volume has increased by 3,650 metric tonnes for the current financial year with the increased production capacity. In addition, the polymeric division had also entered into new markets namely Japan, Mauritius, Nepal, Hong Kong and Tanzania which contributed total sales of RM5.648 million.

Similarly, profit before tax had also increased by RM0.765 million or 8.23%, from RM9.295 million to RM10.059 million due to higher sales achieved. However, the quantum of increase was not in tandem with the increase in sales due to an increase in freight charges and staff costs.

Oleochemical division

The revenue of oleochemical division had increased by RM1.471 million or 8.00%. This was due mainly to the increase in sales volume by 23.00%. However, the increase was mitigated by the decrease in average selling price by 15.00%. Profit before tax for oleochemical division had also increased by RM0.236 million, from RM0.942 million to RM1.179 million, which was due mainly to the improvement in sales.

Investment holding

The revenue had increased by RM0.161 million due to higher interest income received as compared to the previous financial year.

 **16. Material Changes in Profit Before Tax as Compared with the Immediate Preceding Quarter**

|  |  |  |
| --- | --- | --- |
|  | **3 Months Ended** | **Deviation** |
|  | **31.12.2012** | **30.09.2012** | **Amount** | **%** |
|  | **RM’000** | **RM’000** | **RM’000** |
| Revenue | 32,833 | 31,718 | 1,115 | 3.52 |
| Profit before tax  | 2,875 | 2,842 | 33 | 1.16 |

The Group’s profit before tax of RM2.875 million for the final quarter ended 31 December 2012 shows an increase of RM0.033 million or 1.16% as compared to the profit before tax of RM2.842 million for the preceding quarter ended 30 September 2012.

This was due mainly to the increase in sales volume and improvement in gross profit margin for polymeric division. However, this increase was mitigated by the increase in freight charges, sales commission and a reduction in foreign exchange gain.

## 17. Future Prospects

Moving forward to 2013, the Group expects to deliver another year of satisfactory and stable performance based on the following:

1. leveraging on the sound financial background of the Group;
2. continue to expand its market share in overseas and local markets;
3. improve its operational efficiencies; and
4. good business network.

## 18. Variance of Profit Forecast and Shortfall in Profit Guarantee

The Group has not issued any profit forecast or profit guarantee for the current financial quarter under review.

## 19. Tax Expense

 The tax expense charged for the current financial quarter under review and financial year-to-date includes the followings:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **Current Quarter 31.12.2012** |  | **Financial Year-To-Date** **31.12.2012** |
|  |  | **RM’000** |  | **RM’000** |
|  |  |  |  |  |
|  | Estimated current tax expense | - |  | 1,385 |
|  | Over provision of tax in previous quarters | (461) |  | - |
|  | (Over)/Under provision of tax in prior year | (12) |  | 155 |
|  | Deferred tax liability | 87 |  | 160 |
|  |  | (386) |  | 1,700 |

## The Group’s effective tax rate was lower than the statutory tax rate of 25% due mainly to the utilisation of tax incentive from the Allowance for Increased Export by certain subsidiary companies.

**20. (i)** **Status of Corporate Proposals**

There was no corporate proposal announced but not completed as at the date of this report.

 **(ii) Status of Utilisation of Proceeds**

 Proceeds from Rights Issue of Warrant

The renounceable rights issue of 89,826,812 warrants, which was completed on 6 April 2007, raised a total gross proceeds of approximately RM4.49 million. As at 31 December 2012, KIB had fully utilised the total gross proceeds as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Purpose** | **Revised proposed utilisation****RM’000** | **Actual****utilisation****RM’000** |  **Balance unutilised** **RM’000** |  **Utilisation of balance for the working capital of KIB Group****RM’000** | **Remaining balance as at 30 September 2012****RM’000** | **Final Revision of proposed utilisation****RM’000** |
| Expansion of the KIB Group’s polymeric division | 600***(a)*** | 563 | 37***(b)*** | (37) | - | - |
| Part financing for the construction costs of a new factory on a piece of land to be acquired | 700 | 181 | 519***(c)*** | - | 519 | (519) ***(e)*** |
| Working capital for the KIB Group | 2,751***(a)*** | 2,794 | (43) | 43***(b)(d)*** | - | 519 |
| Defrayment of the expenses incidental to the Rights Issue | 440 | 434 | 6***(d)*** | (6) | - | - |
| TOTAL  | 4,491 | 3,972 | 519 | - | 519 | - |

*Notes:*

*(a) On 3 May 2007, the Company announced that the Company proposed to vary the proposed utilisation of proceeds raised. This proposed variation is not subject to any regulatory approval and/or Company’s shareholders approval. However, in view of the significant variation of the proposed utilisation of proceeds, the Board had vide its letter dated 30 April 2007, notified the Securities Commission Malaysia on the proposed variation. The proposed variation involved the allocation of RM400,000 from expansion of the KIB Group’s polymeric division to working capital for the KIB Group.*

*(b) The surplus fund of approximately RM37,000 allocated for the expansion of the KIB Group’s polymeric division has been utilised for the working capital of the KIB Group.*

**20. (ii) Status of Utilisation of Proceeds (cont’d)**

*(c) On 3 April 2008, the Company announced that the Company proposed to extend the timeframe for the utilisation of proceeds of RM700,000 raised from the Rights Issue of Warrants in relation to the part financing for the construction costs of a new factory to be built on a piece of land acquired by a wholly-owned subsidiary, Hsing Lung Sdn Bhd (“HLSB”), for eighteen (18) months i.e. from 5 April 2008 to 5 October 2009. This extension was made as HLSB requires more time to study on the construction plan of the new factory and has yet to utilise the proceeds raised from the rights issue.*

 *On 17 September 2009, the Company has deferred the timeframe for the utilisation of proceeds of RM700,000 raised, i.e. from 5 October 2009 to 5 October 2010 as HLSB is awaiting the approvals from the relevant authorities on the building plan of the new factory.*

 *On 30 September 2010, the Company has further deferred the timeframe for the utilisation of proceeds from 5 October 2010 to 5 October 2011. This extension was made as HLSB is in the midst of selecting the appropriate contractors for the construction of the new factory based on its approved building plan.*

 *On 12 October 2011, the Company has further deferred the timeframe for the utilisation of proceeds from 6 October 2011 to 5 October 2012. This extension was made as there was a dispute in the estimated cost of construction between HLSB and the consultant appointed for the construction of the new factory (“Project”). As such, HLSB would require more time to further study on the viability for the continuation of the Project.*

*(d) The surplus fund of approximately RM6,000 allocated for the expenses of the Rights Issue of Warrants has been utilised for the working capital of the KIB Group.*

*(e) On 4 October 2012, the Company announced that the Company proposed to revise the balance proceeds of approximately RM519,000 allocated for the Project to working capital for the Group as the Board has decided not to proceed with the Project due to the dispute on the estimated costs of construction with the consultant of the Project. Furthermore, the Board is of the view that the continuation of this Project is not viable in view of the increasing cost of building materials.*

**21. Group Borrowings and Debt Securities**

 The Group’s borrowings, which are all denominated in Ringgit Malaysia, as at 31 December 2012 are shown below:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Secured****RM’000** |  | **Unsecured****RM’000** |  | **Total****RM’000** |
| **Long Term Borrowings** |  |  |  |  |  |
| Hire purchase creditors |  - |  | - |  |  - |
| Term loans | 361 |  | - |  | 361 |
|  | **361** |  | **-** |  | **361** |
|  |  |  |  |  |  |
| **Short Term Borrowings** |  |  |  |  |  |
| Hire purchase creditors |  - |  | - |  |  - |
| Bankers’ acceptance | - |  | - |  | - |
| Term loans | 273 |  | - |  | 273 |
|  | **273** |  | **-** |  | **273** |
|  |  |  |  |  |  |
| **Total** | **634** |  | **-** |  | **634** |

**22. Realised and Unrealised Retained Profits**

|  |  |  |
| --- | --- | --- |
|  | **Current quarter ended 31/12/2012** | **Preceding quarter ended 30/09/2012** |
|  | **RM’000** | **RM’000** |
| Total retained profits of KIB and its subsidiaries: |  |  |
| * + Realised
 | 24,998 | 25,456 |
| * + Unrealised
 | (1,522) | (1,435) |
|  | 23,476 | 24,021 |
| Total share of retained profits from jointly controlled entity: |  |  |
| * + Realised
 | 591 | 589 |
|  |  |  |
| Total Group retained profits  | **24,067** | **24,610** |

**23. Material Litigation**

1. Writ of Summons and Statement of Claim By Hsing Lung Sdn Bhd (“HLSB”), a wholly-owned subsidiary of Karyon Industries Berhad (“KIB”) against Mahabuilders Sdn Bhd

HLSB, a wholly-owned subsidiary of KIB, had on 6 June 2008 through its solicitors served the sealed Writ of Summons and Statement of Claim on Mahabuilders Sdn Bhd for loss and damage in tort and contract in connection with the acquisition of a piece of land held under HS(D) 212275 PTD 111374 in the Mukim of Plentong, District of Johor Bahru, Johor Darul Takzim.

The Writ of Summons and Statement of Claim (No.22-329-2008(4)) was filed with and a sealed copy thereof extracted from the Johor Bahru High Court on 13 May 2008 and 28 May 2008 respectively.

The Court has dismissed HLSB claim against Mahabuilders Sdn Bhd on 16 December 2011. Further thereto, a Notice of Appeal against the decision made by the Court was filed by HLSB’s solicitor to the Court of Appeal on 9 January 2012.

**24. Dividend**

An interim tax exempt dividend of 5.0% or RM0.005 per ordinary share of RM0.10 each in respect of the financial year ended 31 December 2012 was declared on 27 November 2012 and paid on 26 December 2012.

The total dividend declared and paid in respect of the financial year ended 31 December 2012 was 10.0% or RM3,803,744 (2011: 10.0% or RM3,304,116).

At the forthcoming Annual General Meeting, a final dividend of 4.00% under the single tier system in respect of the financial year ended 31 December 2012, will be proposed for shareholders’ approval. Based on the issued and paid up share capital as at 31 December 2012 of 380,374,406 ordinary shares, the total dividend payable would amount to RM1,521,497.62. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2013.

The entitlement and payment dates will be determined at a later date.

**25. Notes to the Condensed Consolidated Statement of Comprehensive Income**

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

|  |  |  |
| --- | --- | --- |
|  | **4th Quarter Ended** | **12 Months Ended** |
|  | **31.12.2012** | **31.12.2011** | **31.12.2012** | **31.12.2011** |
|  | **RM’000** | **RM’000** | **RM’000** | **RM’000** |
| Amortisation of prepaid lease payments for land | 1 | 1 | 6 | 6 |
| Bad debts written off | - | - | - | 29 |
| Bad debts recovery | - | - | (24) | (34) |
| Depreciation of property, plant and equipment | 193 | 183 | 755 | 683 |
| Net foreign exchange loss/(gains) | (18) | 68 | (166) | 206 |
| Gain on disposal of property, plant and equipment | - | - | (66) | \* |
| Interest income | (64) | (19) | (257) | (100) |
| Other income | (27) | (44) | (92) | (156) |
| Interest expenses | 21 | 32 | 81 | 129 |

*\* denotes RM300.00*

Save as disclosed above, the other items required under Section 16, Appendix 9B of the ACE Market Listing Requirement of Bursa Securities are not applicable.

**26. Earnings Per Share (“EPS”)**

 **Basic**

The calculation of the basic EPS is based on the net profit for the current financial quarter and the twelve (12) months financial period, divided by the weighted average number of ordinary shares of RM0.10 each in issue during the current financial quarter and the twelve (12) months financial period.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **4th Quarter Ended** |  | **12 Months Ended** |
|  |  | **31.12.2012** | **31.12.2011** |  | **31.12.2012** | **31.12.2011** |
| Net profit for the period attributable to owners of the parent (RM’000) |  | 3,261 | 2,280 |  | 8,240 | 7,278 |
|  |  |  |  |  |  |  |
| Weighted average number of ordinary shares in issue (’000) |  | 349,502 | 246,406 |  | 357,262 | 239,837 |
|  |  |  |  |  |  |  |
| Basic EPS (sen) |  | 0.93 | 0.93 |  | 2.31 | 3.03 |

**26. Earnings Per Share (“EPS”) (cont’d)**

 **Diluted**

The calculation of the diluted EPS is based on the net profit for the current financial quarter and the twelve (12) months financial period, divided by the adjusted weighted average number of ordinary shares of RM0.10 each in issue and issuable under the exercise of share options granted under the ESOS and warrant exercise.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **4th Quarter Ended** |  | **12 Months Ended** |
|  |  | **31.12.2012** | **31.12.2011** |  | **31.12.2012** | **31.12.2011** |
| Weighted average number of ordinary shares in issue (’000) |  | 349,502 | 246,406 |  | 357,262 | 239,837 |
|  |  |  |  |  |  |  |
| Effect of ESOS and Warrants\* (’000) |  | 492 | 30,082 |  | 492 | 30,082 |
|  |  |  |  |  |  |  |
| Adjusted weighted average number of ordinary shares in issue and issuable (’000)  |  | 349,994 | 276,488 |  | 357,754 | 269,919 |
|  |  |  |  |  |  |  |
| Diluted EPS (sen) |  | 0.93 | 0.82 |  | 2.30 | 2.70 |

 *Note:*

 *\* The dilutive effect on warrants was only applicable for the comparative figures as the warrants had been converted/expired during the current financial year.*