



**CB INDUSTRIAL  
PRODUCT  
HOLDING  
BERHAD**

(Company No. 428930-H)  
Incorporated in Malaysia



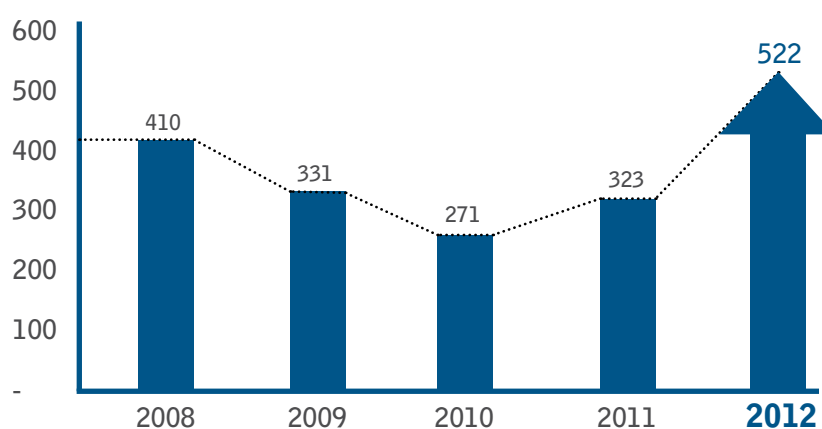
# ANNUAL REPORT 2012

# FIVE YEARS FINANCIAL HIGHLIGHTS

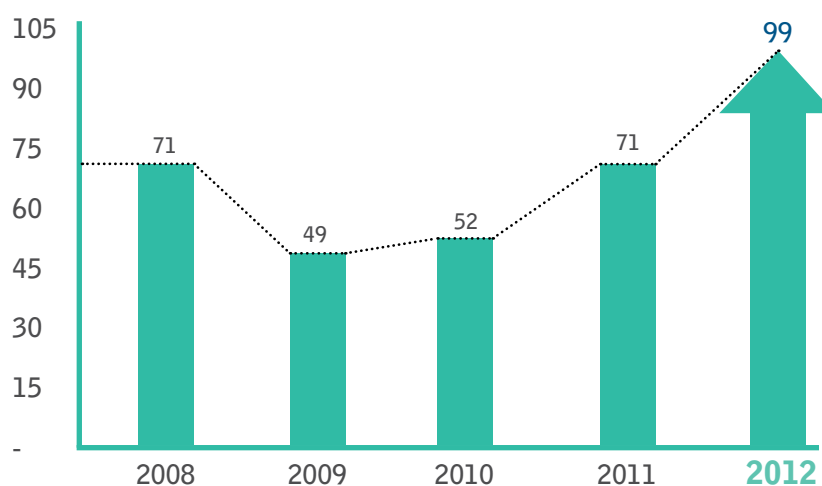
In RM'000	2008	2009	2010	2011	2012
Turnover	409,903	331,468	270,893	322,611	<b>521,728</b>
Profit Before Taxation	70,562	49,083	52,476	70,890	<b>99,318</b>
Net Profit For The Financial Year	60,686	40,381	66,328	104,603	<b>239,619</b>
Shareholders' Funds	217,941	248,417	288,135	380,949	<b>484,161</b>
Earnings Per Share (Sen)	22.2*	14.9*	24.9*	51.9*	<b>118.4</b>

\* Adjusted for enlarged share capital after bonus issue in 2012

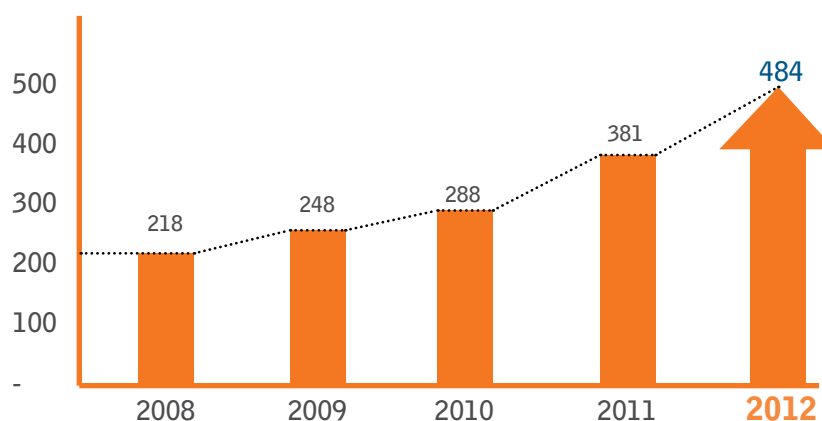
## TURNOVER (RM Million)



## PROFIT BEFORE TAXATION (RM Million)



## SHAREHOLDERS' FUNDS (RM Million)



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS



### AUDIT COMMITTEE

**Wong Chee Beng**

*Chairman, Senior Independent Non-Executive Director*

**Michael Ting Sii Ching**

*Independent Non-Executive Director*

**Lim Chai Huat**

*Non-Independent Non-Executive Director*

### COMPANY SECRETARIES

Teo Mee Hui (MAICSA 7050642)

Pang Chia Tyng (MAICSA 7034545)

### REGISTERED OFFICE

Lot 4, Jalan Waja 15  
Kawasan Perusahaan Telok Panglima Garang  
42500 Telok Panglima Garang  
Selangor Darul Ehsan  
Telephone No.: 03-3122 2786  
Facsimile No.: 03-3122 1336  
E-mail: [info@cbip.com.my](mailto:info@cbip.com.my)  
Website: [www.cbip.com.my](http://www.cbip.com.my)

1

**Tan Sri Datuk Dr. Yusof  
Bin Basiran**

*Independent Non-Executive  
Chairman*

2

**Lim Chai Beng**

*Managing Director*

3

**Lim Chai Huat**

*Non-Independent Non-Executive  
Director*

4

**Mak Chee Meng**

*Executive Director*

5

**Y.D.M Tengku Dato' Ardy  
Esfandiari Bin Tengku  
Abdul Hamid Shah Alhaj  
Tengku Seri Paduka  
Shahbandar (Selangor)**

*Executive Director*

6

**Michael Ting Sii Ching**

*Independent Non-Executive  
Director*

7

**Wong Chee Beng**

*Senior Independent Non-  
Executive Director*

## SHARE REGISTRAR

Symphony Share Registrars Sdn.  
Bhd.  
Level 6, Symphony House Block  
D13  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya  
Selangor Darul Ehsan  
Telephone No. : 03-7841 8000  
Facsimile No. : 03-7841 8008

## PRINCIPAL BANKERS

OCBC Bank (Malaysia) Berhad  
HSBC Bank Malaysia Berhad  
AmBank (M) Berhad

## AUDITORS

Crowe Horwath  
Chartered Accountants  
Level 16, Tower C  
Megan Avenue II  
12, Jalan Yap Kwan Seng  
50450 Kuala Lumpur  
Telephone No.: 03-2166 0000  
Facsimile No.: 03-2166 1000

## STOCK EXCHANGE

Main Market  
Bursa Malaysia Securities  
Berhad

## STOCK CODE

7076

# CORPORATE STRUCTURE



## CB INDUSTRIAL PRODUCT HOLDING BERHAD

### PLANTATION & MILLING

- **100%** Steam-Mech Engineering Sdn. Bhd.
  - 85%** PT Sawit Lamandau Raya
- **100%** AV-Ecopalms Sdn. Bhd.
  - 94%** PT Berkala Maju Bersama
- **100%** Admiral Potential Sdn. Bhd.
  - 94%** PT Jaya Jadi Utama
- **30%** Kumpulan Kris Jati Sdn. Bhd.
- **30%** Bahtera Bahagia Sdn. Bhd.
- **50%** Pride Palm Oil Mill Sdn. Bhd.
  - 100%** Solar Green Sdn. Bhd.

### Equipment & Engineering

- **100%** Modipalm Engineering Sdn. Bhd.
- **100%** Advance Boilers Sdn. Bhd.
- **100%** Great Enchant Sdn. Bhd.
- **71%** Magview Machinery Sdn. Bhd.
- **60%** Avecpalm Marketing Resources Sdn. Bhd.
- **100%** C.B. Industrial Product Sdn. Bhd.
  - 100%** CBIP (PNG) Limited
  - 95%** PT CB Polaindo

### Special Purpose Vehicles & Other

- **100%** Midas Portfolio Sdn. Bhd.
- **100%** Accent Hectares Sdn. Bhd.
- **51%** AVP Engineering (M) Sdn. Bhd.
  - 100%** MYAYP Sdn. Bhd.

# CHAIRMAN'S STATEMENT

**Tan Sri Datuk Dr. Yusof Bin Basiran**  
Independent Non-Executive Chairman



*Dear Shareholders,  
On behalf of the Board of Directors of CB Industrial Product Holding Berhad ("CBIPH" or "the Company"),  
I am pleased to present the Annual Report of CBIPH Group of Companies ("the Group") for the financial year ended 31 December 2012.*

## BUSINESS REVIEW

For the financial year under review, the Group reported a turnover of RM522 million and a profit before tax of RM99 million, which represent a 62% and 40% increase in turnover and profit before tax respectively, over the last financial year.

Overall the increase in revenue and profit before taxation for the Group were mainly attributable to the improvement in the palm oil equipment and special purpose vehicles segments despite a lower contribution from the associates and jointly controlled entity.

The palm oil equipment segment recorded higher revenue and profit before taxation by 28% and 62% respectively as compared the last financial year. The increases were mainly due to higher project billing and profit margin.

The special purpose vehicles segment also recorded higher revenue and profit before taxation mainly due to the increase in project implementation and completion during the financial year.

The share of results of associates and jointly controlled entity were lower by 46% and 99% respectively as compared to the same period last financial year. The lower contribution resulted mainly from the lower production and prices of palm products.

In addition, there was a gain on disposal of subsidiaries of RM148 million for the current financial year. For further details, please refer to Note 32 of the Financial Statements for the financial year ended 31 December 2012.

## PROSPECTS

With the ever growing population and the rise of new economic powers in Asia (mainly in China and India), the demand for affordable, non-subsidised edible oil is growing in tandem. The accelerated palm oil plantation development particularly in Indonesia would call for more palm oil mills to be constructed within the next three to five years. There is also a requirement for mill upgrade and rehabilitation for the purpose of better processing efficiencies.

This paints an optimistic picture for the core business of the Group which is palm oil industry related. We will constantly innovate and re-invent our business strategies to tap these opportunities.

## DIVIDEND

The Company declared the following interim dividends in respect of the financial year ended 31 December 2012:-

1. First interim tax-exempt dividend of RM0.10 per ordinary share which was paid on 28 September 2012; and
2. Second interim single tier dividend of RM0.05 per ordinary share which was paid on 23 January 2013.

## CORPORATE SOCIAL RESPONSIBILITY

CBIPH aspires to be a good corporate citizen and also care for the environment. We are in collaboration the research institutions and technology providers to work on new technology to reduce the potential pollution from the palm oil mill industry.

We always promote safe working conditions to both of our workers

in the factory and at project sites. We value our human resource and emphasise continuing on-the-job training and education as part of our management focus. We also provide industrial trainings for engineering students from the various local universities.

## CORPORATE DEVELOPMENT

During the financial year 2012, the Group completed the following corporate exercises :-

1. Bonus issue on the basis of 1 bonus share for every 1 existing ordinary share held. A total of 134,445,974 bonus shares have been issued and quoted on the Main Market of Bursa Malaysia Securities Berhad on 8 March 2012. Pursuant to the bonus issue, the Company increased its authorised share capital from RM100,000,000 comprising 200,000,000 shares to RM500,000,000 comprising 1,000,000,000 shares of RM0.50 each;
2. Disposals of the entire equity interest in Sachiew Plantations Sdn. Bhd. and Empresa (M) Sdn. Bhd. were completed on 14 May 2012;
3. Acquisitions of the entire equity interest in Admiral Potential Sdn. Bhd. and Accent Hectares Sdn. Bhd. on 22 February 2012 and 30 July 2012 respectively;
4. Acquisition of 94% equity interest in PT Berkala Maju Bersama and PT Jaya Jadi Utama. The acquisitions were completed on 18 April 2012; and
5. Acquisition and subscription of the equity interest in MYAVP Sdn. Bhd. by AVP Engineering (M) Sdn. Bhd. ("AVP"), a 51% subsidiary of the Company. The acquisition was completed on 23 May 2012.

The above acquisitions are expected to contribute positively to the Group's potential earnings, thereby enhancing its value to the shareholders.

The Group has also undertaken the following corporate exercises :-

1. Proposed acquisition of 94% equity interest in PT Gumas Alam Subur; and
2. Proposed acquisition of 94% equity interest in PT Kurun Sumber Rezeki.

Both the above proposals are pending the completion of the conditions precedent as stated in their respective conditional share sale and purchase agreement.

## ACKNOWLEDGEMENT AND APPRECIATION

The Board of Directors and I would like to extend our deepest appreciation and thanks to the Management and Staff of the Group for their commitment and unrelenting efforts throughout the year. With their continuous dedication, we are confident that the Group will continue to succeed in the face of the challenges ahead.

We would also like to thank our clients, business associates, respective authorities and shareholders for their continuous support and understanding extended to us during the year.

# DIRECTORS' PROFILE



## **TAN SRI DATUK DR. YUSOF BIN BASIRAN**

*Independent Non-Executive Chairman*

TAN SRI DATUK DR. YUSOF BIN BASIRAN, aged 64, Malaysian, was appointed to the Board on 20 February 2006.

He is presently holding several important positions which include:-

- Chief Executive Officer of Malaysian Palm Oil Council (MPOC)
- Director of Sime Darby Berhad
- Chairman and Director of TH Plantations Berhad

Apart from holding distinguished corporate positions, he is also involved in the following organisations:-

- Fellow and Past President of Academy Sciences Malaysia (ASM)
- Fellow member of Malaysia Scientific Association (MSA)
- Fellow member of Malaysian Oil Scientists' and Technologists' Association (MOSTA)
- Fellow member of the Incorporated Society of Planters

His notable academic achievements are as follows:-

- In 1972, he obtained his Bachelor in Chemical Engineering Degree from the University of Canterbury, New Zealand;
- In 1974, he obtained his Post-Graduate Degree in Rubber Technology (ANCRT) in the United Kingdom; and
- In 1976, he obtained his Masters Degree in Engineering specialising in Industrial Management (M.E.) and also in Business Administration (MBA) from the Catholic University of Leuven in Belgium.

Before he joined Palm Oil Research Institute of Malaysia (PORIM) in 1979, he held the position of Rubber Technologist/Techno-Economist with the Rubber Research Institute (RRI)/Malaysian Rubber Research Development Board (MRRDB).

In 1986, he completed his doctorate with a PhD in Applied Economics and Management Science from the University of Stirling, Scotland. He was later appointed as the Director-General of PORIM in 1992. He held the position for 8 years until April 2000 before assuming the role of the Director-General of Malaysia Palm Oil Board (MPOB), an organisation which existed as a result of a PORIM and Palm Oil Registration and Licensing Authority (PORLA) merger, from 1 May 2000 until 18 January 2006.

For all these services, he was conferred the Federal Awards Darjah JOHAN MANGKU NEGARA (J.M.N.), Darjah Yang Mulia PANGLIMA JASA NEGARA (P.J.N.) and Darjah Kebesaran PANGLIMA SETIA MAHKOTA (P.S.M.)



## **LIM CHAI BENG**

*Managing Director*

Lim Chai Beng, aged 54, Malaysian, was appointed to the Board on 3 February 1999.

He is one of the founders of C.B. Industrial Product Sdn. Bhd. and also the Managing Director of this subsidiary company, a position he holds until today. He is also the Managing Director of the subsidiary company, Modipalm Engineering Sdn. Bhd. He has vast experience in the engineering industry. He is the driving force behind the Group's growth and responsible for the overall management and formulation of the Group's strategic plans and policies. He possesses strong inter-personal and management skills, which inculcates a good rapport with the highly motivated and dedicated workforce.

On 28 July 2009, Mr Lim was awarded the Outstanding Entrepreneurship Award 2009 by Enterprise Asia.





**Y.D.M. TENGKU DATO' ARDY ESFANDIARI BIN TENGKU  
ABDUL HAMID SHAH ALHAJ TENGKU SERI PADUKA  
SHAHBANDAR**

*Executive Director*

Y.D.M. TENGKU DATO' ARDY ESFANDIARI BIN TENGKU ABDUL HAMID SHAH ALHAJ TENGKU SERI PADUKA SHAHBANDAR, aged 53, Malaysian, was appointed to the Board on 3 February 1999. He is a member of the Remuneration Committee.

He is an established business entrepreneur with extensive networking and great public relations skills. He was previously the Director/Project Director of Worldwide Holdings Berhad for more than 8 years and was involved in the restructuring exercise of the Company in the year 1990.

He was appointed a director of C.B. Industrial Product Sdn. Bhd. in 1994 and is responsible for the public affairs and government liaison of this subsidiary company. He is also the Managing Director of the subsidiary company, AVP Engineering (M) Sdn. Bhd., principally involved in the fabrication of specialised vehicles.

He was bestowed with the Darjah Kebesaran Dato'-Sultan Sharafuddin Idris Shah (D.S.I.S) award in conjunction with the 67th birthday of the Sultan of Selangor.



**LIM CHAI HUAT**

*Non-Independent Non-Executive Director*

LIM CHAI HUAT, aged 52, Malaysian, was appointed to the Board on 3 February 1999. He is the Chairman of the Nomination Committee and also a member of the Audit and Remuneration Committee.

He is one of the founders of C.B. Industrial Product Sdn. Bhd. He joined Chin Beng Engineering Works in 1980 as the Operations Manager. When Chin Beng Engineering Works was incorporated into a private limited company under its present name of C.B. Industrial Product Sdn. Bhd. in 1983, he was promoted to Production Manager due to his vast experience and track record in the manufacturing division. In 1985, he was further promoted to Project Director where he headed the project team and managed the Project Division e.g. construction of the plants in Telok Panglima Garang currently housed as Head Office CBIP Group. He currently acts as an advisor for palm oil mill projects and the administration of the factory and Property Division.

He is the Managing Director of Freiberg (Malaysia) Sdn. Bhd. ("Freiberg"), a company which was granted a license from Australia to manufacture environmental office furniture and partitions. He is also Director of Office 2 Go (M) Sdn. Bhd. and Freiberg Properties Private Limited Company which involved in trading of office furniture and properties leasing businesses.



**MAK CHEE MENG**

*Executive Director*

MAK CHEE MENG, aged 58, Malaysian, was appointed to the Board on 3 February 1999.

Prior to joining C.B. Industrial Product Sdn. Bhd. in 1994, he was the Manager (Industrial Division) from 1982 to 1989 for Centrimax Engineering Sdn. Bhd., a company principally involved in the supply of palm oil mill equipment and related services, where he was responsible for the sales and marketing division. He is the founder and currently the Managing Director of the subsidiary company, Avecpalm Engineering (Malaysia) Sdn. Bhd. and Avecpalm Marketing Resources Sdn. Bhd. He is instrumental in developing the export market in the West African countries, Papua New Guinea and the South American tropical belt countries.

From 2010 to 2012, he was appointed as the Plantation Director of Sachiew Plantations Sdn. Bhd. to oversee the operations of Sachiew Plantations Sdn. Bhd. and Empresa Estate Sdn. Bhd. and Palm Oil Milling.

He is currently heading the 'Green Field' Oil Palm Plantation Development in Kalimantan Tengah, Indonesia.

# DIRECTORS' PROFILE

(cont'd)



## **MICHAEL TING SII CHING**

*Independent Non-Executive Director*

MICHAEL TING SII CHING, aged 56, Malaysian, was appointed to the Board on 10 October 2001. He is the Chairman of the Remuneration Committee, and also a member of the Audit and Nomination Committees.

Mr Ting graduated from Simon Fraser University, Canada with a Bachelor in Business Administration (Accounting & MIS).

He was previously with Arthur Andersen/HRM Management Services Sdn. Bhd. for more than 9 years (last position as senior consulting manager) in which he oversaw/undertook a variety of management and financial consulting assignments/projects. Subsequently, he was appointed a General Manager in PhileoAllied Securities Sdn. Bhd. and an Executive Director in Phileo Allied Capital Partners Sdn. Bhd., overseeing the origination, structuring and advisory of corporate finance deals/transactions over a period of about 8 years. His professional experience also included heading the corporate planning and development division (as Vice President) of MISC Berhad for over 4 years. He is currently a Director of Assunta Hospital and Pusat Penjagaan My Villages.



## **WONG CHEE BENG**

*Independent Non-Executive Director*

WONG CHEE BENG, aged 59, Malaysian, was appointed to the Board on 23 May 2002. He is the Chairman of the Audit Committee and a member of the Nomination Committee.

Mr. Wong was identified as the Senior Independent Non Executive Director on 25 April 2013.

He is a member of the Malaysian Institute of Certified Public Accountants and a member of the Malaysian Institute of Accountants. He also holds a Master of Business Administration (MBA) from Brunel University, United Kingdom and is a Certified Financial Planner (CFP).

He has more than 30 years of experience in the areas of auditing, accounting, financial management, business entrepreneurship and company secretarial work.

### **Notes to Directors' Profile:**

**1. Family Relationship**

Lim Chai Huat is the brother to Lim Chai Beng, a Director and major shareholder of the Company.

The other Directors do not have any family relationship with any Director and/or major shareholders of the Company.

**2. Conviction of Offences**

None of the Directors have been convicted for any offences (other than traffic offences) within the past 10 years.

**3. Conflict of Interest**

All the Directors have no conflict of interest with the Company and its subsidiaries.

**4. Attendance at Board Meetings**

The details of attendance of the Directors at the Board Meetings are set out on page 24 of this Annual Report.

**5. Shareholdings**

The details of Directors' Interest in the securities of the Company are set out in the Analysis of Shareholdings page 122 of this Annual Report.

**6. Directorship in Public Companies**

Save as disclosed herein, none of the directors hold any other directorships of public companies.

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Sixteenth Annual General Meeting of CB INDUSTRIAL PRODUCT HOLDING BERHAD will be held at Saujana Ballroom, The Saujana Hotel, 2KM, Off Jalan Sultan Abdul Aziz Shah Airport Highway, Saujana, 47200 Subang, Selangor Darul Ehsan on Friday, 31 May 2013 at 11.30 a.m. for the following purposes:-

## AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2012 together with the Reports of the Directors and Auditors thereon. **(Please refer to Explanatory Note 1)**
2. To re-elect the following Directors retiring in accordance with Article 99 of the Articles of Association of the Company:
  - (a) Tengku Dato' Ardy Esfandiari Bin Tengku A. Hamid Shah **Ordinary Resolution 1**
  - (b) Michael Ting Sii Ching **Ordinary Resolution 2**
3. To approve the payment of Directors' fees of RM216,000 for the financial year ending 31 December 2013. **Ordinary Resolution 3**
4. To re-appoint Messrs Crowe Horwath as the Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 4**

## AS SPECIAL BUSINESSES

To consider and if thought fit, to pass the following Ordinary Resolutions with or without modifications:-

5. **PROPOSED RENEWAL OF AUTHORITY FOR PURCHASE OF OWN SHARES BY THE COMPANY** **Ordinary Resolution 5**

"THAT subject to the Companies Act, 1965 (the "Act"), rules, regulations and orders made pursuant to the Act, provisions of the Company's Memorandum and Articles of Association and the requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authorities, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such amount of ordinary shares of RM0.50 each in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:-

- (i) the aggregate number of shares purchased does not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company as quoted on Bursa Securities as at the point of purchase;
- (ii) the maximum fund to be allocated by the Company for the purpose of purchasing the shares shall be backed by an equivalent amount of retained profits and share premium; and
- (iii) the Directors of the Company may decide either to retain the shares purchased as treasury shares or cancel the shares or retain part of the shares so purchased as treasury shares and cancel the remainder or to resell the shares or distribute the shares as dividends.

AND THAT the authority conferred by this resolution will commence after the passing of this ordinary resolution and will continue to be in force until:-

- (i) the conclusion of the next Annual General Meeting ("AGM") at which time it shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or

# NOTICE OF ANNUAL GENERAL MEETING

(cont'd)

- (ii) the expiration of the period within which the next AGM after that date is required by law to be held; or
- (iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever occurs first.

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary or expedient to implement or to effect the purchase(s) of the shares with full power to assent to any condition, modification, variation and/or amendment as may be imposed by the relevant authorities and to take all such steps as they may deem necessary or expedient in order to implement, finalise and give full effect in relation thereto."

## 6. **AUTHORITY TO ISSUE SHARES**

### **Ordinary Resolution 6**

"THAT subject always to the Companies Act, 1965, Articles of Association of the Company and approvals from Bursa Malaysia Securities Berhad and any other governmental/ regulatory bodies, where such approval is necessary, authority be and is hereby given to the Directors pursuant to Section 132D of the Companies Act, 1965 to issue and allot not more than ten percent (10%) of the issued capital of the Company at any time upon any such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit or in pursuance of offers, agreements or options to be made or granted by the Directors while this approval is in force until the conclusion of the next Annual General Meeting of the Company and that the Directors be and are hereby further authorised to make or grant offers, agreements or options which would or might require shares to be issued after the expiration of the approval hereof."

## 7. **CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR – MICHAEL TING SII CHING**

### **Ordinary Resolution 7**

"THAT subject to the passing of Ordinary Resolution 2, authority be and is hereby given to Michael Ting Sii Ching who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue act as an Independent Non-Executive Director of the Company."

## 8. **CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR – WONG CHEE BENG**

### **Ordinary Resolution 8**

"THAT authority be and is hereby given to Wong Chee Beng who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue act as an Independent Non-Executive Director of the Company."

- 9. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965.

By Order of the Board

TEO MEE HUI (MAICSA 7050642)  
PANG CHIA TYNG (MAICSA 7034545)  
Company Secretaries

Selangor Darul Ehsan  
9 May 2013

# NOTICE OF ANNUAL GENERAL MEETING

(cont'd)

## Notes:-

- i) *A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and Section 149 of the Companies Act, 1965 shall not apply to the Company.*
- ii) *A member shall be entitled to appoint more than one (1) proxy (subject always to a maximum of two (2) proxies at each meeting) to attend and vote at the same meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportions of his shareholdings to be represented by each proxy.*
- iii) *Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, such member may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
- iv) *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
- v) *If no name is inserted in the space provided for the name of your proxy, the Chairman of the meeting will act as your proxy.*
- vi) *The instrument appointing a proxy must be deposited at the registered office of the Company at Lot 4, Jalan Waja 15, Kawasan Perusahaan Telok Panglima Garang, 42500 Telok Panglima Garang, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.*
- vii) *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.*
- viii) *For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn. Bhd. to make available to the Company pursuant to Article 69 of the Articles of Association of the Company, a Record of Depositors as at 23 May 2013 and only a Depositor whose name appear on such Record of Depositors shall be entitled to attend this meeting.*
- ix) **Explanatory notes on Ordinary and Special Business**

### **Item 1 of the Agenda**

#### **Audited Financial Statements for the financial year ended 31 December 2012.**

This Agenda is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders and hence, is not put forward for voting.

### **Ordinary Resolution 5**

#### **Proposed Renewal of Authority for Purchase of Own Shares by the Company.**

The proposed resolution, if passed, will empower the Company to purchase and/or hold up to ten per centum (10%) of the issued and paid-up share of the Company by utilising the funds allocated which shall not exceed the earnings and/or share premium of the Company.

For further information, please refer to Share Buy-Back Statement dated 9 May 2013.

### **Ordinary Resolution 6**

#### **Authority to Issue Shares**

The proposed Resolution is primarily to give flexibility to the Board of Directors to issue shares to such persons at any time in their absolute discretion without convening a general meeting. This authorisation will expire at the conclusion of the next Annual General Meeting of the Company.

This is the renewal of the mandate obtained from the members at the last Annual General Meeting ("the previous mandate"). The purpose of this general mandate is for possible fund raising exercises including but not limited to further placement of shares, for purpose of funding current and/or future investment projects, working capital, repayment of borrowings and/or acquisitions.

The previous mandate was not utilised and accordingly no proceeds were raised.

# NOTICE OF ANNUAL GENERAL MEETING

(cont'd)

## **Ordinary Resolution 7**

### **Continuing in Office as Independent Non-Executive Director – Michael Ting Sii Ching**

The Nomination Committee has assessed the independence of Michael Ting Sii Ching, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, and recommended him to continue act as an Independent Non-Executive Director of the Company based on the following justifications:-

- a. he fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and thus, he would able to function as a check and balance, bring an element of objectivity to the Board;
- b. he has been with the Company for more than 9 years and was familiar with the Company's business operations;
- c. he has devoted sufficient time and attention to his professional obligations for informed and balanced decision making; and
- d. he has exercised his due care during his tenure as an Independent Non-Executive Director of the Company and carried out his professional duties in the interest of the Company and shareholders.

## **Ordinary Resolution 8**

### **Continuing in Office as Independent Non-Executive Director – Wong Chee Beng**

The Nomination Committee has assessed the independence of Wong Chee Beng, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, and recommended him to continue act as an Independent Non-Executive Director of the Company based on the following justifications:-

- a. he fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and thus, he would able to function as a check and balance, bring an element of objectivity to the Board;
- b. he has been with the Company for more than 9 years and was familiar with the Company's business operations;
- c. he has devoted sufficient time and attention to his professional obligations for informed and balanced decision making; and
- d. he has exercised his due care during his tenure as an Independent Non-Executive Director of the Company and carried out his professional duties in the interest of the Company and shareholders.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE PREPARATION OF THE FINANCIAL STATEMENTS

The Directors are required to prepare financial statements for each financial year which have been made out in accordance with the approved accounting standards and to give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and of their results and cash flows for that financial year.

In preparing the financial statements of the Company and of the Group for the financial year ended 31 December 2012, the Directors have:

- adopted appropriate accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensured applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on a going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

The Directors are responsible for ensuring that proper accounting and other records are kept which enable the preparation of the financial statements with reasonable accuracy and in compliance with the Act.

The Directors are also responsible for taking reasonable steps to ensure that appropriate systems are in place to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

# AUDIT COMMITTEE REPORT

The Board is pleased to present the following Report on the Audit Committee and its activities for the financial year ended 31 December 2012.

## COMPOSITION AND MEETINGS

The present Audit Committee comprises three (3) Directors as follows:

### Chairman

Wong Chee Beng – Senior Independent Non-Executive Director

### Members

Michael Ting Sii Ching – Independent Non-Executive Director

Lim Chai Huat – Non-Independent Non-Executive Director

The Audit Committee met five (5) times during the financial year ended 31 December 2012. The details of the attendance of the Audit Committee are as follows:

		<b>Attendance</b>
Chairman	Wong Chee Beng <i>(Senior Independent Non-Executive Director)*</i>	5/5
Members	Michael Ting Sii Ching <i>(Independent Non-Executive Director)</i>	5/5
	Lim Chai Huat <i>(Non-Independent Non-Executive Director)</i>	5/5

\* Identified as Senior Independent Non-Executive Director on 25 April 2013

Senior Management staff and group internal auditor were invited to attend the Audit Committee meetings. The agenda of the meetings and relevant information were distributed to the Audit Committee members with sufficient notification. The Company Secretary was also present to record the proceedings of the Audit Committee meetings.

## SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

In accordance with the Terms of Reference of the Audit Committee, the following activities were undertaken by the Audit Committee during the financial year ended 31 December 2012, including the deliberation on and review of:

- (a) the unaudited quarterly Financial Statements and the Annual Audited Financial Statements of the Company to ensure adherence to the regulatory reporting requirements and appropriate resolution prior to the submission to the Board of Directors for approval.
- (b) the audit plan of the external auditors in terms of their scope of audit prior to their commencement of their annual audit.
- (c) the audit reports of the external auditors in relation to audit and accounting matters arising from the statutory audit; matters arising from the audit of the Group in meetings with the external auditors without the presence of the executive Board members and management.
- (d) related party transactions and conflict of interest situation that may arise within the Group.
- (e) the internal audit reports, audit recommendations and implementation status of the recommendations.
- (f) the quarterly update on the Group's key risk profile with a view to re-assess and manage the key business risks as well as to monitor the readiness to manage these risks.
- (g) the Audit Committee Report and Statement on Internal Control for compliance with the Malaysian Code on Corporate Governance and the Main Market Listing Requirements of Bursa Securities before recommending to the Board of Directors for approval.
- (h) re-appointment of external auditors and their audit fees, after taking into consideration the independence and objectivity of the external auditors and the cost effectiveness of their audit, before recommending to the Board of Directors for approval.
- (i) updates on accounting standard by Malaysian Accounting Standards Board.



# AUDIT COMMITTEE REPORT

(cont'd)

## INTERNAL AUDIT FUNCTION

The Company has an Internal Audit Function that reports directly to the Audit Committee. The main role of the Internal Audit Function is to assist the Audit Committee in providing independent assessment on the adequacy and effectiveness of the internal control system of the Group. The activities of the Internal Audit Function during the financial year ended 31 December 2012 were as follows:

- (a) Development of the Internal Audit Plan for 2012 for the Audit Committee's approval.
- (b) Execution of the approved internal audit plan.
- (c) Presentation of the internal audit findings at the Audit Committee meetings. All findings raised by the internal audit function had been directed to Management for appropriate actions.
- (d) Conducting follow-up reviews to ensure previously established action plans had been adequately implemented by the Management within the agreed timelines.

The total cost incurred for the Internal Audit Function was RM152,702.00.

The internal audits conducted did not reveal weaknesses which would result in material losses, contingencies or uncertainties that would require disclosure in the annual report.

Further details of the internal audit functions are set out in the Statement on Risk Management and Internal Control on pages 28 to 29.

## TERMS OF REFERENCE OF AUDIT COMMITTEE

The terms of reference of the Audit Committee are as follows:

### Composition

- The Audit Committee shall be appointed from amongst the Board and shall:
  - i) comprise no fewer than three (3) members who are Non-Executive Directors and majority of whom are Independent Directors;
  - ii) have at least one (1) member who is a member of the Malaysian Institute of Accountants or if he/she is not a member of the Malaysian Institute of Accountants, he/she must have at least three (3) years' of working experience and;
    - (a) he/she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
    - (b) he/she must be a member of one of the associations of accountants as specified in Part II of the 1st Schedule of the Accountants Act 1967; orfulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad; and
  - iii) not include any alternate director as a member of the Audit Committee

In the event of any vacancy which causes the number of members to be reduced to below three, the vacancy shall be filled within two (2) months but in any case not later than three (3) months. Therefore, a member of the Audit Committee who wishes to retire or resign should provide sufficient written notice to the Company so that a replacement may be appointed before he leaves.

- The Chairman of the Audit Committee shall be appointed by the Board, or failing which, by the members of the Audit Committee themselves. The Chairman shall be an Independent Director. In event of the Chairman's absence, the meeting shall be chaired by another Independent Director.

# AUDIT COMMITTEE REPORT

(cont'd)

## Duties

- To review with the external auditors on:
  - i) the audit plan, its scope and nature;
  - ii) the audit report;
  - iii) the results of their evaluation of the accounting policies and systems of internal accounting controls within the Group; and
  - iv) the assistance given by the officers of the Company to external auditors, including any difficulties or disputes with the Management encountered during the audit.
- To review the adequacy of the scope, functions, competency and resources of the internal audit functions and the system of internal controls within the Group.
- To review with the Management:
  - i) audit reports and management letter issued by the external auditors and the implementation of audit recommendations;
  - ii) interim financial information and press release relating to financial matters of importance; and
  - iii) the assistance given by the officers of the Company to external auditors.
- To review any related party transaction and conflict of interest that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- To review the quarterly reports on consolidated results and the annual financial statements with the Management and the auditors prior to submission to the Board of Directors.
- To consider the appointment and/or re-appointment of internal and external auditors, the audit fees and any questions or resignation or dismissal including recommending the nomination of person or persons as external auditors to the Board of Directors.
- To verify the allocation of options pursuant to a share scheme for eligible executives and non-executives Directors as being in compliance with the criteria for allocation of options under the share scheme, at the end of each financial year.
- To review the Statement on Risk Management and Internal Control and the Audit Committee Report.
- To review the effectiveness of the Group's Risk Management Framework, Policies and Processes to mitigate Key Risks facing the Group.

# AUDIT COMMITTEE REPORT

(cont'd)

## Rights

The Audit Committee shall:

- a) have authority to investigate any matter within its terms of reference;
- b) have the resources which are required to perform its duties;
- c) have full and unrestricted access to any information pertaining to the group;
- d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- e) have the right to obtain independent professional or other advice at the cost of the Company;
- f) have the right to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary;
- g) call for a meeting upon a request of the internal auditors or external auditors;
- h) promptly report to Bursa Malaysia Securities Berhad matters which have not been satisfactorily resolved by the Board of Directors resulting in a breach of the listing requirements;

## Meetings

- The Audit Committee shall meet at least four (4) times in each financial year. The quorum for a meeting shall be two (2) members, provided that the majority of members present at the meeting shall be Independent Directors;
- The Company Secretary is responsible for co-ordinating all administrative details including calling of meetings, voting and keeping of minutes;
- The Chairman shall upon request of the external auditors convene a meeting of the Audit Committee to consider any matter the external auditors believe should be brought to the attention of the Directors or shareholders;
- The internal and external auditors have the right to appear at any meeting of the Audit Committee and shall appear before the Audit Committee when required to do so by the Audit Committee. The internal auditors and external auditors may also request a meeting if they consider it necessary;
- Members of the Audit Committee are provided with the meeting agenda and other relevant financial and non-financial information prior to each meeting;
- Senior Management staff, external auditors and internal auditors are invited to attend the meetings, whenever their presence is needed; and
- The Company Secretary is responsible for preparing the minutes of each meeting which are subsequently approved and adopted.

## REVIEW OF AUDIT COMMITTEE

The Board of Directors shall review the terms of office and performance of the Audit Committee and each of its members at least once every three (3) years to gauge their compliance with the terms of reference.

# STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors (“the Board”) is committed to ensure that the principles and best practices on corporate governance are observed and practised throughout the Group so that the affairs of the Group are conducted with integrity and professionalism in the best interests of the Group and its shareholders.

Set out below is a statement of how the Group has applied the principles and complied with the recommendations as outlined in the Malaysian Code on Corporate Governance 2012 (“the Code”).

## 1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

### 1.1 Clear functions of the Board and those delegated to Management

The Board recognises its key roles in charting the strategic direction, development and control of the Group which include the reviewing and monitoring of matters relating to strategy to promote sustainability, performance, resource allocation, standards of conduct, financial matters, succession planning, corporate disclosure, effectiveness and adequacy of the Group’s system of internal controls and risk management practices.

The Executive Directors are primarily responsible for the implementation of policies and decisions of the Board, overseeing the Group’s operations and developing the Group’s business plan and strategies. The role of the Independent Non-Executive Director is to provide objective and independent judgment to the decision making of the Board and as such, provide an effective check and balance to the Board’s decision making process.

The Board delegates and confers some of its authorities and discretion on the Chairman, Executive Directors, and Management as well as on properly constituted Board Committees comprising mainly/exclusively Non-Executive Directors.

There is a clear division of responsibilities between the Chairman of the Board and the Managing Director (“MD”). The Chairman leads strategic planning at the Board level, while the MD and Executive Directors are responsible for the implementation of the policies laid down and executive decision-making.

The role of Management is to support the Executive Directors and implement the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

The Board Committees comprise of Audit Committee (“AC”), Nomination Committee (“NC”) and Remuneration Committee (“RC”) and are entrusted with specific responsibilities to oversee the Group’s affairs, with authority to act on behalf of the Board in accordance with their respective Terms of Reference. At each Board meeting, minutes are presented to keep the Board informed. The Chairmen of the relevant Board Committees also report to the Board on key issues deliberated by the Board Committees at their respective meetings.

In general, the Non-Executive Directors are independent of Management. Their roles are to constructively challenge Management and monitor the success of Management in delivering the approved targets and business plans within the risk appetite set by the Board. They have full free access to Management at all levels and they engage with the external and internal auditors to address matters concerning Management and oversight of the Company’s business and operations.

Key matters reserved for the Board’s approval include the annual business plan and budget, capital management and investment policies, authority limits/levels, risk management policies, new business/projects, declaration of dividends, business continuity plan, issuance of new securities, business restructuring, expenditure above a certain limit, material acquisitions and disposition of assets.

### 1.2 Clear roles and responsibilities in discharging fiduciary and leadership functions

The Board has discharged its responsibilities in the best interests of the Company. The following are among the key responsibilities of the Board:

- (a) Reviewing and adopting the Company’s strategic plans

# STATEMENT OF CORPORATE GOVERNANCE

(cont'd)

The Board has in place a strategy planning process, whereby the MD presents to the Board the Company's annual budgets, together with the proposed business plans for the ensuing year for the Board's review and approval. The Board will deliberate both Management's and its own perspectives, and challenge the Management's views and assumptions to ensure the best outcome.

(b) Overseeing the conduct of the Company's business

The MD is responsible for the day-to-day management of the business and operations of the Group in respect of both its regulatory and commercial functions.

Management's performance under the leadership of MD, is assessed by the Board through monitoring the actual performance of the Group against the approved targets and business plans on a quarterly basis.

The Board shall determine and approve the level of authority to be delegated to the MD in respect of operating expenditures, capital expenditures, credit facilities and risk taking.

(c) Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures

Through the AC, the Board oversees the risk management and internal control system of the Group. The AC advises the Board on areas of high risk faced by the Group and the adequacy of compliance and control throughout the organisation. The AC reviews the action plan implemented and makes relevant recommendations on risk matters to the Board.

(d) Succession Planning

The Board has entrusted the NC and RC with the responsibility to review candidates for the Board and key management positions and to determine remuneration packages for these appointments, and to formulate nomination, selection, remuneration and succession policies for the Group.

The NC also undertakes yearly evaluation of the performance of the Finance Director/Chief Financial Officer ("CFO") whose remuneration is directly linked to performance based on his score sheet. For this purpose, the performance evaluation for the year 2012 of the CFO was reviewed by the NC in April 2013.

(e) Overseeing the development and implementation of a shareholder communications policy for the Company

The Company strongly believes that effective and timely communication is essential in maintaining good relations with the shareholders, investors and investment community. To that end, the Board strives to provide shareholders and investors accurate, useful and timely information about the Company, its businesses and its activities via the timely release of quarterly financial results, press releases and announcements. Whilst the Company endeavours to provide as much information as possible, it is aware of the legal and regulatory framework governing the release of material and price sensitive information.

The Company has identified Mr. Wong Chee Beng, as the Senior Independent Non-Executive Director to whom concerns of shareholders and other stakeholders may be conveyed.

In addition to the above, shareholders and investors can make inquiries about investor relations matters with designated management personnel directly responsible for investor relations, via dedicated e-mail addresses which are available on the corporate website.

(f) Reviewing the adequacy and integrity of management information and internal control system of the Company

The Board is ultimately responsible for the adequacy and integrity of the Company's internal control system. Details pertaining to the Company's internal control system and the reviews of its effectiveness are set out in the Statement on Risk Management and Internal Control of this Annual Report.

# STATEMENT OF CORPORATE GOVERNANCE

(cont'd)

## 1.3 Business Ethics

The Board of Directors commits to observe ethical business standards and to apply these values to all aspects of the Group's business and professional practice and act in good faith in the best interests of the Group and its shareholders.

In addition, all employees are encouraged to report genuine concerns about unethical behaviour or malpractices. Any such concern should be raised with senior management and an appropriate action will be taken by the Company. If for any reason, it is believed that this is not possible or appropriate then the concern should be reported to the Senior Independent Non-Executive Director.

## 1.4 Strategies promoting sustainability

The Board regularly reviews the strategic direction of the Company and the progress of the Company's operations, taking into account changes in the business and political environment and risk factors such as level of competition.

The Board promotes good Corporate Governance in the application of sustainability practices throughout the Company, the benefits of which are believed to translate into better corporate performance. Accordingly, the Company takes cognisance of the global environmental, social, governance and sustainability agenda.

## 1.5 Access to information and advice

The Directors have individual and independent access to the advice and support services of the Company Secretaries in ensuring the effective functioning of the Board. The Directors may seek advice from Management on issues under their respective purview. The Directors may also interact directly with Management, or request further explanation, information or updates on any aspect of the Company's operations or business concerns from them.

In addition, the Board may seek independent professional advice at the Company's expense on specific issues to enable it to discharge its duties.

The Board papers which include updates on operations, financial, corporate developments and minutes of the Board Committees are circulated prior to each Board meeting. This is to provide the Directors sufficient time to enable them to participate in the deliberations of the issues to be raised at the meetings and to make informed decisions.

## 1.6 Qualified and competent company secretaries

The Board is regularly updated by the Company Secretary on new regulations issued by the regulatory authorities. The Company Secretary also serves notice to the Directors and Principal Officers to notify them of closed periods for trading in the Company's quoted shares.

The Company Secretary attends and ensures that all Board meetings are properly convened and that accurate and proper records of the proceedings and resolutions passed are taken and maintained in the statutory registers of the Company.

## 1.7 Board Charter

In discharging its duties, the Board is constantly mindful of the need to safeguard the interests of the Group and its stakeholders. In order to facilitate the effective discharge of its duties, the Board is guided by the Board Charter which was adopted by the Board on 26 April 2012.

The Board Charter serves to ensure that all Board members are aware of their expanding roles and responsibilities. It sets out the strategic intent and specific responsibilities to be discharged by the Board members collectively and individually. It also regulates on how the Board conducts business in accordance with Corporate Governance principles.

## 2. STRENGTH COMPOSITION

### 2.1 ("NC")

The NC consists of entirely Non-Executive Directors with majority being Independent Directors. The members of the NC are:

# STATEMENT OF CORPORATE GOVERNANCE

(cont'd)

## Chairman

Lim Chai Huat – Non-Independent Non-Executive Director

## Members

Wong Chee Beng – Senior Independent Non-Executive Director

Michael Ting Sii Ching – Independent Non-Executive Director

The NC is guided by specific terms of reference and the NC's duties are as follows:

- To recommend candidates for all directorships to be approved by the Board and Shareholders;
- To recommend candidates to fill the seats on Board Committees;
- To assess the contribution of each individual Director;
- To review annually the Board structure, size, composition and the mix between Executive Directors, Non-Executive Directors and Independent Directors to ensure that the Board has the appropriate mix of skills and experience including core competencies which Directors should bring to the Board and other qualities to function effectively and efficiently;
- To take the necessary steps to ensure that women candidates are sought as part of the Company's recruitment exercise to meet its gender diversity policy;
- To review annually the independence of Independent Directors;
- To ensure existence of an appropriate framework and succession plan for the Executive Directors and senior management of the Company;
- To identify suitable orientation, educational and training programmes for continuous development of Directors;
- To establish and implement processes for assessing the effectiveness of the Board as a whole, the Committees of the Board and assessing the contribution of each Director; and
- To consider other matters as referred to the Committee by the Board.

Despite the recommendation set out in Recommendation 2.1 of the Code whereby a Chairman of the NC is to be the Senior Independent Director, Mr Lim Chai Huat remains as the Chairman of the NC due to his invaluable experience and knowledge of the Group businesses. He is also one of the co-founders of the Company.

## 2.2 Develop, maintain and review criteria for recruitment and annual assessment of Directors

### Board appointment process

The NC is responsible for identifying and recommending suitable candidates for Board membership and also for assessing the performance of the Directors on an ongoing basis. The Board will have the ultimate responsibility and final decision on the appointment. This process shall ensure that the Board membership accurately reflects the long-term strategic direction and needs of the Company and determines the skill matrix to support the strategic direction and needs of the Company.

Management shall engage broadly to develop a pool of interested potential candidates meeting the skills, expertise, personal qualities and diversity requirements for both the Board and the Committee appointments.

The NC evaluates the qualification and experience of the candidates against the Board's requirements including its gender diversity policy and where appropriate recommends to the Board for appointment.

The NC will contact those persons identified to determine interest in serving the Company. This communication will ensure that prospective Board members have clarity regarding the nominating process as well as Director/Board profiles, roles and responsibilities, expectations of time commitments and other information as required.

According to the Articles of Association of the Company, all Directors are required to submit themselves for re-election at intervals of not more than three (3) years. The Articles of Association also states that one-third (1/3) of the Board members shall retire from office at an Annual General Meeting ("AGM") and shall be eligible for re-election at the same AGM.

All new Director(s) duly appointed by the Board are subsequently recommended for re-election at the coming AGM.

The Company shall provide orientation to new directors and on-going education to all Directors.

# STATEMENT OF CORPORATE GOVERNANCE

(cont'd)

In making the selection, the Board is assisted by the NC to consider the following aspects:

- Integrity and reputation – the person must have the personal qualities such as honesty, integrity, diligence and independence of mind and fairness.
- Competence and capability – the person must have the necessary qualification and experience skills, ability and commitment to carry out the role.

## **Annual Assessment**

The Board reviews and evaluates its own performance and the performance of its Committees on an annual basis. The Board evaluation comprises a Board Assessment, an Individual Self Assessment and an Assessment of Independence of the Independent Directors.

The assessment of the Board is based on specific criteria, covering areas such as the Board structure, Board operations, roles and responsibilities of the Board, the Board Committee and the Chairman's role and responsibilities.

For Individual Self Assessment, the assessment criteria include contribution to interaction, quality of inputs, and understanding of role.

The results of the assessment would form the basis of the NC's recommendation to the Board for the re-election of the retiring Directors at the next AGM.

In addition, the NC reviews and evaluates the performance of the Finance Director CFO on an annual basis.

## **Gender diversity policy**

The Company adheres to the policy of identifying and recruiting the best qualified candidates including female candidates to serve on its Board in the best interest of the Company and its shareholders.

## **2.3 Remuneration Policies and Procedures**

The ("RC") consists of one (1) Executive Director and two (2) Non-Executive Directors. The members of the RC are:

Chairman

Michael Ting Sii Ching – Independent Non-Executive Director

Members

Tengku Dato' Ardy Esfandiari Bin Tengku A. Hamid Shah – Executive Director

Lim Chai Huat – Non-Independent Non-Executive Director

The RC and the Board ensure that the Company's remuneration policy remains supportive of the Company's corporate objectives and is aligned with the interest of shareholders and further that the remuneration packages of Directors and key Senior Management Officers are sufficiently attractive to attract and to retain persons of high calibre.

The RC reviews annually the performance of the Executive Directors and submits recommendations to the Board on specific adjustments in remuneration and/or reward payments that reflect their respective contributions for the year and their achievement of the goals and/or quantified organisational targets as well as set at the beginning of each year.

The Board as a whole determines the Director's fee of the Non-Executive Directors and recommends the same for shareholders' approval.

The remuneration package of the Executive Directors consists of monthly salary, allowance, bonus and benefits-in-kind such as company car and the benefit of Directors and Officers Liability Insurance in respect of any liabilities arising from acts committed in their capacity as Directors and Officers of the Company. The Directors and principal officers are required to contribute jointly towards the premium of the said policy.

Details of the Directors' remuneration (including benefits-in-kind) of each Director during the financial year 2012 are as follows:



# STATEMENT OF CORPORATE GOVERNANCE (cont'd)

## (a) Total Remuneration

Director	Salaries RM'000	Fees RM'000	Bonus and Allowances RM'000	Benefit-in- kind RM'000	Total RM'000
Executive	1,945	67	363	24	2,399
Non-Executive	-	197	15	24	236
Total	1,945	264	378	48	2,635

## (b) Directors' remuneration by bands

Range of remuneration	Executive	Non-Executive
Below RM100,000	-	3
RM100,001 to RM150,000	-	1
RM350,001 to RM400,000	1	-
RM450,001 to RM500,000	1	-
RM800,001 to RM850,000	1	-

## 3. REINFORCE INDEPENDENCE

### 3.1 Annual Assessment of Independence

The Board, through the NC, assesses the independence of Independent Directors annually. The criteria for assessing the independence of an Independent Director include the relationship between the Independent Director and the Company and his involvement in any significant transaction with the Company.

Based on the assessment in the financial year 2012, the Board is satisfied that the Independent Directors have been able to discharge their responsibilities in an independent manner.

### 3.2 Tenure of Independent Directors

The Board has adopted the Code's 9 years tenure recommendation for Independent Non-Executive Directors as one of the criteria to access the continuing independence of its Independent Non-Executive Directors.

### 3.3 Shareholders' approval for the Continuance Office as Independent Directors

The NC will assess the continuing independence of the Independent Directors based on the assessment criteria (which includes the code's 9 years tenure recommendation) developed by the NC and submits its recommendations to the Board for its review and endorsement prior to the Board's submission to the Shareholders for their approval. Justification for the Board's recommendation is provided to the shareholders.

The Board on the review and recommendation made by the NC, is unanimous in its opinion that the Independent Directors, namely Mr Wong Chee Beng and Mr Michael Ting who have each served more than 9 years as an Independent Director of the Company, have fulfilled the criteria under the definition of an Independent Director as set out under Paragraph 1.01 of the MMLR of Bursa Securities. The Board believes that the independence of the two Independent Directors remains unimpaired and their judgment over business dealings of the Company were not influenced by the interest of the other Directors or Substantial Shareholders.

Thus, the Board would recommend to the shareholders for approval at the forthcoming AGM for Mr Wong Chee Beng and Mr Michael Ting to continue acting as Independent Directors of the Company.

### 3.4 Separation of the Positions of the Chairman and the MD

The positions of the Chairman and the MD are held by two different individuals. Tan Sri Datuk Dr. Yusof Bin Basiran, an Independent Non-Executive Director is the Chairman whereas Mr Lim Chai Beng is the MD.

The distinct and separate roles of the Chairman and MD, with a clear division of responsibilities, ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making.

# STATEMENT OF CORPORATE GOVERNANCE

(cont'd)

## 3.5 Composition of the Board

The Board currently comprises seven (7) members, of whom three (3) are Independent Non-Executive Directors, three (3) Executive Directors and one (1) Non Executive Director. The three (3) Independent Non-executive Directors fulfills the criteria of independence as defined in the MMLR of Bursa Securities.

The Independent Non-Executive Directors do not participate in the day-to-day management of the Company and do not involve themselves in business transactions or relationships with the Company, in order not to compromise their objectivity. In staying clear of any potential conflict of interest, the Independent Non-Executive Directors remain in a position to fulfill their responsibility to provide check and balance to the Board.

The Board composition meets both the MMLR of Bursa Securities and the Code's recommendation for a balanced Board with Independent Directors constituting more than one-third of the Board.

The Independent Non-Executive Directors are of the caliber necessary to provide an independent judgment on the issues of strategy, performance and resource allocation. They carry sufficient weight in Board decisions to ensure the long-term interest of the Company and its shareholders, employees, customers and other stakeholders.

The seven (7) members of the Board are persons of high calibre and integrity, and they possess the appropriate skills and provide a wealth of knowledge, experience and skills in the key areas of accountancy, business operations and development, finance and risk management, amongst others.

The MD is accountable to the Board over the daily management and development of the Company.

The profile of each of the Member of the Board is presented on the pages 6 to 8 of this Annual Report.

## 4. FOSTER COMMITMENT

### 4.1 Time Commitment

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of CBIPH. This is evidenced by the attendance record of the Directors at Board Meetings, as set out in the table.

Name of Director	Designation	No. of meetings attended
Tan Sri Datuk Dr. Yusof Bin Basiran	Independent Non-Executive Chairman	5/5
Lim Chai Beng	Managing Director	5/5
Tengku Dato' Ardy Esfandiari Bin Tengku A. Hamid Shah	Executive Director	5/5
Mak Chee Meng	Executive Director	5/5
Lim Chai Huat	Non-Independent Non-Executive Director	5/5
Michael Ting Sii Ching	Independent Non-Executive Director	5/5
Wong Chee Beng	Senior Independent Non-Executive Director*	5/5

\* Identified as Senior Independent Non-Executive Director on 25 April 2013.

To ensure that the Directors have the time to focus and fulfil their roles and responsibilities effectively, the Directors must not hold directorships at more than five (5) public listed companies ("PLCs") and shall notify the Chairman before accepting any new directorship in PLCs.

To facilitate the Directors' time planning, an annual meeting schedule is prepared and circulated at the beginning of every year as well as the tentative closed periods for dealings in securities by Directors based on the targeted date of announcements of the Group's quarterly results.

### 4.2 Training

All Directors have completed the Mandatory Accreditation Programme ("MAP") as prescribed by Bursa Securities. The Company will continue to identify suitable training for the Directors to equip and update themselves with the necessary knowledge to discharge their duty and responsibilities as Directors.

# STATEMENT OF CORPORATE GOVERNANCE

(cont'd)

The Directors are encouraged to attend briefing, conferences, forums, trade fairs (locally and internationally), seminars and training to keep abreast with the latest developments in the industry and to enhance their skills and knowledge.

During the financial year ended 31 December 2012, the Directors attended the following training, seminars, conferences and exhibitions to keep themselves abreast with changes in laws and regulation, business environment and corporate governance development:-

## Tan Sri Datuk Dr. Yusof Bin Basiran

Date	Name of Training Program
5 – 7 March 2012	POC – Palm and Lauric Oils Conference and Exhibition Price Outlook
25 – 26 June 2012	IPC 2012 – 7th International Planters Conference

## Lim Chai Beng

Date	Name of Training Program
14 June 2012	Seminar Pemindahan Teknologi MPOB 2012
27 November 2012	2012 National Seminar on Palm Milling, Refining, Environment & Quality (POMREQ)

## Tengku Dato' Ardy Esfandiari Bin Tengku A. Hamid Shah

Date	Name of Training Program
4 July 2012	Making The Most of the CFO's Role: Everyone's Responsibility
20 – 22 November 2012	International Fire Conference/Seminar Exhibition at Kuala Lumpur Convention Center KLCC

## Mak Chee Meng

Date	Name of Training Program
13 – 14 December 2012	Fourth IOPRI-MPOB International Seminar (Bandung) : Existing and Emerging Pests and Diseases of Oil Palm Advances in Research and Management

## Lim Chai Huat

Date	Name of Training Program
16 April 2012	Corporate Governance: The Competitive Advantage
4 July 2012	Making The Most of the CFO's Role: Everyone's Responsibility
20 – 22 November 2012	International Fire Conference/Seminar Exhibition at Kuala Lumpur Convention Center KLCC

## Michael Ting Sii Ching

Date	Name of Training Program
20 – 22 November 2012	International Fire Conference/Seminar Exhibition at Kuala Lumpur Convention Center KLCC

## Wong Chee Beng

Date	Name of Training Program
3 – 5 March 2012	Internet Business Partner Development Program
16 April 2012	Corporate Governance: The Competitive Advantage
4 July 2012	Making The Most of the CFO's Role: Everyone's Responsibility
20 – 22 November 2012	International Fire Conference/Seminar Exhibition at Kuala Lumpur Convention Center KLCC

# STATEMENT OF CORPORATE GOVERNANCE

(cont'd)

## 5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

### 5.1 Compliance with applicable financial reporting standards

The Board is committed to provide a balanced, clear and meaningful assessment of the financial performance and prospects of the Company via all disclosures and announcements made.

The Board is assisted by the AC to oversee and scrutinise the process and quality of the financial reporting includes reviewing and monitoring of the integrity of the financial statements and the appropriateness of the Company's accounting policies to ensure accuracy, adequacy and completeness of the report, as well as in compliance with the relevant accounting standards.

### 5.2 Assessment of suitability and independence of external auditors

The AC is responsible for reviewing audit, recurring audit-related and non-audit services provided by the external auditors. These recurring audit-related and non-audit services comprise regulatory reviews and reporting, interim reviews, tax advisory and compliance services.

The terms of engagement for services provided by the external auditors are reviewed by the AC prior to submission to the Board for approval.

The AC has reviewed the provision of non-audit services by the external auditors during the year and concluded that the provision of these services did not compromise the external auditors' independence and objectivity as the amount of the fees paid for these services was not significant when compared to the total fees paid to the external auditors.

Having satisfied itself with Messrs Crowe Horwath's performance, the AC will recommend their re-appointment to the Board, upon which the shareholders' approval will be sought at the AGM.

## 6. RECOGNISE AND MANAGE RISKS

### 6.1 Sound framework to manage risks

The Board oversees, reviews and monitors the operation, adequacy and effectiveness of the Group's system of internal controls.

The Board defines the level of risk appetite, approving and overseeing the operation of the Group's Risk Management Framework, assessing its effectiveness and reviewing any major/ significant risk facing the Group.

The AC oversees the risk management framework of the Group and advises the Board on areas of high risk faced by the Group and the adequacy of compliance and control throughout the organisation. The AC also reviews the action plan implemented and makes relevant recommendations to the Board to manage residual risks.

The Company continues to maintain and review its internal control procedures to safeguard its assets and businesses.

### 6.2 Internal Audit Function

Relevant Internal Control systems are implemented for the day to day operations of the Group. The Internal Audit Department has an independent reporting channel to the AC and is authorised to conduct independent audits of all the departments and offices within the Group and reports the findings to the AC at the end of each quarter.

The AC reviews, deliberates and decides on the next course of action and evaluates the effectiveness and efficiency of the Internal Control systems in the organisation.

The Statement on Risk Management and Internal Control as included on pages 28 to 29 of this Annual Report provides the overview of the Internal Control Framework adopted by the Company during the financial year ended 31 December 2012.

## 7. ENSURE TIMELY AND QUALITY DISCLOSURE

### 7.1 Corporate Disclosure Policy and Procedures

The Company has put in place a Corporate Disclosure Policy with the objective to ensure communications to the public are timely, factual, accurate, complete, broadly disseminated and where necessary, filed with regulators in accordance with applicable laws.

# STATEMENT OF CORPORATE GOVERNANCE

(cont'd)

The MD and CFO are responsible for determining materiality of information and ensuring timely, complete and accurate disclosure of material information to the investing public in accordance with securities laws and stock exchange rules and regulations, monitoring compliance with this policy and overseeing the disclosure controls and procedures.

Sufficient information would be provided to the Company Secretary for drafting of necessary announcement.

The Board is mindful that information which is expected to be material must be announced immediately, and that the confidential information should be handled properly to avoid leakage and improper use of such information.

## **7.2 Leverage on information technology for effective dissemination of information**

CBIPH's website provides all relevant corporate information and it is accessible by the public. The Company's website includes share price information, all announcements made by CBIPH, Annual Reports, financial results, corporate calendar as well as the corporate governance statement of CBIP.

Through the Company's website, the stakeholders are able to direct queries to the Company.

## **8. STRENGTHEN SHAREHOLDERS' RELATIONSHIP**

### **8.1 Encourage shareholder participation at general meetings**

In an effort to encourage greater shareholders' participation at AGMs, the Board takes cognisance in serving longer than the required minimum notice period for AGMs, when possible. The Chairman together with the Senior Independent Directors ensure that the Board is accessible to shareholders and an open channel of communication is cultivated.

CBIP encloses the Annual Report together with the Circulars to Shareholders and notice of AGM with regard to, amongst others, details of the AGM, their entitlement to attend the AGM, the right to appoint proxy and also qualification of proxy.

The Company allows a shareholder to appoint a proxy who may not be a member of the Company. If the proxy is not a member of the Company, he/she need not be an advocate, an approved company auditors or a person approved by the Registrar of Companies.

To further promote participation of members through proxies, which is in line with the MMLR of Bursa Securities, the Company had amended its Articles of Association to include explicitly the right of proxies to speak at general meetings.

### **8.2 Encourage poll voting**

At the 15th AGM of the Company held on 30 May 2012, all resolutions put forth for shareholders' approval at the meeting were voted on by show of hands.

The Chairman would ensure that shareholders were informed of their rights to demand a poll vote at the commencement of the AGM.

### **8.3 Effective communication and proactive engagement**

At the 15th AGM, Directors were present in person to engage directly with, and be accountable to the shareholders for their stewardship of the Company. The Directors, Management and external auditors were in attendance to respond to the shareholders' queries.

From the Company's perspective, the AGM also serves as a forum for Directors and Management to engage with the shareholders personally to understand their needs and seek their feedback. The Board welcomes questions and feedback from shareholders during and at the end of shareholders' meeting and ensures their queries are responded in a proper and systematic manner.

## **COMPLIANCE STATEMENT**

The Board is satisfied that the Company has in 2012 complied with the principles and recommendations of the Code except where it was specifically stated otherwise.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

The Board of Directors remains committed towards ensuring that a sound system of internal control exists in order to safeguard the Group's assets and minimise its losses and liabilities.

The Board is pleased to provide this statement on the state of risk management and internal control of the Group prepared in accordance with paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Securities, Statement on Risk Management and Internal Control – Guidance for Directors of Listed Issuers and the Malaysian Code on Corporate Governance 2012.

## BOARD RESPONSIBILITIES

The Board affirms its responsibility for establishing and maintaining a sound system of internal control and risk management practices as well as reviewing the adequacy and integrity of the internal control system. The Board has delegated the above mentioned responsibilities to the Audit Committee. Through the Audit Committee, the Board is kept informed of all significant control issues brought to the attention of the Audit Committee by Management, the internal auditor and the external auditor.

## KEY FEATURES OF THE GROUP'S INTERNAL CONTROL SYSTEM

### 1. Control Environment

#### • Organisation Structure & Authorisation Procedures

The Group maintains a formal organisation structure with well-defined delegation of responsibilities and accountability within the Group's Management. It sets out the roles and responsibilities, appropriate authority limits, review and approval procedures in order to enhance the internal control system of the Group's various operations.

#### • Periodic Performance Review

Actual performance of the Group is monitored against plans to identify and to address significant variances at least once in every quarter.

On quarterly basis, the Managing Director ("MD") and the Chief Financial Officer ("CFO") provide assurance to the Board on the adequacy of the Company's risk management and internal controls.

#### • Group Policies and Procedures

The Group has documented policies and procedures that are regularly reviewed and updated to ensure that these are effective and efficient and continue to support the Group's business activities at all times as the Group continues to grow.

#### • Site Visits and Operational Meetings

Regular factory and site visits by members of the Management team, the internal auditor and external consultants/auditors are conducted.

### 2. Risk Management Framework

Risk management is regarded by the Board to be an integral part of managing business operations. The respective Heads of Departments are responsible for managing risks related to their functions on a day-to-day basis. The Board via Audit Committee obtained the assurance on the risk management.

Quarterly management meetings are held to ensure that risks faced by the Group are discussed, monitored and appropriately addressed. It is at these meetings that key risks and corresponding controls implemented are communicated amongst the Management team. Significant risks identified are subsequently brought to the attention of the Board at their scheduled meetings.

The abovementioned practices and initiatives by Management serve as the ongoing process used to identify, assess and manage key business, operational and financial risks faced by the Group.

In addition, the Management updates to the Audit Committee quarterly on the status of implementation of previously identified management action plans pertaining to key business risks of the Group.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

### 3. Internal Audit Function

The Group's in-house internal audit function is independent from the day-to-day operations of the Group. The duties of the internal auditor are performed with professional care and without prejudice and this provide the Audit Committee and the Board with assurance and independent assessment in respect of the adequacy, efficiency and effectiveness of the system of internal control.

The internal auditor report directly to the Audit Committee and the internal audit plans are tabled to the Audit Committee for review and approval to ensure adequate coverage. This is documented in the Audit Committee Report on pages 14 to 17 of this Annual Report.

On a quarterly basis, the Group's internal auditor table the results of their review of the business processes of different operating units to the Audit Committee. The status of the implementation of corrective actions to address control weaknesses are also followed up by the internal auditor to ensure that these actions have been satisfactorily implemented.

### 4. Information And Communication

Information critical to the achievement of the Group's business objectives are communicated through established reporting lines across the Group. This is to ensure that matters that require the Board and Management's attention are highlighted for review, deliberation and decision on a timely basis.

### 5. Monitoring and Review

#### • Business Planning and Budgeting Review

The Board plays an active role in discussing and reviewing the business plans, strategies, performance and risks faced by the Group. Long term business plan and annual budget prepared by Management are tabled to the Board for their review and approval at least once a year.

#### • Financial and Operational Review

The quarterly financial statements containing key actual financial and operational performance results are monitored against the budget/plans to identify and address significant variances at least once in every quarter and these are appropriately presented to the Board for their review, consideration and approval.

#### • External Audit Review

The external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the Annual Report of the Company for the financial year ended 31 December 2012 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls system.

### CONCLUSION

The Board is of the view that the Group's system of internal control is adequate to safeguard shareholders' investments and the Group's assets. However, the Board is also cognisant of the fact that the Group's system of internal control and risk management practices must continuously evolve to meet the changing and challenging business environment. Therefore, the Board will continue to put in place appropriate action plans to further enhance the system of internal controls.

# ADDITIONAL COMPLIANCE INFORMATION

## 1. Shares Buy-Backs

During the financial year, the Company purchased 812,000 of its issued shares from the open market of Bursa Securities for RM2,093,221. The details of the shares bought back and held as treasury shares during the financial year are as follows:

Month	Number of Shares	Buy Back Price Per Share (RM)		Average Price (RM)	Total Cost (RM)
		Lowest	Highest		
June	556,000	2.35	2.61	2.51	1,395,688
November	256,000	2.69	2.74	2.72	697,533
Total	812,000			2.58	2,093,221

None of the treasury shares were resold/cancelled during the financial year.

## 2. Options, Warrants or Convertible Securities

The Company did not issue any options, warrants or convertible securities during the financial year under review.

## 3. Depository Receipts

The Company did not participate in any depository receipts programme during the financial year.

## 4. Imposition of Sanction / Penalties

There were no public sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by any regulatory bodies during the financial year.

## 5. Non-Audit Fees

The non-audit fees incurred for services rendered by the external auditors to the Group for the financial year ended 31 December 2012 amounted to RM20,000.

## 6. Variation in Results for the Financial Year

There was no material variance between the audited results for the financial year ended 31 December 2012 and the unaudited results previously announced.

## 7. Profit Guarantee

There were no profit guarantees given by the Company during the financial year.

## 8. Material Contracts involving Directors' and Major Shareholders' Interests

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interests during the financial year.



## ADDITIONAL COMPLIANCE INFORMATION (cont'd)

### 9. Utilisation of Proceeds

The shareholders have approved the proposed disposals of the entire equity interest in Sachiew Plantations Sdn. Bhd. and Empresa (M) Sdn. Bhd. by the Company for a total consideration of RM268,057,702 on 22 February 2012. The proposed disposals have been completed on 14 May 2012. As at 31 December 2012, the proceeds arising from the said proposed disposals have been utilised as follows:-

	Expected Utilisation Period (Within)	Proposed Amount	Utilised	Balance
		RM'000	RM'000	RM'000
(a) Repayment of bank borrowings	24 months	17,251	17,251	-
(b) Oil palm development expenditure in Indonesia by subsidiary	24 months	23,000	19,945	3,055
(c) Estimated expenses for the Proposed Disposals	6 months	2,000	1,421	579
(d) Working capital	12 months	43,500	43,500	-
(e) Future investments (for acquisition of subsidiaries and its oil palm development expenditure in Indonesia)	24 months	182,307	50,780	131,527
<b>TOTAL</b>		<b>268,058</b>	<b>132,897</b>	<b>135,161</b>

### 10. Recurrent Related Party Transactions ("RRPT") of Revenue Nature

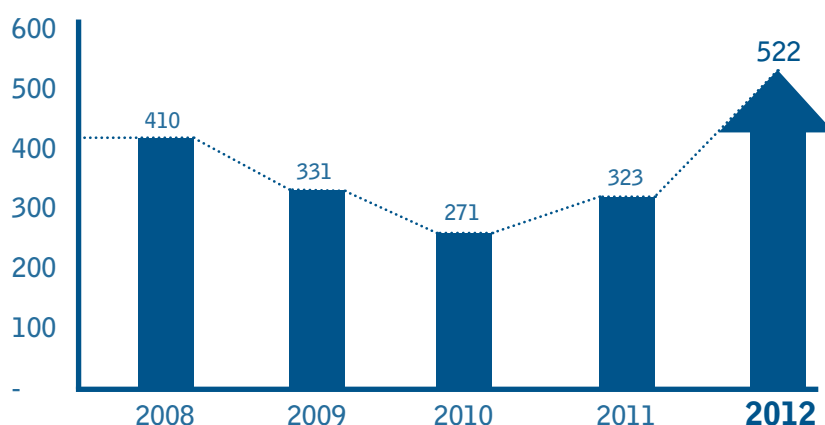
There was no Shareholders' Mandate obtained in respect of RRPT of Revenue Nature during the financial year end.

# FIVE YEARS FINANCIAL HIGHLIGHTS

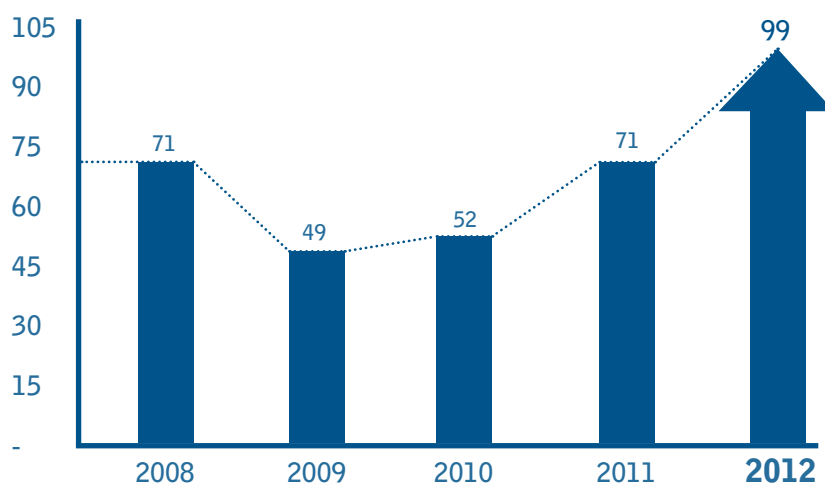
In RM'000	2008	2009	2010	2011	2012
Turnover	409,903	331,468	270,893	322,611	<b>521,728</b>
Profit Before Taxation	70,562	49,083	52,476	70,890	<b>99,318</b>
Net Profit For The Financial Year	60,686	40,381	66,328	104,603	<b>239,619</b>
Shareholders' Funds	217,941	248,417	288,135	380,949	<b>484,161</b>
Earnings Per Share (Sen)	22.2*	14.9*	24.9*	51.9*	<b>118.4</b>

\* Adjusted for enlarged share capital after bonus issue in 2012.

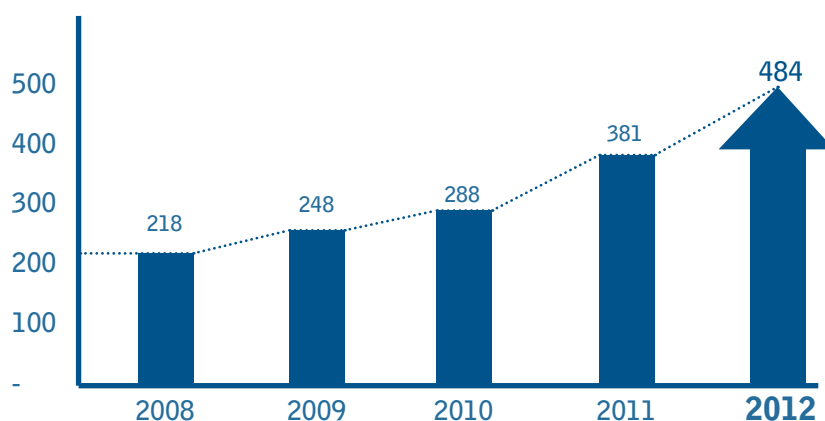
## TURNOVER (RM Million)



## PROFIT BEFORE TAXATION (RM Million)



## SHAREHOLDERS' FUNDS (RM Million)



# Financial Statements **2012**

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# DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2012.

## Principal Activities

The Company is an investment holding company and is involved in the provision of management services whilst the principal activities of the subsidiaries are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

## Results

	<b>The Group RM'000</b>	<b>The Company RM'000</b>
Profit after taxation for the financial year	245,945	274,485
Attributable to:		
Owners of the Company	239,619	274,485
Non-controlling interests	6,326	-
	245,945	274,485

## Dividends

The dividends paid/payable by the Company during the financial year were as follows:-

<u>In respect of the financial year ended 31 December 2011:</u>	<b>RM'000</b>
First interim tax-exempt dividend of 10 sen per ordinary share of RM0.50 each, paid on 22 February 2012	13,445
Second interim tax-exempt dividend of 30 sen per ordinary share of RM0.50 each, paid on 29 May 2012	80,667
	94,112
<u>In respect of the financial year ended 31 December 2012:</u>	<b>RM'000</b>
First interim tax-exempt dividend of 10 sen per ordinary share of RM0.50 each, paid on 28 September 2012	26,834
Second interim single tier tax-exempt dividend of 5 sen per ordinary share of RM0.50 each, paid on 23 January 2013	13,404
	40,238

The directors do not recommend the payment of any final dividend for the current financial year.

## Reserves And Provisions

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

## Issues Of Shares And Debentures

During the financial year,

- (a) the Company increased its authorised share capital from RM100,000,000 to RM500,000,000 comprising 1,000,000,000 ordinary shares of RM0.50 each by the creation of 800,000,000 new ordinary shares of RM0.50 each;
- (b) the Company increased its issued and paid-up capital from RM68,781,250 to RM136,004,237 comprising 272,008,474 ordinary shares of RM0.50 each by a bonus issue of 134,445,974 new ordinary shares of RM0.50 each in the ratio of 1 bonus share for every 1 existing ordinary share held. The bonus shares were issued by way of capitalisation of RM6,680,767 and RM60,542,220 from the share premium account and the retained profits account respectively;

The new shares issued rank pari passu in all respects with the existing shares of the Company; and

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

## Treasury Shares

The shareholders of the Company, by an ordinary resolution passed in the Annual General Meeting held on 30 May 2012, granted their approval for the Company's plan to repurchase its own ordinary shares. The directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company purchased from the open market, 812,000 units of its own shares through purchases on the Main Market of Bursa Malaysia Securities Berhad at an average buy-back price of RM2.58 per ordinary share. The total consideration paid for acquisition of the shares was RM2,093,221 and was financed by internally generated funds. The repurchased shares were held as treasury shares in accordance with Section 67A of the Companies Act 1965 in Malaysia.

As at 31 December 2012, the Company held 3,928,527 repurchased shares as treasury shares out of its total issued and paid up share capital of 272,008,474 ordinary shares of RM0.50 each. Such treasury shares were held at a carrying amount of RM13,706,515.

## Options Granted Over Unissued Shares

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

## Bad And Doubtful Debts

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment losses on receivables.

At the date of this report, the directors are not aware of any circumstances that would require the further writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

# DIRECTORS' REPORT

(cont'd)

## Current Assets

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that any current assets other than debts, which were unlikely to be realised in the ordinary course of business, including their values as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

## Valuation Methods

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

## Contingent And Other Liabilities

The contingent liabilities are disclosed in Note 38 to the financial statements.

At the date of this report, there does not exist:-

- (i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or
- (ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

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

## Change Of Circumstances

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

## Items Of An Unusual Nature

The results of the operations of the Group and of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year.

## Directors

The directors who served since the date of the last report are as follows:-

Tan Sri Datuk Dr. Yusof Bin Basiran  
 Tengku Dato' Ardy Esfandiari Bin Tengku A. Hamid Shah  
 Lim Chai Beng  
 Lim Chai Huat  
 Mak Chee Meng  
 Michael Ting Sii Ching  
 Wong Chee Beng

## Directors' Interests

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

	Number Of Ordinary Shares Of RM0.50 Each			
	At 1.1.2012	Bonus Issue/ Bought	Sold	At 31.12.2012
<i>Direct Interests:</i>				
Tengku Dato' Ardy Esfandiari Bin Tengku A. Hamid Shah	840,000	840,000	-	1,680,000
Lim Chai Beng	43,654,780	43,754,780	(500,000)	86,909,560
Lim Chai Huat	4,966,080	5,533,920	-	10,500,000
Mak Chee Meng	3,719,165	3,719,165	-	7,438,330
<i>Indirect Interests held through Spouse/Child*:</i>				
Tan Sri Datuk Dr. Yusof Bin Basiran	126,000	274,000	-	400,000
Lim Chai Beng	44,100	1,044,100	-	1,088,200

\* Deemed interest through spouse's and/or children's shareholdings by virtue of Section 134(12)(C) of the Companies (Amendment) Act 2007 in Malaysia.

None of the other directors had any interests in shares in the Company during the financial year.

By virtue of his interest in shares in the Company, Lim Chai Beng is also deemed to have interests in shares in the subsidiaries to the extent of the Company's interests, pursuant to Section 6A of the Companies Act 1965 in Malaysia.

## Directors' Benefits

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors as shown in the financial statements, or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

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

# DIRECTORS' REPORT

(cont'd)

## **Significant Events During The Financial Year**

The significant events of the Group during the financial year are disclosed in Note 40 to the financial statements.

## **Significant Event Subsequent To The Reporting Period**

The significant event of the Group subsequent to the reporting period is disclosed in Note 41 to the financial statements.

## **Auditors**

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

## **Signed In Accordance With A Resolution Of The Directors Dated 25 April 2013**

**Tengku Dato' Ardy Esfandiari Bin Tengku A. Hamid Shah**  
Director

**Lim Chai Beng**  
Director



## Statement By Directors

We, Tengku Dato' Ardy Esfandiari Bin Tengku A. Hamid Shah and Lim Chai Beng, being two of the directors of CB Industrial Product Holding Berhad, state that, in the opinion of the directors, the financial statements set out on pages 42 to 118 are drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2012 and of their results and cash flows for the financial year ended on that date.

The supplementary information set out in Note 45, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed In Accordance With A Resolution Of The Directors  
Dated 25 April 2013

**Tengku Dato' Ardy Esfandiari Bin Tengku A. Hamid Shah**  
Director

**Lim Chai Beng**  
Director

## STATUTORY DECLARATION

I, Tan Hock Yew, being the officer primarily responsible for the financial management of CB Industrial Product Holding Berhad, do solemnly and sincerely declare that the financial statements set out on pages 42 to 118 are to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by  
Tan Hock Yew, at Klang in the state of  
Selangor Darul Ehsan on this  
25 April 2013

**Tan Hock Yew**

Before Me  
**Goh Cheng Teak (No. B204)**  
Commissioner Of Oaths

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CB INDUSTRIAL PRODUCT HOLDING BERHAD

## Report on the Financial Statements

We have audited the financial statements of CB Industrial Product Holding Berhad, which comprise the statements of financial position as at 31 December 2012 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 42 to 118.

### *Directors' Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and cash flows for the financial year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

## Report on Other Legal and Regulatory Requirements

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 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 form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CB INDUSTRIAL PRODUCT HOLDING BERHAD (cont'd)

## Other Reporting Requirements

The supplementary information set out in Note 45 on page 119 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

## Other Matters

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

**Crowe Horwath**  
Firm No : AF 1018  
Chartered Accountants

Kuala Lumpur  
25 April 2013

**Ooi Song Wan**  
Approval No : 2901/10/14 (J)  
Chartered Accountant

# STATEMENTS OF FINANCIAL POSITION

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012

	NOTE	The Group		The Company	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
<b>ASSETS</b>					
NON-CURRENT ASSETS					
Investment in subsidiaries	5	-	-	<b>29,646</b>	27,938
Investment in associates	6	<b>82,782</b>	79,179	<b>49,430</b>	49,430
Investment in jointly controlled entities	7	<b>22,208</b>	22,162	<b>20,187</b>	20,187
Property, plant and equipment	8	<b>68,564</b>	59,201	<b>1,123</b>	1,396
Plantation development expenditure	9	<b>43,327</b>	27,095	-	-
Goodwill	10	<b>16,341</b>	2,353	-	-
Other investments	11	<b>592</b>	594	-	-
		<b>233,814</b>	190,584	<b>100,386</b>	98,951
CURRENT ASSETS					
Inventories	12	<b>34,197</b>	34,806	-	-
Trade receivables	13	<b>96,700</b>	84,192	-	-
Amount due from contract customers	14	<b>50,255</b>	35,064	-	-
Other receivables and deposits	15	<b>38,992</b>	12,698	<b>16,645</b>	5,579
Amount owing by subsidiaries	16	-	-	<b>141,002</b>	56,572
Tax refundable		<b>906</b>	511	<b>415</b>	-
Short-term investment	17	<b>21,593</b>	-	<b>21,593</b>	-
Derivative asset	18	<b>433</b>	-	-	-
Fixed and short-term deposits with licensed banks	19	<b>10,587</b>	2,720	-	-
Cash and bank balances		<b>179,838</b>	58,067	<b>57,641</b>	6,487
		<b>433,501</b>	228,058	<b>237,296</b>	68,638
Assets of disposal group classified as held for sale		-	231,236	-	75,553
		<b>433,501</b>	459,294	<b>237,296</b>	144,191
<b>TOTAL ASSETS</b>		<b>667,315</b>	649,878	<b>337,682</b>	243,142

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

# STATEMENTS OF FINANCIAL POSITION

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

	NOTE	The Group		The Company	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
Share capital	20	<b>136,004</b>	68,781	<b>136,004</b>	68,781
Treasury shares	21	<b>(13,706)</b>	(11,613)	<b>(13,706)</b>	(11,613)
Share premium		-	6,681	-	6,681
Currency translation reserve		<b>(721)</b>	(759)	-	-
Fair value reserve		-	2	-	-
Retained profits	22	<b>362,584</b>	317,857	<b>197,779</b>	118,186
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>484,161</b>	380,949	<b>320,077</b>	182,035
<b>NON-CONTROLLING INTERESTS</b>		<b>14,525</b>	8,107	-	-
<b>TOTAL EQUITY</b>		<b>498,686</b>	389,056	<b>320,077</b>	182,035
<b>NON-CURRENT LIABILITIES</b>					
Long-term borrowings	23	<b>1,054</b>	1,898	<b>194</b>	392
Deferred taxation	24	<b>2,549</b>	306	-	13
		<b>3,603</b>	2,204	<b>194</b>	405
<b>CURRENT LIABILITIES</b>					
Trade payables	25	<b>66,893</b>	49,372	-	-
Amount due to contract customers	14	<b>55,647</b>	43,064	-	-
Other payables and accruals	26	<b>8,495</b>	39,748	<b>308</b>	26,952
Amount owing to subsidiaries	16	-	-	<b>3,500</b>	28,302
Amount owing to a director		-	167	-	-
Dividend payable	27	<b>13,404</b>	-	<b>13,404</b>	-
Provision for taxation		<b>1,743</b>	289	-	177
Short-term borrowings	28	<b>16,916</b>	18,844	<b>199</b>	5,271
Bank overdrafts	28	<b>1,928</b>	3,322	-	-
		<b>165,026</b>	154,806	<b>17,411</b>	60,702
Liabilities of disposal group classified as held for sale		-	103,812	-	-
		<b>165,026</b>	258,618	<b>17,411</b>	60,702
<b>TOTAL LIABILITIES</b>		<b>168,629</b>	260,822	<b>17,605</b>	61,107
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>667,315</b>	649,878	<b>337,682</b>	243,142

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

# STATEMENTS OF COMPREHENSIVE INCOME

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012

	NOTE	The Group		The Company	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
<b>CONTINUING OPERATIONS</b>					
REVENUE	29	<b>521,728</b>	322,611	<b>74,074</b>	40,229
COST OF SALES		<b>(412,005)</b>	(252,064)	-	-
GROSS PROFIT		<b>109,723</b>	70,547	<b>74,074</b>	40,229
OTHER INCOME		<b>6,540</b>	4,825	<b>202,570</b>	1,647
		<b>116,263</b>	75,372	<b>276,644</b>	41,876
ADMINISTRATIVE AND OTHER OPERATING EXPENSES		<b>(25,531)</b>	(25,462)	<b>(1,695)</b>	(1,725)
PROFIT FROM OPERATIONS		<b>90,732</b>	49,910	<b>274,949</b>	40,151
FINANCE EXPENSES		<b>(871)</b>	(1,530)	<b>(110)</b>	(629)
SHARE OF PROFIT OF ASSOCIATES, NET OF TAX		<b>9,411</b>	17,474	-	-
SHARE OF PROFIT OF JOINTLY CONTROLLED ENTITIES, NET OF TAX		<b>46</b>	5,036	-	-
PROFIT BEFORE TAXATION	30	<b>99,318</b>	70,890	<b>274,839</b>	39,522
INCOME TAX EXPENSE	31	<b>(7,771)</b>	(1,375)	<b>(354)</b>	(1,341)
PROFIT AFTER TAXATION FROM CONTINUING OPERATIONS		<b>91,547</b>	69,515	<b>274,485</b>	38,181
<b>DISCONTINUED OPERATIONS</b>					
PROFIT AFTER TAXATION FROM DISCONTINUED OPERATIONS	32	<b>154,398</b>	36,260	-	-
PROFIT AFTER TAXATION		<b>245,945</b>	105,775	<b>274,485</b>	38,181
OTHER COMPREHENSIVE INCOME, NET OF TAX					
<u>Items that may be reclassified subsequently to profit or loss</u>					
- fair value changes of available- for-sale financial assets		<b>(2)</b>	4	-	-
- foreign currency translations		<b>31</b>	(33)	-	-
		<b>29</b>	(29)	-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		<b>245,974</b>	105,746	<b>274,485</b>	38,181

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

# STATEMENTS OF COMPREHENSIVE INCOME

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

	NOTE	The Group		The Company	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
PROFIT AFTER TAXATION ATTRIBUTABLE TO:					
- OWNERS OF THE COMPANY		<b>239,619</b>	104,603	<b>274,485</b>	38,181
- NON-CONTROLLING INTERESTS		<b>6,326</b>	1,172	-	-
		<b>245,945</b>	105,775	<b>274,485</b>	38,181
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
- OWNERS OF THE COMPANY		<b>239,655</b>	104,576	<b>274,485</b>	38,181
- NON-CONTROLLING INTERESTS		<b>6,319</b>	1,170	-	-
		<b>245,974</b>	105,746	<b>274,485</b>	38,181
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY:					
Basic:					
- continuing operations	33	42.1 sen	33.9 sen		
- discontinued operations	33	76.3 sen	18.0 sen		
Diluted:					
- continuing operations	33	NA	NA		
- discontinued operations	33	NA	NA		

NA - Not applicable

# STATEMENTS OF CHANGES IN EQUITY

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012

	Non-Distributable			Distributable		Total Equity RM'000			
	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Currency Translation Reserve RM'000	Fair Value Reserve RM'000		Retained Profits RM'000	Attributable To Owners Of The Company RM'000	Non-Controlling Interests RM'000
<b>The Group</b>									
Balance at 1.1.2011	68,781	(20,007)	5,559	(728)	(2)	234,532	288,135	7,670	295,805
Profit after taxation	-	-	-	-	-	104,603	104,603	1,172	105,775
Other comprehensive income for the financial year:									
- fair value changes of available-for-sale financial assets	-	-	-	-	4	-	4	-	4
- foreign currency translations	-	-	-	(31)	-	-	(31)	(2)	(33)
Total comprehensive income for the financial year	-	-	-	(31)	4	104,603	104,576	1,170	105,746
Purchase of own shares	-	(18,150)	-	-	-	-	(18,150)	-	(18,150)
Disposal of treasury shares	-	5,266	1,122	-	-	-	6,388	-	6,388
Share dividend	-	21,278	-	-	-	(21,278)	-	-	-
Dividend paid by a subsidiary to non-controlling interests	-	-	-	-	-	-	-	(733)	(733)
Balance at 31.12.2011/1.1.2012	68,781	(11,613)	6,681	(759)	2	317,857	380,949	8,107	389,056

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



# STATEMENTS OF CHANGES IN EQUITY

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

	Non-Distributable		Distributable		Total Equity RM'000				
	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Currency Translation Reserve RM'000		Fair Value Reserve RM'000	Retained Profits RM'000	Attributable To Owners Of The Company RM'000	Non-Controlling Interests RM'000
<b>The Group</b>									
Balance at 31.12.2011/1.1.2012	68,781	(11,613)	6,681	(759)	2	317,857	380,949	8,107	389,056
Profit after taxation	-	-	-	-	-	239,619	239,619	6,326	245,945
Other comprehensive income for the financial year:									
- fair value changes of available -for-sale financial assets	-	-	-	-	(2)	-	(2)	-	(2)
- foreign currency translations	-	-	-	38	-	-	38	(7)	31
Total comprehensive income for the financial year	-	-	-	38	(2)	239,619	239,655	6,319	245,974
Bonus issue	67,223	-	(6,681)	-	-	(60,542)	-	-	-
Purchase of own shares	-	(2,093)	-	-	-	-	(2,093)	-	(2,093)
Dividends	-	-	-	-	-	(134,350)	(134,350)	-	(134,350)
Dividend paid by a subsidiary to non-controlling interests	-	-	-	-	-	-	-	(290)	(290)
Acquisition of non-controlling interests	-	-	-	-	-	-	-	389	389
Balance at 31.12.2012	<b>136,004</b>	<b>(13,706)</b>	<b>-</b>	<b>(721)</b>	<b>-</b>	<b>362,584</b>	<b>484,161</b>	<b>14,525</b>	<b>498,686</b>

The dividends are computed based on the outstanding issued and paid-up capital excluding treasury shares held by the Company.

## STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

The Company	NOTE	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Retained Profits RM'000	Total Equity RM'000
Balance at 1.1.2011		68,781	(20,007)	5,559	101,283	155,616
Total comprehensive income for the financial year		-	-	-	38,181	38,181
Purchase of own shares		-	(18,150)	-	-	(18,150)
Disposal of treasury shares		-	5,266	1,122	-	6,388
Share dividend		-	21,278	-	(21,278)	-
Balance at 31.12.2011/1.1.2012		68,781	(11,613)	6,681	118,186	182,035
Total comprehensive income for the financial year		-	-	-	274,485	274,485
Dividends	27	-	-	-	(134,350)	(134,350)
Bonus issue		67,223	-	(6,681)	(60,542)	-
Purchase of own shares		-	(2,093)	-	-	(2,093)
Balance at 31.12.2012		<b>136,004</b>	<b>(13,706)</b>	<b>-</b>	<b>197,779</b>	<b>320,077</b>

*The dividends are computed based on the outstanding issued and paid-up capital excluding treasury shares held by the Company.*

# STATEMENTS OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
<b>CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES</b>				
Profit before taxation:				
- continuing operations	<b>99,318</b>	70,890	<b>274,839</b>	39,522
- discontinued operations	<b>156,404</b>	51,554	-	-
Adjustments for:-				
Allowance for impairment losses on trade receivables	<b>317</b>	6,499	-	-
Amortisation of plantation development expenditure	-	4,162	-	-
Bad debts written off	<b>477</b>	172	-	-
Depreciation of property, plant and equipment	<b>4,170</b>	12,228	<b>271</b>	273
Interest expense	<b>355</b>	1,103	<b>110</b>	629
Plant and equipment written off	<b>2</b>	17	-	-
Dividend income from:				
- subsidiaries	-	-	<b>(68,210)</b>	(34,366)
- an associate	-	-	<b>(5,808)</b>	(5,806)
Fair value gain on derivative asset	<b>(433)</b>	-	-	-
Fair value gain on short-term investment	<b>(1,023)</b>	-	<b>(1,023)</b>	-
Loss/(Gain) on disposal of property, plant and equipment	<b>569</b>	(95)	-	-
Gain on disposal of subsidiaries	<b>(148,370)</b>	-	<b>(195,575)</b>	-
Interest income	<b>(4,019)</b>	(292)	<b>(5,878)</b>	(1,527)
Reversal of allowance for impairment losses on trade receivables	<b>(420)</b>	(492)	-	-
Share of profit of:				
- associates	<b>(9,411)</b>	(17,474)	-	-
- jointly controlled entities	<b>(46)</b>	(5,036)	-	-
Unrealised loss/(gain) on foreign exchange	<b>899</b>	(105)	-	-
Operating profit/(loss) before working capital changes	<b>98,789</b>	123,131	<b>(1,274)</b>	(1,275)
Decrease in inventories	<b>609</b>	3,189	-	-
(Increase)/Decrease in amount due from contract customers, net	<b>(2,608)</b>	11,873	-	-
Increase in trade and other receivables	<b>(38,938)</b>	(18,381)	<b>(11,065)</b>	(5,491)
(Decrease)/Increase in trade and other payables	<b>(8,160)</b>	14,210	<b>(26,644)</b>	19,408
<b>CASH FROM/(FOR) OPERATIONS</b>	<b>49,692</b>	134,022	<b>(38,983)</b>	12,642
Interest paid	<b>(355)</b>	(1,103)	<b>(110)</b>	(629)
Tax (paid)/refunded	<b>(6,475)</b>	(13,129)	<b>(59)</b>	160
<b>NET CASH FROM/(FOR) OPERATING ACTIVITIES AND BALANCE CARRIED FORWARD</b>	<b>42,862</b>	119,790	<b>(39,152)</b>	12,173

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

# STATEMENTS OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

	NOTE	The Group		The Company	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
BALANCE BROUGHT FORWARD		<b>42,862</b>	119,790	<b>(39,152)</b>	12,173
CASH FLOWS FROM/(FOR)					
INVESTING ACTIVITIES					
Interest received		<b>4,019</b>	292	<b>5,878</b>	1,527
Acquisition of subsidiaries		-	-	<b>(1,708)</b>	-
Proceeds from disposal of property, plant and equipment		<b>167</b>	698	<b>2</b>	-
Proceeds from disposal of subsidiaries	32	<b>271,128</b>	-	<b>271,128</b>	-
Purchase of property, plant and equipment	34	<b>(13,944)</b>	(9,497)	-	(51)
Purchase of short-term investment		<b>(20,570)</b>	-	<b>(20,570)</b>	-
Net cash outflow on acquisition of subsidiaries	35	<b>(20,089)</b>	(16,913)	-	@
Plantation development expenditure incurred		<b>(16,174)</b>	(7,164)	-	-
Increase in investment in a jointly controlled entity		-	(5,000)	-	(5,000)
Dividends received from:					
- subsidiaries		-	-	<b>67,310</b>	33,166
- an associate		<b>5,808</b>	5,806	<b>5,808</b>	5,806
NET CASH FROM/(FOR) INVESTING ACTIVITIES		<b>210,345</b>	(31,778)	<b>327,848</b>	35,448
BALANCE CARRIED FORWARD		<b>253,207</b>	88,012	<b>288,696</b>	47,621

@ Denotes RM2.

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

# STATEMENTS OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

	NOTE	The Group		The Company	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
BALANCE BROUGHT FORWARD		<b>253,207</b>	88,012	<b>288,696</b>	47,621
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES					
Dividends paid:					
- owners of the Company		<b>(120,946)</b>	-	<b>(120,946)</b>	-
- non-controlling interests		<b>(290)</b>	(733)	-	-
Treasury shares		<b>(2,093)</b>	(18,150)	<b>(2,093)</b>	(18,150)
Proceeds from disposal of treasury shares		-	6,388	-	6,388
Net repayment to subsidiaries (Repayment to)/Advances from a director		-	-	<b>(109,232)</b>	(24,231)
Repayment of revolving credit, net		<b>(167)</b>	20	-	-
Repayment of hire purchase obligations		<b>(7,585)</b>	(9,505)	<b>(5,072)</b>	(5,066)
Repayment of term loans		<b>(375)</b>	(1,252)	<b>(199)</b>	(145)
		<b>(778)</b>	(28,529)	-	-
<b>NET CASH FOR FINANCING ACTIVITIES</b>		<b>(132,234)</b>	(51,761)	<b>(237,542)</b>	(41,204)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>120,973</b>	36,251	<b>51,154</b>	6,417
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>		<b>68,234</b>	32,016	<b>6,487</b>	70
Exchange differences on translation of opening balance		<b>38</b>	(33)	-	-
Effect of foreign exchange rate changes		<b>(748)</b>	-	-	-
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR</b>	36	<b>188,497</b>	68,234	<b>57,641</b>	6,487

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012

### 1. General Information

The Company is a public company limited by shares and is incorporated under the Companies Act 1965 in Malaysia. The registered office and principal place of business is Lot 4, Jalan Waja 15, Kawasan Perusahaan Telok Panglima Garang, 42500 Telok Panglima Garang, Selangor Darul Ehsan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 25 April 2013.

### 2. Principal Activities

The Company is an investment holding company and is involved in the provision of management services whilst the principal activities of the subsidiaries are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

### 3. Basis Of Preparation

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

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

#### **FRSs and IC Interpretations (including the Consequential Amendments)**

FRS 124 (Revised) Related Party Disclosures

Amendments to FRS 1 (Revised): Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters

Amendments to FRS 7: Disclosures - Transfers of Financial Assets

Amendments to FRS 112: Recovery of Underlying Assets

IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments

Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirement

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

(i) FRS 124 (Revised)

FRS 124 (Revised) simplifies the definition of a related party and introduces a partial exemption from the disclosure requirements for government-related entities. The application of this revised standard has resulted in the identification of related parties that were not identified as related parties under the previous standard. There will be no financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.

(ii) Amendments to FRS 7: Transfers of Financial Assets

The amendments to FRS 7 (Transfers of Financial Assets) intend to provide greater transparency around risk exposures of transactions when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. There will be no financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 3. Basis Of Preparation (cont'd)

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

#### **FRSs and IC Interpretations (including the Consequential Amendments) Effective Date**

FRS 9 Financial Instruments	1 January 2015
FRS 10 Consolidated Financial Statements	1 January 2013
FRS 11 Joint Arrangements	1 January 2013
FRS 12 Disclosure of Interests in Other Entities	1 January 2013
FRS 13 Fair Value Measurement	1 January 2013
FRS 119 (Revised) Employee Benefits	1 January 2013
FRS 127 (2011) Separate Financial Statements	1 January 2013
FRS 128 (2011) Investments in Associates and Joint Ventures	1 January 2013
Amendments to FRS 1 (Revised): Government Loans	1 January 2013
Amendments to FRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to FRS 9: Mandatory Effective Date of FRS 9 and Transition Disclosures	1 January 2015
Amendments to FRS 10, FRS 11 and FRS 12: Transition Guidance	1 January 2013
Amendments to FRS 10, FRS 12 and FRS 127: Investment Entities	1 January 2014
Amendments to FRS 101 (Revised): Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to FRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Annual Improvements to FRSs 2009 - 2011 Cycle	1 January 2013

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

(i) *FRS 9 & Amendments to FRS 9: Mandatory Effective Date of FRS 9 and Transition Disclosures*

FRS 9 replaces the parts of FRS 139 that relate to the classification and measurement of financial instruments. FRS 9 divides all financial assets into 2 categories - those measured at amortised cost and those measured at fair value, based on the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instruments. For financial liabilities, the standard retains most of the FRS 139 requirement. An entity choosing to measure a financial liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income rather than within profit or loss. The effective date of this standard has been deferred from 1 January 2013 to 1 January 2015. Transitional provisions in FRS 9 were also amended to provide certain relief from retrospective adjustments. There will be no financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 3. Basis Of Preparation (cont'd)

- (ii) FRS 10 & Amendments to FRS 10: Transition Guidance  
FRS 10 replaces the consolidation guidance in FRS 127 and IC Interpretation 112. Under FRS 10, there is only one basis for consolidation, which is control. Extensive guidance has been provided in the standard to assist in the determination of control. Accordingly, there will be no financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.
- (iii) FRS 12 & Amendments to FRS 12: Transition Guidance  
FRS 12 is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. FRS 12 is a disclosure standard and the disclosure requirements in this standard are more extensive than those in the current standards. Accordingly there will be no financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.
- (iv) FRS 13: Fair Value Measurement  
FRS 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. The scope of FRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other FRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in FRS 13 are more extensive than those required in the current standards and therefore there will be no financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.
- (v) Amendments to FRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities  
The amendments to FRS 7 (Disclosures - Offsetting Financial Assets and Financial Liabilities) require disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. There will be no financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.
- (vi) Amendments to FRS 10, FRS 12 & FRS 127: Investment Entities  
The amendments to FRS 10, FRS 12 and FRS 127 require investment entities to measure particular subsidiaries at fair value through profit or loss instead of consolidating them. The Company is an investment entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. Accordingly, the Group will deconsolidate its subsidiaries upon the initial application of these amendments and to fair value the investments in accordance with FRS 139. There will be no financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.
- (vii) Amendments to FRS 101  
The amendments to FRS 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. In addition, items presented in other comprehensive income section are to be grouped based on whether they are potentially re-classifiable to profit or loss subsequently i.e. those that might be reclassified and those that will not be reclassified. Income tax on items of other comprehensive income is required to be allocated on the same basis. There will be no financial impact on the financial statements of the Group upon its initial application other than the presentation format of the statement of profit or loss and other comprehensive income.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 3. Basis Of Preparation (cont'd)

(viii) Amendments to FRS 132: Offsetting Financial Assets and Financial Liabilities  
The amendments to FRS 132 provide the application guidance for criteria to offset financial assets and financial liabilities. There will be no financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.

(ix) Annual Improvements to FRSs 2009 - 2011 Cycle  
The Annual Improvements to FRSs 2009 - 2011 Cycle contain amendments to FRS 1, FRS 101, FRS 116, FRS 132 and FRS 134. These amendments are expected to have no material impact on the financial statements of the Group upon their initial application but may impact its future disclosures.

3.3 On 19 November 2011, the MASB issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS") that are equivalent to International Financial Reporting Standards.

The MFRSs are to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 (Agriculture) and IC Interpretation 15 (Agreements for Construction of Real Estate), including its parent, significant investor and venturer (herein called "Transitioning Entities").

On 30 June 2012, MASB announced that the Transitioning Entities are allowed to defer the adoption of the MFRSs to annual periods beginning on or after 1 January 2014 after which the MFRSs will become mandatory. The Group falls within the definition of Transitioning Entities and has opted to prepare its first MFRSs financial statements for the financial year ending 31 December 2014.

### 4. Significant Accounting Policies

#### (a) Critical Accounting Estimates And Judgements

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

(i) *Depreciation of Property, Plant and Equipment*

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial and production factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) *Amortisation of Plantation Development Expenditure*

Plantation development expenditure is amortised on a straight-line basis over the expected useful life of oil palm trees. Significant management judgement is required to determine the expected useful life of oil palm trees, taking into account such factor as soil condition.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 4. Significant Accounting Policies (cont'd)

#### (a) Critical Accounting Estimates And Judgements (cont'd)

##### (iii) *Income Taxes*

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

##### (iv) *Impairment of Non-Financial Assets*

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

##### (v) *Write-Down of Inventories*

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

##### (vi) *Impairment of Trade and Other Receivables*

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

##### (vii) *Impairment of Available-for-sale Financial Assets*

The Group reviews its available-for-sale financial assets at the end of each reporting period to assess whether they are impaired. The Group also records impairment loss on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 4. Significant Accounting Policies (cont'd)

#### (a) Critical Accounting Estimates And Judgements (cont'd)

##### (viii) *Classification of Leasehold Land*

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

##### (ix) *Impairment of Goodwill*

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

##### (x) *Construction Contracts*

Construction contract accounting requires reliable estimation of the costs to complete the contract and reliable estimation of the stage of completion.

###### (a) *Contract Revenue*

Construction contract accounting requires that variation claims and incentive payments only be recognised as contract revenue to the extent that it is probable that they will be accepted by the customers. As the approval process often takes some time, a judgement is required to be made of its probability and revenue recognised accordingly.

###### (b) *Contract Costs*

Using experience gained on each particular contract and taking into account the expectations of the time and materials required to complete the contract, management estimates the profitability of the contract on an individual basis at any particular time.

##### (xi) *Fair Value Estimates for Certain Financial Assets and Liabilities*

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 4. Significant Accounting Policies (cont'd)

#### (b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December 2012.

A subsidiary is defined as a company in which the parent company has the power, directly or indirectly, to exercise control over its financial and operating policies so as to obtain benefits from its activities.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

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

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the Company's shareholders' equity, and are separately disclosed in the consolidated statement of comprehensive income. Transactions with non-controlling interests are accounted for as transactions with owners and are recognised directly in equity. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

Upon loss of control of a subsidiary, the profit or loss on disposal is calculated as the difference between:-

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 4. Significant Accounting Policies (cont'd)

#### (b) Basis of Consolidation (cont'd)

All subsidiaries are consolidated using the purchase method. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

Non-controlling interests are initially measured at their share of the fair values of the identifiable assets and liabilities of the acquiree as at the date of acquisition.

#### (c) Goodwill

Goodwill is measured at cost less accumulated impairment loss, if any. The carrying value of goodwill is reviewed for impairment annually. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the purchase method, goodwill represents the excess of the fair value of the purchase consideration over the Group's share of the fair values of the identifiable assets, liabilities and contingent liabilities of the subsidiaries at the date of acquisition.

If, after reassessment, the Group's interest in the fair values of the identifiable assets, liabilities and contingent liabilities of the subsidiaries exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

#### (d) Functional and Foreign Currencies

##### (i) *Functional and Presentation Currency*

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

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

##### (ii) *Transactions and Balances*

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

##### (iii) *Foreign Operations*

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 4. Significant Accounting Policies (cont'd)

#### (d) Functional and Foreign Currencies (cont'd)

##### (iii) Foreign Operations (cont'd)

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

#### (e) Financial Instruments

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

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

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

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

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

##### (i) Financial Assets

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

- *Financial Assets at Fair Value Through Profit or Loss*

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Company's right to receive payment is established.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 4. Significant Accounting Policies (cont'd)

#### (e) Financial Instruments (cont'd)

##### (i) Financial Assets (cont'd)

- *Held-to-maturity Investments*

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

- *Loans and Receivables Financial Assets*

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

- *Available-for-sale Financial Assets*

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

##### (ii) Financial Liabilities

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

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

##### (iii) Equity Instruments

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 4. Significant Accounting Policies (cont'd)

#### (e) Financial Instruments (cont'd)

##### (iv) Treasury Shares

When the Company's own shares recognised as equity are bought back, the amount of the consideration paid, including all costs directly attributable, are recognised as a deduction from equity. Own shares purchased that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity.

Where such shares are subsequently sold or reissued, any consideration received, net of any direct costs, is included in equity.

#### (f) Investments

##### (i) Subsidiaries

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

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

##### (ii) Associates

Associates are entities in which the Group and the Company have a long-term equity interest and where they exercise significant influence over the financial and operating policies.

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

The investments in associates are accounted for under the equity method, based on the financial statements of the associates made up to 31 December 2012. The Group's share of the post-acquisition profits of the associates is included in the consolidated statement of comprehensive income and the Group's interest in the associates is carried in the consolidated statement of financial position at cost plus the Group's share of the post-acquisition retained profits and reserves.

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 4. Significant Accounting Policies (cont'd)

#### (f) Investments (cont'd)

##### (iii) Jointly Controlled Entities

Jointly controlled entities are corporations, partnerships or other entities over which there is a contractually agreed sharing of control by the Group with one or more parties where the strategic financial and operating decisions relating to the entities require unanimous consent of the parties sharing control. The Group's interests in the jointly controlled entities are accounted for in the consolidated financial statements using the equity method of accounting.

Equity accounting involves recognising in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity, the Group's share of profits less losses of jointly controlled entities based on the latest audited financial statements or management accounts of the entities concerned. Where necessary, adjustments are made to the results and net assets of jointly controlled entities to ensure consistency of accounting policies with those of the Group. The Group's investment in the jointly controlled entities is recorded at cost inclusive of goodwill and adjusted thereafter for accumulated impairment loss and the post-acquisition change in the Group's share of net assets of the jointly controlled entities.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities. Unrealised losses are also eliminated on the same basis but only to the extent of the costs that can be recovered, and the balance that provides evidence of reduction in net realisable value or an impairment of the asset transferred are recognised in profit or loss.

#### (g) Property, Plant and Equipment

Property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land is stated at cost less impairment losses, if any, and is not depreciated.

Depreciation is calculated under the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Long leasehold land	over the lease periods of 81 to 99 years
Buildings	1% - 5%
Estate access road	5%
Factory equipment and machinery	10% - 20%
Furniture, fittings and office equipment	10% - 20%
Motor vehicles	10% - 20%
Renovation	10% - 20%

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 4. Significant Accounting Policies (cont'd)

#### (g) Property, Plant and Equipment (cont'd)

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

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

Capital work-in-progress is stated at cost, and will be transferred to the relevant category of long term assets and depreciated accordingly when the assets are completed and ready for commercial use.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these property, plant and equipment.

#### (h) Plantation Development Expenditure

Plantation development expenditure comprises cost of planting and development of oil palm. Plantation development expenditure is stated at cost less accumulated amortisation and impairment losses, if any, consistent with the accounting policy for property, plant and equipment as stated in Note 4(g) to the financial statements.

Expenditure incurred on newly planted areas up to the time of maturity is capitalised under plantation development expenditure. This expenditure will be amortised over its estimated useful life commencing from the year of maturity of the crop that is normally 3 years from planting. Subsequent expenditure incurred on planted areas is expensed off to the profit or loss.

Plantation development expenditure is amortised on a straight-line basis over a period of 25 years commencing from the year of maturity of the crop.

#### (i) Capitalisation of Borrowing Costs

Borrowing costs incurred to finance plantation development expenditure that require a substantial period of time to be ready for their commercial harvesting are capitalised. Capitalisation of borrowing costs will cease when the crops are ready for commercial harvesting.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 4. Significant Accounting Policies (cont'd)

#### (j) Impairment of Assets

##### (i) *Impairment of Financial Assets*

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

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

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

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

##### (ii) *Impairment of Non-Financial Assets*

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

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately, unless the asset is carried at its revalued amount. A reversal of an impairment loss on a revalued asset is credited to other comprehensive income. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the statements of comprehensive income, a reversal of that impairment loss is recognised as income in the statements of comprehensive income.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 4. Significant Accounting Policies (cont'd)

#### (k) Assets under Hire Purchase

Assets acquired under hire purchase are capitalised in the financial statements and are depreciated in accordance with the policy set out in Note 4(g) above. Each hire purchase payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. Finance charges are recognised in profit or loss over the period of the respective hire purchase agreements.

#### (l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in-first-out basis, and comprises the cost of materials and incidentals incurred in bringing the inventories to their present location and condition. Cost of finished goods and work-in-progress includes cost of materials and an appropriate proportion of production overheads.

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

Where necessary, due allowance is made for all damaged, obsolete and slow-moving items. The Group writes down its obsolete or slow-moving inventories based on assessment of the condition and the future demand for the inventories. The inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recovered.

#### (m) Amount Due From/(To) Contract Customers

The amount due from/(to) contract customers is stated at cost plus profit attributable to contracts in progress less progress billings and provision for foreseeable losses, if any. Cost includes direct materials, labour and applicable overheads.

#### (n) Borrowing Costs

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

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

#### (o) Purchase of Own Shares

When the share capital recognised as equity is bought by the Company under the share buy-back programme, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Shares bought that are not subsequently cancelled are classified as treasury shares and presented as a deduction from the total equity.

Where such shares are subsequently sold or reissued, any consideration received, net of any direct costs, is included in shareholders' equity.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 4. Significant Accounting Policies (cont'd)

#### (p) Income Taxes

Income taxes for the financial year comprise current and deferred tax.

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

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

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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

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

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

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

#### (q) Operating Segments

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

#### (r) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, deposits pledged with financial institution, bank overdrafts and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 4. Significant Accounting Policies (cont'd)

#### (s) Employee Benefits

##### (i) Short-term Benefits

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

##### (ii) Defined Contribution Plans

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

#### (t) Related Parties

A party is related to an entity if:-

- (a) A person or a close member of that person's family is related to a reporting entity if that person:-
  - (i) has control or joint control over the reporting entity;
  - (ii) has significant influence over the reporting entity; or
  - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) An entity is related to a reporting entity if any of the following conditions applies:-
  - (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a) above.
  - (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 4. Significant Accounting Policies (cont'd)

#### (u) Contingent Liabilities

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

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

#### (v) Revenue Recognition

##### (i) *Revenue from Contract Income*

Revenue on contracts is recognised on the percentage of completion method unless the outcome of the contract cannot be reliably determined, in which case the revenue on contracts will only be recognised to the extent of contract costs incurred that are recoverable. Foreseeable losses, if any, are provided for in full as and when it can be reasonably ascertained that the contract will result in a loss.

The stage of completion is determined based on the proportion that the contract costs incurred for work performed to date bear to the estimated total contract costs.

##### (ii) *Sale of Goods*

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

##### (iii) *Dividend Income*

Dividend income from investment in subsidiaries is recognised upon declaration by the subsidiaries. Dividend income from other investments is recognised when the right to receive the dividend is established.

##### (iv) *Other Income*

Interest income is recognised on an accrual basis, based on the effective yield on the investment.

Fee, rental and commission income are recognised on an accrual basis.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 5. Investment In Subsidiaries

	<b>The Company</b>	
	<b>2012</b> RM'000	<b>2011</b> RM'000
Unquoted shares in Malaysia, at cost:-		
At 1 January	<b>22,972</b>	98,525
Acquired during the financial year	<b>1,708</b>	@
Classified as held for sale	-	(75,553)
At 31 December	<b>24,680</b>	22,972
Unquoted shares outside Malaysia, at cost	<b>4,966</b>	4,966
	<b>29,646</b>	27,938

@ Denotes RM2.

Details of the subsidiaries are as follows:-

<b>Name of Company</b>	<b>Country of Incorporation</b>	<b>Effective Equity Interest</b>		<b>Principal Activities</b>
		<b>2012</b>	<b>2011</b>	
Modipalm Engineering Sdn. Bhd.	Malaysia	100%	100%	Manufacturer of palm oil mill equipment and related spare parts, provision of engineering support commissioning and contracting works for palm oil mills.
AVP Engineering (M) Sdn. Bhd.	Malaysia	51%	51%	Retrofitting special purpose vehicles.
Advance Boilers Sdn. Bhd.	Malaysia	100%	100%	Manufacturing and servicing boilers.
Avecpalm Marketing Resources Sdn. Bhd.	Malaysia	60%	60%	Trading of palm oil mill processing equipment.
Magview Machinery Sdn. Bhd.	Malaysia	71%	71%	Constructing mills, factories, building, composting effluent plants and contracting works.
PT CB Polaindo*#	Indonesia	95%	95%	Providing engineering support and contracting works for palm oil mills.
CBIP (PNG) Limited*#	Papua New Guinea	100%	100%	Providing engineering support and contracting works for palm oil mills.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 5. Investment In Subsidiaries (cont'd)

Name of Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2012	2011	
MYAVP Sdn. Bhd.*****	Malaysia	100%	-	Installing and commissioning of telecommunication towers.
PT. Sawit Lamandau Raya**#	Indonesia	85%	85%	Cultivation of oil palm.
PT Jaya Jadi Utama***#	Indonesia	94%	-	Cultivation of oil palm.
PT Berkala Maju Bersama****#	Indonesia	94%	-	Cultivation of oil palm.
Admiral Potential Sdn. Bhd.	Malaysia	100%	-	Investment holding.
AV-Ecopalms Sdn. Bhd.	Malaysia	100%	100%	Investment holding.
C.B. Industrial Product Sdn. Bhd.	Malaysia	100%	100%	Investment holding.
Great Enchant Sdn. Bhd.	Malaysia	100%	100%	Investment holding.
Midas Portfolio Sdn. Bhd.	Malaysia	100%	100%	Investment holding.
Steam-Mech Engineering Sdn. Bhd.	Malaysia	100%	100%	Investment holding.
Accent Hectares Sdn. Bhd.	Malaysia	100%	-	Dormant.
Sachiew Plantations Sdn. Bhd.	Malaysia	-	100%	Cultivation of oil palm and production of crude palm oil and palm kernel.
Empresa (M) Sendirian Berhad	Malaysia	-	100%	Cultivation of oil palm and production of crude palm oil and palm kernel.

\* held through C.B. Industrial Product Sdn. Bhd.  
 \*\* held through Steam-Mech Engineering Sdn. Bhd.  
 \*\*\* held through Admiral Potential Sdn. Bhd.  
 \*\*\*\* held through AV-Ecopalms Sdn. Bhd.  
 \*\*\*\*\* held through AVP Engineering (M) Sdn. Bhd.  
 # not audited by Messrs. Crowe Horwath.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 6. Investment In Associates

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Unquoted shares in Malaysia, at cost	49,430	49,430	49,430	49,430
Share of post-acquisition profits	33,352	29,749	-	-
	<b>82,782</b>	79,179	<b>49,430</b>	49,430

	The Group	
	2012 RM'000	2011 RM'000
Net interest represented by:-		
Net assets	30,205	26,602
Goodwill	52,577	52,577
	<b>82,782</b>	79,179

Details of the associates, which are incorporated in Malaysia, are as follows:-

Name of Company	Effective Equity Interest		Principal Activities
	2012	2011	
Bahtera Bahagia Sdn. Bhd. #	30%	30%	Cultivation of oil palm.
Kumpulan Kris Jati Sdn. Bhd. #	30%	30%	Cultivation of oil palm and production of crude palm oil and palm kernel.

# not audited by Messrs. Crowe Horwath.

The summarised financial information of the associates is as follows:-

	The Group	
	2012 RM'000	2011 RM'000
<b>Results</b>		
Revenue	185,999	206,723
Profit after taxation	31,369	58,249
<b>Assets and liabilities</b>		
Total assets	327,285	331,076
Total liabilities	(226,600)	(242,401)

Included in the investment in associates is an amount of approximately RM52.577 million (2011 - RM52.577 million) which represents goodwill arising from the investment in associates. This amount is reviewed for impairment annually.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 6. Investment In Associates (cont'd)

During the financial year, the Group assessed the recoverable amount of goodwill included in the investment in associates, and determined that goodwill is not impaired.

#### Impairment testing

For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating unit identified according to business segment. The recoverable amount of a cash-generating unit is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a period of five years. The key assumptions used for value-in-use calculations are:-

Key assumptions:-

- (i) Budgeted gross margin  
The basis used to determine the value assigned to the budgeted gross margin is the average gross margins achieved in the year immediately before the budgeted year increased for expected efficiency improvements and cost saving measures.
- (ii) Growth rate  
The growth rate used is based on the expected projection of the fresh fruit bunches and the yield on plantation.
- (iii) Discount rate  
The discount rate used is pre-tax and reflect specific risks relating to the relevant segments.

### 7. Investment In Jointly Controlled Entities

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Unquoted shares in Malaysia, at cost:-				
At 1 January	<b>20,187</b>	15,187	<b>20,187</b>	15,187
Allotment of additional shares in jointly controlled entities	-	5,000	-	5,000
At 31 December	<b>20,187</b>	20,187	<b>20,187</b>	20,187
Share of post-acquisition profits	<b>2,021</b>	1,975	-	-
	<b>22,208</b>	22,162	<b>20,187</b>	20,187

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 7. Investment In Jointly Controlled Entities (cont'd)

	<b>The Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>
Net interest represented by:-		
Net assets	<b>23,571</b>	23,525
Negative goodwill	<b>(1,363)</b>	(1,363)
	<b>22,208</b>	22,162

Details of the jointly controlled entities, which are incorporated in Malaysia, are as follows:-

<b>Name of Company</b>	<b>Effective Equity Interest</b>		<b>Principal Activities</b>
	<b>2012</b>	<b>2011</b>	
Pride Palm Oil Mill Sdn. Bhd. #	50%	50%	Investment holding.
Solar Green Sdn. Bhd.*#	50%	50%	Cultivation of oil palm and production of crude palm oil and palm kernel.

# not audited by Messrs. Crowe Horwath.

\* held through Pride Palm Oil Mill Sdn. Bhd.

The summarised financial information of the jointly controlled entities is as follows:-

	<b>The Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Results</b>		
Revenue	<b>54,210</b>	68,484
Profit after taxation	<b>92</b>	10,071
<b>Assets and liabilities</b>		
Total assets	<b>104,541</b>	105,993
Total liabilities	<b>(57,400)</b>	(58,943)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

## 8. Property, Plant And Equipment

The Group Net Carrying Amount	At 1.1.2012 RM'000	Additions RM'000	Disposals/ Written Off RM'000	Transfer RM'000	Depreciation Charge RM'000	At 31.12.2012 RM'000
Freehold land and building	16,913	-	-	816	-	17,729
Long leasehold land	7,461	-	-	-	(83)	7,378
Buildings	17,236	-	-	3,209	(716)	19,729
Estate access road	-	1,263	-	-	(11)	1,252
Factory equipment and machinery	6,148	2,907	(638)	-	(1,386)	7,031
Furniture, fittings and office equipment	1,591	791	(5)	631	(593)	2,415
Motor vehicles	4,394	2,686	(95)	-	(1,258)	5,727
Renovation	417	219	-	697	(181)	1,152
Capital work-in-progress	5,041	6,463	-	(5,353)	-	6,151
<b>Total</b>	<b>59,201</b>	<b>14,329</b>	<b>(738)</b>	<b>-</b>	<b>(4,228)</b>	<b>68,564</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 8. Property, Plant And Equipment (cont'd)

The Group Net Carrying Amount	At Acquisition Of A Subsidiary		Disposals/ Write-Off	Transfer	Depreciation Charge	Classified As Held For Sale	At 31.12.2011
	1.1.2011	RM'000					
Freehold land and building	-	16,913	-	-	-	-	16,913
Long leasehold land	36,178	-	(5)	-	(459)	(28,253)	7,461
Short leasehold land	18,900	-	-	-	(555)	(18,345)	-
Buildings	25,429	-	-	1,147	(1,056)	(8,392)	17,236
Mills	56,753	-	-	-	(5,735)	(51,418)	-
Estate access road	15,685	-	-	-	(949)	(15,101)	-
Factory equipment and machinery	5,799	-	-	-	(1,485)	(272)	6,148
Furniture, fittings and office equipment	1,747	-	(25)	-	(484)	(330)	1,591
Motor vehicles	5,619	-	(508)	-	(1,458)	(1,058)	4,394
Renovation	344	-	(65)	-	(111)	(60)	417
Capital work-in progress	3,018	4,515	-	(1,147)	-	(1,345)	5,041
<b>Total</b>	<b>169,472</b>	<b>16,913</b>	<b>(603)</b>	<b>-</b>	<b>(12,292)</b>	<b>(124,574)</b>	<b>59,201</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 8. Property, Plant And Equipment (cont'd)

<b>The Group As At 31.12.2012</b>	<b>Cost RM'000</b>	<b>Accumulated Depreciation RM'000</b>	<b>Net Carrying Amount RM'000</b>
Freehold land and building	17,729	-	17,729
Long leasehold land	7,699	(321)	7,378
Buildings	21,278	(1,549)	19,729
Estate access road	1,263	(11)	1,252
Factory equipment and machinery	14,689	(7,658)	7,031
Furniture, fittings and office equipment	4,811	(2,396)	2,415
Motor vehicles	9,866	(4,139)	5,727
Renovation	1,717	(565)	1,152
Capital work-in-progress	6,151	-	6,151
<b>Total</b>	<b>85,203</b>	<b>(16,639)</b>	<b>68,564</b>

#### As At 31.12.2011

Freehold land and building	16,913	-	16,913
Long leasehold land	7,699	(238)	7,461
Buildings	18,069	(833)	17,236
Factory equipment and machinery	13,286	(7,138)	6,148
Furniture, fittings and office equipment	3,408	(1,817)	1,591
Motor vehicles	8,626	(4,232)	4,394
Renovation	801	(384)	417
Capital work-in-progress	5,041	-	5,041
<b>Total</b>	<b>73,843</b>	<b>(14,642)</b>	<b>59,201</b>

<b>The Company Net Carrying Amount</b>	<b>At 1.1.2012 RM'000</b>	<b>Disposal RM'000</b>	<b>Depreciation Charge RM'000</b>	<b>At 31.12.2012 RM'000</b>
Buildings	627	-	(7)	<b>620</b>
Furniture, fittings and office equipment	44	(2)	(36)	<b>6</b>
Motor vehicles	664	-	(168)	<b>496</b>
Renovation	61	-	(60)	<b>1</b>
<b>Total</b>	<b>1,396</b>	<b>(2)</b>	<b>(271)</b>	<b>1,123</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 8. Property, Plant And Equipment (cont'd)

<b>The Company Net Carrying Amount</b>	<b>At 1.1.2011 RM'000</b>	<b>Additions RM'000</b>	<b>Depreciation Charge RM'000</b>	<b>At 31.12.2011 RM'000</b>
Buildings	634	-	(7)	627
Furniture, fittings and office equipment	80	2	(38)	44
Motor vehicles	397	435	(168)	664
Renovation	121	-	(60)	61
<b>Total</b>	<b>1,232</b>	<b>437</b>	<b>(273)</b>	<b>1,396</b>

<b>As At 31.12.2012</b>	<b>Cost RM'000</b>	<b>Accumulated Depreciation RM'000</b>	<b>Net Carrying Amount RM'000</b>
Buildings	655	(35)	620
Furniture, fittings and office equipment	184	(178)	6
Motor vehicles	839	(343)	496
Renovation	299	(298)	1
<b>Total</b>	<b>1,977</b>	<b>(854)</b>	<b>1,123</b>

#### As At 31.12.2011

Buildings	655	(28)	627
Furniture, fittings and office equipment	193	(149)	44
Motor vehicles	839	(175)	664
Renovation	299	(238)	61
<b>Total</b>	<b>1,986</b>	<b>(590)</b>	<b>1,396</b>



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 8. Property, Plant And Equipment (cont'd)

#### Assets acquired under hire purchase

Included in the plant and equipment at the end of the reporting period were the following assets acquired under hire purchase terms:-

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
<u>At net carrying amount:-</u>				
Motor vehicles	1,768	1,886	497	664
Plant and machinery	28	253	-	-

#### Assets pledged as security

The long leasehold land and building of the Group at the end of the reporting period which were pledged as security for banking facilities granted to a subsidiary are as follows:-

	The Group	
	2012 RM'000	2011 RM'000
<u>At net carrying amount:-</u>		
Long leasehold land	2,618	2,646
Building	5,885	6,015

Depreciation of property, plant and equipment charged for the financial year is allocated as follows:-

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Amount charged to profit or loss	4,170	12,228	271	273
Amount capitalised in plantation development expenditure (Note 9)	58	64	-	-
	<b>4,228</b>	12,292	<b>271</b>	273

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 9. Plantation Development Expenditure

	The Group	
	2012 RM'000	2011 RM'000
Cost:		
At 1 January	<b>27,095</b>	114,073
Incurring during the financial year	<b>16,174</b>	7,164
Capitalisation of:-		
Depreciation of property, plant and equipment (Note 8)	<b>58</b>	64
	<b>16,232</b>	7,228
Classified as held for sale	-	(94,206)
At 31 December	<b>43,327</b>	27,095
Accumulated Amortisation:-		
At 1 January	-	(25,748)
Amortised during the financial year	-	(4,162)
Classified as held for sale	-	29,910
At 31 December	-	-
Net carrying amount	<b>43,327</b>	27,095

### 10. Goodwill

	The Group	
	2012 RM'000	2011 RM'000
At 1 January	<b>2,353</b>	16,278
Classified as held for sale	-	(13,925)
Acquisition of subsidiaries (Note 35)	<b>13,988</b>	-
At 31 December	<b>16,341</b>	2,353
Carrying amount:-		
At 1 January/31 December	<b>16,341</b>	2,353

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 10. Goodwill (cont'd)

	Manufacturing Segment		Plantation Segment		Total	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Goodwill	1,076	1,076	15,265	1,277	16,341	2,353

#### Impairment testing

Goodwill is allocated to the Group's cash-generating unit ("CGU") identified according to the individual company.

Goodwill is tested for impairment on an annual basis by comparing the carrying amount within the recoverable amount of the CGU. The recoverable amount of a CGU is determined based on value-in-use calculation using cash flow projections from the financial budgets and forecast approved by the management covering a period of five year.

Key assumptions used in the value-in-used calculations are:-

- (i) the pre-tax discount rate used is 8%;
- (ii) the growth rate used for CGU which is involved in the cultivation of oil palm plantation is determined based on the management's estimate of commodity prices, palm yields, oil extraction rates as well as the cost of productions whilst growth rates of companies in other segments are determined based on the industry trends and past performances of the respective companies; and
- (iii) profit margins are projected based on historical profit margin achieved.

In assessing the value-in-use, the management is of the view that no foreseeable changes in any of the above key assumptions would cause the carrying amounts of the respective CGUs to materially exceed their recoverable amounts.

### 11. Other Investments

	The Group	
	2012 RM'000	2011 RM'000
Quoted shares in Malaysia, at fair value	28	30
Golf club membership, at fair value	564	564
	<b>592</b>	594

Other investments of the Group are designated as available-for-sale financial assets and are measured at fair value.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 12. Inventories

	The Group	
	2012 RM'000	2011 RM'000
At cost:-		
Raw materials and goods held for resale	10,359	8,630
Work-in-progress	13,960	17,762
Finished goods	8,496	8,414
Estate consumables and fertilisers	1,382	-
	34,197	34,806

None of the inventories was valued at net realisable value as at the end of the reporting period.

### 13. Trade Receivables

	The Group	
	2012 RM'000	2011 RM'000
Gross trade receivables	110,292	98,732
Allowance for impairment losses	(13,592)	(14,540)
Net trade receivables	96,700	84,192
Allowance for impairment losses:-		
At 1 January	(14,540)	(8,533)
Increase during the financial year	(317)	(6,499)
Reversal during the financial year	420	492
Bad debts written off	845	-
At 31 December	(13,592)	(14,540)

The Group's normal trade credit terms range from 30 to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 14. Amounts Due To Contract Customers

	The Group	
	2012 RM'000	2011 RM'000
Costs incurred	784,572	546,689
Attributable profit	171,608	119,105
	<b>956,180</b>	665,794
Progress billings	<b>(961,572)</b>	(673,794)
Net amount due to contract customers	<b>(5,392)</b>	(8,000)
Amount due from contract customers	<b>50,255</b>	35,064
Amount due to contract customers	<b>(55,647)</b>	(43,064)
	<b>(5,392)</b>	(8,000)

### 15. Other Receivables And Deposits

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Other receivables	24,712	6,375	9,533	529
Deposits	14,280	6,323	7,112	5,050
	<b>38,992</b>	12,698	<b>16,645</b>	5,579

Included in the other receivables is an amount of RM8,780,650 (2011 - Nil) in respect of the retention sum receivable for the disposal of two plantation subsidiaries.

Included in the deposits is an amount of RM7,101,609 (2011 - Nil) in respect of the deposit paid for the acquisition of PT Gumus Alam Subur and PT Kurun Sumber Rezeki as disclosed in Note 40 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 16. Amount Owing By/(To) Subsidiaries

The amounts owing are non-trade in nature and unsecured, and are in respect of interest-free advances and payments made on behalf. The amounts owing are repayable within the next twelve months and are to be settled in cash.

### 17. Short-Term Investment

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Investment in asset management, at fair value	21,593	-	21,593	-

### 18. Derivative Asset

	The Group	
	Contract/ Notional Amount 2012 RM'000	Assets 2012 RM'000
Forward currency contracts:		
- Euro	18,559	427
- Sterling Pound	4,356	6
	22,915	433

Forward currency contracts are used to hedge the Group's purchases denominated in Euro and Sterling Pound for which firm commitments existed at the end of the reporting period. The settlement dates on forward currency contracts range between 1 to 7 months after the end of the reporting period.

### 19. Fixed And Short-Term Deposits With Licensed Banks

Fixed and short-term deposits with licensed banks of the Group amounting to RM10,587,428 (2011 - RM608,986) have been pledged as collateral to a licensed bank to secure banking facilities granted to a subsidiary.

The average effective interest rate of the fixed and short-term deposits at the end of the reporting period range from 2.8% (2011 - 2.8%) per annum. The fixed and short-term deposits have a maturity period ranging from 1 month to 12 months (2011 - 1 month) respectively.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 20. Share Capital

	The Company			
	Number Of Shares			
	2012 '000	2011 '000	2012 RM'000	2011 RM'000
ORDINARY SHARES OF RM0.50 EACH:-				
AUTHORISED:				
At 1 January	200,000	200,000	100,000	100,000
Increase during the financial year	800,000	-	400,000	-
At 31 December	<b>1,000,000</b>	200,000	<b>500,000</b>	100,000
ISSUED AND FULLY PAID-UP:				
At 1 January	137,562	137,562	68,781	68,781
Bonus issue during the financial year	134,446	-	67,223	-
At 31 December	<b>272,008</b>	137,562	<b>136,004</b>	68,781

During the financial year,

- (a) the Company increased its authorised share capital from RM100,000,000 to RM500,000,000 comprising 1,000,000,000 ordinary shares of RM0.50 each by the creation of 800,000,000 new ordinary shares of RM0.50 each;
- (b) the Company increased its issued and paid-up capital from RM68,781,250 to RM136,004,237 comprising 272,008,474 ordinary shares of RM0.50 each by a bonus issue of 134,445,974 new ordinary shares of RM0.50 each in the ratio of 1 bonus share for every 1 existing ordinary share held. The bonus shares were issued by way of capitalisation of RM6,680,767 and RM60,542,220 from the share premium account and the retained profits account respectively;

The new shares issued rank pari passu in all respects with the existing shares of the Company.

### 21. Treasury Shares

The shareholders of the Company, by an ordinary resolution passed in the Annual General Meeting held on 30 May 2012, granted their approval for the Company's plan to repurchase its own ordinary shares. The directors of the Company are committed to enhance the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company purchased from the open market, 812,000 units of its own shares through purchases on the Main Market of Bursa Malaysia Securities Berhad at an average buy-back price of RM2.58 per ordinary share. The total consideration paid for acquisition of the shares was RM2,093,221 and was financed by internally generated funds. The repurchased shares were held as treasury shares in accordance with Section 67A of the Companies Act 1965 in Malaysia.

As at 31 December 2012, the Company held 3,928,527 repurchased shares as treasury shares out of its total issued and paid up share capital of 272,008,474 ordinary shares of RM0.50 each. Such treasury shares were held at a carrying amount of RM13,706,515.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 22. Retained Profits

The Company has elected for the irrevocable option for the single tier tax system during the current financial year. Therefore, at the balance sheet date, the Company will be able to distribute dividends out of its entire retained profits under the single tier tax system.

### 23. Long-Term Borrowings

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Minimum hire purchase payments:				
- not later than one year	1,217	800	218	217
- later than one year and not later than five years	883	1,264	216	433
- later than five years	46	-	-	-
	<b>2,146</b>	2,064	<b>434</b>	650
Future finance charges	<b>(304)</b>	(232)	<b>(41)</b>	(59)
Present value of hire purchase payables	<b>1,842</b>	1,832	<b>393</b>	591
- Repayable not later than one year (Note 28)	<b>(788)</b>	(710)	<b>(199)</b>	(199)
- Repayable later than one year and not later than five years	<b>1,014</b>	1,122	<b>194</b>	392
- Repayable later than five years	<b>40</b>	-	<b>-</b>	-
	<b>1,054</b>	1,122	<b>194</b>	392
Term loan	<b>776</b>	1,544	-	-
Repayable within twelve months (Note 28)	<b>(776)</b>	(768)	-	-
Repayable after twelve months	-	776	-	-
	<b>1,054</b>	1,898	<b>194</b>	392

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

Interest at COF + 1% per annum Repayable in 25 quarterly instalments of RM192,000, effective from July 2007.

The term loan is secured as follows:-

- by a legal charge over the landed property belonging to a subsidiary; and
- by a corporate guarantee issued by the Company.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 24. Deferred Taxation

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
At 1 January	306	19,118	13	-
Classified as held for sale:				
- discontinuing operations (Note 32)	-	(1,371)	-	-
- current financial year	-	(17,083)	-	-
Recognised in profit or loss (Note 31)	2,243	(358)	(13)	13
At 31 December	2,549	306	-	13

The deferred tax liabilities are in respect of accelerated capital allowances over depreciation.

### 25. Trade Payables

The normal trade credit terms granted to the Group range from 30 to 120 days.

### 26. Other Payables And Accruals

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Other payables	4,139	9,720	20	146
Accruals	4,351	3,122	288	-
Refundable deposit received	5	26,906	-	26,806
	8,495	39,748	308	26,952

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 27. Dividends

	The Company	
	2012 RM'000	2011 RM'000
<u>Paid during the financial year:</u>		
Interim tax-exempt dividend of 10 sen per ordinary share of RM0.50 each	13,445	-
Interim tax-exempt dividend of 30 sen per ordinary share of RM0.50 each	80,667	-
Interim tax-exempt dividend of 10 sen per ordinary share of RM0.50 each	26,834	-
	<b>120,946</b>	-
<u>Dividend payable:</u>		
Interim single tier tax-exempt dividend of 5 sen per ordinary share of RM0.50 each	13,404	-

### 28. Short-Term Borrowings/Bank Overdrafts

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Short-term borrowings comprise the following:-				
Current portion of hire purchase payables (Note 23)	788	710	199	199
Current portion of term loan (Note 23)	776	768	-	-
Bills payable	14,338	8,767	-	-
Revolving credits	1,014	8,599	-	5,072
	<b>16,916</b>	18,844	<b>199</b>	5,271

The bills payable, bank overdrafts and revolving credits are secured by corporate guarantees issued by the Company.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 29. Revenue

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Revenue represents:-				
Contract revenue	<b>449,516</b>	259,114	-	-
Sale of goods	<b>72,212</b>	63,497	-	-
Dividend income	-	-	<b>74,017</b>	40,172
Management fee income	-	-	<b>57</b>	57
	<b>521,728</b>	322,611	<b>74,074</b>	40,229

### 30. Profit Before Taxation

Profit before taxation is arrived at after charging/(crediting):-

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Allowance for impairment losses on trade receivables	<b>317</b>	6,499	-	-
Amortisation of plantation development expenditure	-	4,162	-	-
Auditors' remuneration:				
- current financial year	<b>249</b>	201	<b>43</b>	36
- underprovision in the previous financial year	<b>4</b>	14	-	8
Bad debts written off	<b>477</b>	172	-	-
Depreciation of property, plant and equipment	<b>4,170</b>	3,380	<b>271</b>	273
Directors' remuneration:				
- fee	<b>264</b>	267	<b>197</b>	185
- other emoluments	<b>2,371</b>	1,371	<b>83</b>	65
Hire of motor vehicles	<b>2</b>	2	-	-
Interest expense:				
- bank overdrafts	<b>7</b>	15	-	-
- bills payable	-	43	-	-
- hire purchase	<b>105</b>	98	<b>19</b>	15
- revolving credit	<b>184</b>	773	<b>91</b>	614
- term loan	<b>59</b>	174	-	-

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 30. Profit Before Taxation (cont'd)

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Lease rental	-	1	-	-
Loss/(Gain) on disposal of property, plant and equipment	<b>569</b>	(95)	-	-
Loss/(Gain) on foreign exchange:				
- realised	<b>2,154</b>	(2,653)	-	-
- unrealised	<b>899</b>	(105)	-	-
Plant and equipment written off	<b>2</b>	17	-	-
Preliminary expenses	<b>4</b>	-	-	-
Rental of premises	<b>22</b>	17	-	-
Staff costs:				
- salaries, wages, bonuses and allowances	<b>11,689</b>	11,789	<b>444</b>	437
- defined contribution plan	<b>1,372</b>	1,074	<b>54</b>	52
Reversal of allowance for impairment losses on trade receivables	<b>(420)</b>	(492)	-	-
Dividend income from:				
- subsidiaries	-	-	<b>(68,210)</b>	(34,366)
- an associate	-	-	<b>(5,808)</b>	(5,806)
Fair value gain on:				
- derivative asset	<b>(433)</b>	-	-	-
- short-term investment	<b>(1,023)</b>	-	<b>(1,023)</b>	-
Gain on disposal of subsidiaries	<b>(148,370)</b>	-	<b>(195,575)</b>	-
Interest income:				
- bank account	<b>(4,019)</b>	(274)	<b>(2,668)</b>	(15)
- fixed and short-term deposits	-	(18)	-	-
- related companies	-	-	<b>(3,210)</b>	(1,512)
Management fee income from subsidiaries	-	-	<b>(57)</b>	(57)
Rental income	<b>(29)</b>	(25)	<b>(23)</b>	(24)

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 31. Income Tax Expense

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
<u>Current tax for the financial year:</u>				
- Malaysia	<b>5,342</b>	1,871	<b>713</b>	1,555
- foreign jurisdictions	<b>477</b>	214	-	-
Under/(Over)provision in the prior financial years	<b>(291)</b>	(352)	<b>(346)</b>	(227)
	<b>5,528</b>	1,733	<b>367</b>	1,328
<u>Deferred taxation expense (Note 24)</u>				
Current financial year	<b>823</b>	(408)	<b>(5)</b>	(5)
Under/(Over)provision in the prior financial years	<b>1,420</b>	50	<b>(8)</b>	18
	<b>2,243</b>	(358)	<b>(13)</b>	13
	<b>7,771</b>	1,375	<b>354</b>	1,341

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 31. Income Tax Expense (cont'd)

A reconciliation of income tax expense applicable to the profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group and of the Company is as follows:-

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Profit before taxation	<b>99,318</b>	70,890	<b>274,839</b>	39,522
Tax at statutory tax rate of 25%	<b>24,829</b>	17,723	<b>68,710</b>	9,881
Tax effects of:-				
Share of results of:				
- associates	<b>(901)</b>	(4,328)	-	-
- jointly controlled entity	<b>(11)</b>	-	-	-
Expenses disallowed for tax purposes	<b>1,761</b>	2,258	<b>221</b>	512
Tax-exempt dividend income	-	-	<b>(17,427)</b>	(8,843)
Non-taxable income	<b>(2,558)</b>	(641)	<b>(50,796)</b>	-
Deferred tax assets not recognised during the financial year	<b>60</b>	-	-	-
Under/(Over)provision in the prior financial years:				
- income tax	<b>(291)</b>	(352)	<b>(346)</b>	(227)
- deferred taxation	<b>1,420</b>	50	<b>(8)</b>	18
Tax saving arising from tax incentive	<b>(16,538)</b>	(13,335)	-	-
Income tax expense for the financial year	<b>7,771</b>	1,375	<b>354</b>	1,341

Taxes in foreign jurisdictions are calculated at the rates prevailing in the respective jurisdictions.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 32. Profit After Taxation From Discontinued Operations

As disclosed in Note 40 to the financial statements, the Company completed the disposal of the two plantation subsidiaries, namely Sachiew Plantations Sdn. Bhd. and Empresa (M) Sendirian Berhad during the financial year, in accordance to the terms and conditions of the said agreements.

An analysis of the results of the discontinued operations is as follows:-

	The Group	
	2012 RM'000	2011 RM'000
Revenue	19,569	132,667
Cost of sales	(9,343)	(74,432)
Gross profit	10,226	58,235
Other income	41	151
	<b>10,267</b>	58,386
Administrative and other operating expenses	(1,433)	(2,598)
Finance expenses	(800)	(4,234)
Profit before taxation from discontinued operations	8,034	51,554
Income tax expense:		
- current financial year tax	(2,006)	(16,665)
- deferred taxation (Note 24)	-	1,371
	<b>(2,006)</b>	(15,294)
Profit after taxation from discontinued operations	6,028	36,260
Gain on disposal of discontinued operations	148,370	-
	<b>154,398</b>	36,260

(a) Included in profit before taxation from the discontinued operations are the following:-

	The Group	
	2012 RM'000	2011 RM'000
Amortisation of plantation development expenditure	1,045	4,162
Depreciation of property, plant and equipment	2,311	8,848
Interest expense:		
- revolving credit	602	3,028
- term loan	17	1,088
- others	21	117
Rental of premises	2	8
Staff costs:		
- salaries, wages, bonuses and allowances	315	1,439
- defined contribution plan	30	140
Gain on disposal of property, plant and equipment	-	(19)
Rental income	(4)	(16)

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 32. Profit After Taxation From Discontinued Operations (cont'd)

(b) The cash flows attributable to the discontinued operations are the following:-

	<b>The Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>
Net cash from operating activities	<b>21,441</b>	47,145
Net cash for investing activities	<b>(3,482)</b>	(2,678)
Net cash for financing activities	<b>(5,035)</b>	(19,695)
<b>Net cash from discontinued operations</b>	<b>12,924</b>	24,772

c) The effect of disposal of the discontinued operations on the financial position is as follows:-

	<b>The Group</b>	<b>The Company</b>
	<b>2012</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Investment in subsidiaries	-	<b>75,553</b>
Property, plant and equipment	<b>130,670</b>	-
Plantation development expenditure	<b>63,640</b>	-
Inventories	<b>2,437</b>	-
Trade receivables	<b>6,657</b>	-
Other receivables, deposits and prepayments	<b>28,572</b>	-
Cash and bank balances	<b>13,004</b>	-
Trade payables	<b>(2,955)</b>	-
Other payables and accruals	<b>(41,784)</b>	-
Hire purchase payables	<b>(1,262)</b>	-
Term loans	<b>(69,750)</b>	-
Provision for taxation	<b>(3,313)</b>	-
Deferred taxation	<b>(17,083)</b>	-
<b>Net assets</b>	<b>108,833</b>	<b>75,553</b>
Goodwill	<b>13,925</b>	-
Gain on disposal of discontinued operations	<b>148,370</b>	<b>195,575</b>
<b>Consideration received, satisfied in cash</b>	<b>271,128</b>	<b>271,128</b>
Cash and cash equivalents disposed of	-	-
<b>Net cash inflow</b>	<b>271,128</b>	<b>271,128</b>



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 33. Earnings Per Share

The calculation of the basic earnings per share is based on the consolidated net profit attributable to owners of the Company for the financial year divided by the weighted average number of ordinary shares of RM0.50 each in issue during the financial year excluding the treasury shares held by the Company.

	The Group	
	2012 RM'000	2011 RM'000
<b>Continuing operations</b>		
Net profit attributable to owners of the Company	<b>85,221</b>	68,343
Number of ordinary shares at beginning of the financial year ('000)	<b>134,446</b>	131,322
Net effects of purchase and sale of own shares and held as treasury shares ('000)	<b>812</b>	3,124
Effect of bonus issue ('000)	<b>67,223</b>	67,223
Weighted average number of ordinary shares in issue ('000)	<b>202,481</b>	201,669
Basic earnings per share	<b>42.1 sen</b>	33.9 sen
<b>Discontinued operations</b>		
Net profit attributable to owners of the Company (Note 32)	<b>154,398</b>	36,260
Weighted average number of ordinary shares at 31 December (as above)	<b>202,481</b>	201,669
Basic earnings per share	<b>76.3 sen</b>	18.0 sen

There is no diluted earnings per share for the current financial year as there are no dilutive potential ordinary shares.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 34. Purchase Of Property, Plant And Equipment

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Cost of property, plant and equipment acquired	<b>14,329</b>	10,285	-	437
Amount financed through hire purchase	<b>(385)</b>	(788)	-	(386)
Cash disbursed for purchase of property, plant and equipment	<b>13,944</b>	9,497	-	51

### 35. Summary Of Effects Of Acquisition Of Subsidiaries

Details of net assets acquired, goodwill and cash flow arising from the acquisition of subsidiaries are as follows:-

	The Group	
	2012 RM'000	2011 RM'000
Property	-	16,913
Other receivables	<b>6,490</b>	-
Cash in hand	*	@
Current liability	-	(16,913)
Net assets in subsidiaries acquired	<b>6,490</b>	@
Non-controlling interests	<b>(389)</b>	-
Goodwill on acquisition	<b>13,988</b>	-
	<b>20,089</b>	@
Cost of acquisition:		
- purchase consideration, satisfied by cash	<b>(20,089)</b>	@
- liabilities assumed by the Company	-	(16,913)
	<b>(20,089)</b>	(16,913)
Cash and cash equivalents acquired	*	@
Net cash outflow on acquisition of subsidiaries	<b>(20,089)</b>	(16,913)

The non-controlling interests are measured at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition.

The acquired subsidiaries have contributed the following results to the Group:-

	The Group	
	2012 RM'000	2011 RM'000
Decrease in the Group's profit attributable to owners of the Company	<b>(2,236)</b>	(15)

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 35. Summary Of Effects Of Acquisition Of Subsidiaries (cont'd)

The effects of the acquisition of subsidiaries on the financial position of the Group at the end of the reporting period are as follows:-

	The Group	
	2012 RM'000	2011 RM'000
Property, plant and equipment	3,385	16,913
Plantation development expenditure	10,934	-
Inventories	709	-
Other receivables, deposits and prepayments	8,604	-
Cash and bank balances	5,073	@
Trade payables	(269)	-
Other payables and accruals	(264)	-
Hire purchase payables	(403)	-
Deferred taxation	(135)	-
<b>Increase in the Group's net assets</b>	<b>27,634</b>	<b>16,913</b>

@ Denotes RM2.

\* Denotes RM4.

### 36. Cash And Cash Equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:-

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Fixed and short-term deposits with licensed banks (Note 19)	10,587	2,720	-	-
Cash and bank balances	179,838	58,067	57,641	6,487
Bank overdrafts	(1,928)	(3,322)	-	-
Classified as held for sale	-	10,769	-	-
	<b>188,497</b>	<b>68,234</b>	<b>57,641</b>	<b>6,487</b>

Included in cash and bank balances are placements of money market fund amounting to RM107,407,514 (2011 - RM31,810,038). The risk of the placements is low as the placements are redeemable on demand.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 37. Directors' Remuneration

The aggregate amount of emoluments received and receivable by directors of the Group and of the Company during the financial year was as follows:-

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Executive directors' remuneration:				
- fee	67	82	-	-
- salaries, other emoluments and defined contribution plan	1,945	1,023	-	-
- bonus and allowances	363	278	20	16
	<b>2,375</b>	1,383	<b>20</b>	16
Non-executive directors' remuneration:				
- fee	197	185	197	185
- bonus and allowances	15	25	15	25
	<b>212</b>	210	<b>212</b>	210
Benefits-in-kind	48	45	48	24
Total directors' remuneration including benefits-in-kind	<b>2,635</b>	1,638	<b>280</b>	250
Represented by:-				
Directors' fee	264	267	197	185
Directors' other emoluments	2,371	1,371	83	65
	<b>2,635</b>	1,638	<b>280</b>	250

The number of directors of the Company whose total remuneration during the financial year which was within the following bands is analysed below:-

	Number of Directors	
	2012	2011
Executive directors:		
- Between RM250,001 and RM300,000	-	1
- Between RM350,001 and RM400,000	1	1
- Between RM450,001 and RM500,000	1	-
- Above RM500,000	1	1
	<b>3</b>	<b>3</b>
Non-executive directors:		
- Less than RM50,000	3	3
- Between RM100,001 and RM150,000	1	1
	<b>7</b>	<b>7</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 38. Contingent Liabilities

	The Company	
	2012 RM'000	2011 RM'000
Corporate guarantees given to financial institutions for facilities granted to certain subsidiaries	<b>336,312</b>	389,909

### 39. Significant Related Party Disclosures

a) Identities of related parties

The Company has related party relationships with:-

- (i) its subsidiaries as disclosed in Note 5 to the financial statements;
- (ii) its associates as disclosed in Note 6 to the financial statements; and
- (iii) the directors who are the key management personnel.

b) In addition to the information disclosed elsewhere in the financial statements, the Group and the Company carried out the following transactions with the related parties during the financial year:-

	The Company	
	2012 RM'000	2011 RM'000
Dividend received and receivable from subsidiaries	<b>68,210</b>	34,366
Dividend received from an associate	<b>5,808</b>	5,806
Management fee received from subsidiaries	<b>57</b>	57
Rental income received from subsidiaries	<b>23</b>	24
Interest income received from subsidiaries	<b>3,209</b>	1,511
Administrative and accounting fee received from subsidiaries	<b>72</b>	96

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Key management personnel compensation:				
- short-term employees benefits	<b>2,635</b>	1,638	<b>280</b>	250

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 40. Significant Events During The Financial Year

During the financial year,

- (i) the Company completed the disposal of its plantation subsidiary, Sachiew Plantations Sdn. Bhd. for a total cash consideration of RM115,570,157, in accordance with the terms and conditions of the agreement;
- (ii) the Company completed the disposal of its plantation subsidiary, Empresa (M) Sendirian Berhad for a total cash consideration of RM155,557,806, in accordance with the terms and conditions of the agreement;
- (iii) the Company acquired 2 ordinary shares of RM1 each representing 100% of the equity interest in Admiral Potential Sdn. Bhd. for a total cash consideration of RM2;
- (iv) the Company acquired 2 ordinary shares of RM1 each representing 100% of the equity interest in Accent Hectares Sdn. Bhd. for a total cash consideration of RM2;
- (v) a subsidiary of the Company, Admiral Potential Sdn. Bhd. acquired 94% of the equity interest in a new subsidiary, PT Jaya Jadi Utama comprising 940 ordinary shares of Rupiah 1,000,000 each for a cash consideration of RM6,165,102. Subsequently, the said subsidiary allotted and issued 8,460 ordinary shares of Rupiah 1,000,000 each to the Company for a cash consideration of RM2,898,000. Consequently, the Company retained its 94% equity interest in the said subsidiary;
- (vi) a subsidiary of the Company, AV-Ecopalms Sdn. Bhd. acquired 94% of the equity interest in a new subsidiary, PT Berkala Maju Bersama comprising 940 ordinary shares of Rupiah 1,000,000 each for a cash consideration of RM8,127,883. Subsequently, the said subsidiary allotted and issued 8,460 ordinary shares of Rupiah 1,000,000 each to the Company for a cash consideration of RM2,898,000. Consequently, the Company retained its 94% equity interest in the said subsidiary;
- (vii) a subsidiary of the Company, AVP Engineering (M) Sdn. Bhd. acquired and subscribed 500,000 ordinary shares of RM1 each representing 100% of the equity interest in MYAVP Sdn. Bhd. for a total consideration of RM500,000;
- (viii) the Company entered into a conditional share sale agreement to acquire 94% of the equity interest in PT Gumas Alam Subur, comprising 940 ordinary shares of Rupiah 1,000,000 each for a cash consideration of RM6,319,361. The acquisition is pending the fulfillment of certain terms and conditions of the said agreement; and
- (ix) the Company entered into a conditional share sale agreement to acquire 94% of the equity interest in PT Kurun Sumber Rezeki, comprising 940 ordinary shares of Rupiah 1,000,000 each for a cash consideration of RM7,381,783. The said acquisition is pending the fulfillment of certain terms and conditions of the said agreement.

### 41. Significant Event Subsequent To The Reporting Period

Subsequent to the end of the reporting period, a subsidiary of the Company, Advance Boilers Sdn. Bhd. entered into a Sale and Purchase Agreement with third party to acquire its property, plant and equipment and inventories for a total cash consideration of RM35,975,000.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 42. Operating Segments

Operating segments are prepared in a manner consistent with the internal reporting provided to the Management Committee as its chief operating decision maker in order to allocate resources to segments and to assess their performance. For management purposes, the Group is organised into business units based on their products and services provided.

The Group comprises the following main business segments:-

Manufacturing	Manufacture of palm oil equipment and related products, commissioning and contracting works for palm oil mills and retrofitting special purpose vehicles.
Trading	Trading of palm oil mill processing equipment.
Plantation	Cultivation of oil palm and production of crude palm oil and palm kernel.
Investing	Investment holding.

The Management Committee assesses the performance of the operating segments based on operating profit or loss which is measured differently from those disclosed in the consolidated financial statements as enumerated in the subsequent paragraphs below.

Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Assets, liabilities and expenses which are common and cannot be meaningfully allocated to the operating segments are presented under unallocated items. Unallocated items comprise mainly investments and related income, loans and borrowings and related expenses, corporate assets (primarily the Company's headquarters) and head office expenses.

Transfer prices between operating segments are at arm's length basis in a manner similar to transactions with third parties.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 42. Operating Segments (cont'd)

#### Business Segments

	Manufacturing RM'000	Trading RM'000	Plantation RM'000	Investing RM'000	Group RM'000
<b>The Group 2012</b>					
<b>Revenue And Expenses</b>					
<b>Revenue</b>					
External sales	511,365	10,363	-	-	521,728
Inter-segment sales	27,444	454	-	74,074	101,972
	538,809	10,817	-	74,074	623,700
Adjustments and eliminations					(101,972)
Consolidated revenue					<b>521,728</b>
<b>Results</b>					
Segment results	91,498	3,689	(3,774)	2,567	93,980
Disposal Group	-	-	154,398	-	154,398
	91,498	3,689	150,624	2,567	248,378
Interest income	1,282	-	65	2,672	4,019
Other material items of income	-	420	-	-	420
Depreciation of property, plant and equipment	(3,095)	(122)	(657)	(296)	(4,170)
Other material items of expenses	(1,694)	(12)	(1,781)	(30)	(3,517)
	87,991	3,975	148,251	4,913	245,130
Finance expenses					(871)
Share of profit of associates, net of tax					9,411
Share of profit of jointly controlled entities, net of tax					46
Income tax expense					(7,771)
Consolidated profit after taxation					<b>245,945</b>



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 42. Operating Segments (cont'd)

#### Business Segments

	Manufacturing RM'000	Trading RM'000	Plantation RM'000	Investing RM'000	Group RM'000
<b>The Group 2011</b>					
<b>Revenue And Expenses</b>					
<b>Revenue</b>					
External sales	313,727	8,884	132,667	-	455,278
Inter-segment sales	22,734	-	20,262	40,172	83,168
	336,461	8,884	152,929	40,172	538,446
Adjustments and eliminations					(83,168)
Disposal group					(132,667)
Consolidated revenue					322,611
<b>Results</b>					
Segment results	57,764	425	(10)	(1,439)	56,740
Disposal Group	-	-	36,260	-	36,260
	57,764	425	36,250	(1,439)	93,000
Other material items of income	3,221	-	-	-	3,221
Depreciation of property, plant and equipment	(2,618)	(90)	(31)	(641)	(3,380)
Other material items of expenses	(6,258)	(413)	-	-	(6,671)
	52,109	(78)	36,219	(2,080)	86,170
Finance expenses					(1,530)
Share of profit of associates, net of tax					17,474
Share of profit of jointly controlled entities, net of tax					5,036
Income tax expenses					(1,375)
Consolidated profit after taxation					105,775

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 42. Operating Segments (cont'd)

#### Business Segments

	Manufacturing RM'000	Trading RM'000	Plantation RM'000	Investing RM'000	Group RM'000
<b>The Group 2012</b>					
<b>Assets</b>					
Segment assets	351,993	7,468	70,817	132,047	562,325
Investment in associates					82,782
Investment in jointly controlled entities					22,208
<b>Consolidated assets</b>					<b>667,315</b>
<b>Liabilities</b>					
Segment liabilities	146,680	903	2,382	14,372	164,337
Deferred taxation					2,549
Provision for taxation					1,743
<b>Consolidated liabilities</b>					<b>168,629</b>
<b>Other Segment Items</b>					
Additions to non-current assets other than financial instruments:					
- property, plant and equipment	4,945	296	8,956	132	<b>14,329</b>
- plantation development expenditure	-	-	16,232	-	<b>16,232</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 42. Operating Segments (cont'd)

#### Business Segments

	Manufacturing RM'000	Trading RM'000	Plantation RM'000	Investing RM'000	Group RM'000
<b>The Group 2011</b>					
Segment assets	245,048	8,680	30,841	32,732	317,301
Disposal Group	-	-	231,236	-	231,236
	245,048	8,680	262,077	32,732	548,537
Investment in associates					79,179
Investment in jointly controlled entities					22,162
Consolidated assets					649,878
<b>Liabilities</b>					
Segment liabilities	120,942	1,756	1,000	32,671	156,369
Disposal Group	-	-	103,812	-	103,812
	120,942	1,756	104,812	32,671	260,181
Deferred taxation					306
Provision for taxation					335
Consolidated liabilities					260,822
<b>Other Segment Items</b>					
Additions to non-current assets other than financial instruments:					
- property, plant and equipment	5,208	992	3,649	17,349	27,198
- plantation development expenditure	-	-	7,164	-	7,164

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 42. Operating Segments (cont'd)

#### Business Segments

(a) Other material items of income consist of the following:-

	The Group	
	2012 RM'000	2011 RM'000
Gain on disposal of property, plant and equipment	-	76
Gain on foreign currency exchange	-	2,653
Reversal of allowance for impairment losses on trade receivables	<b>420</b>	492
	<b>420</b>	3,221

(b) Other material items of expenses consist of the following:-

	The Group	
	2012 RM'000	2011 RM'000
Allowance for impairment losses on trade receivables	<b>317</b>	6,499
Bad debts written off	<b>477</b>	172
Loss on foreign currency exchange	<b>2,154</b>	-
Loss on disposal of property, plant and equipment	<b>569</b>	-
	<b>3,517</b>	6,671

#### Major Customers

Revenue from three major customers amounted to approximately RM72,400,015 (2011 - RM51,711,000) arising from the manufacturing segment.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 42. Operating Segments (cont'd)

#### Geographical Segments

The Group 2012	Revenue RM'000	Profit/(Loss) Before Taxation RM'000	Total Assets Employed RM'000	Capital Expenditure RM'000
Within Malaysia	329,473	100,689	570,678	3,619
Outside Malaysia	192,255	(1,371)	96,637	26,942
<b>Total</b>	<b>521,728</b>	<b>99,318</b>	<b>667,315</b>	<b>30,561</b>
<b>2011</b>				
Within Malaysia	278,064	70,356	611,047	27,198
Outside Malaysia	44,547	534	38,831	7,164
<b>Total</b>	<b>322,611</b>	<b>70,890</b>	<b>649,878</b>	<b>34,362</b>

### 43. Foreign Currency Rates

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

	The Group 2012 RM	2011 RM
Euro	<b>4.04</b>	4.11
Indonesian Rupiah	<b>0.0003</b>	0.0003
Kina	<b>1.20</b>	1.20
United States Dollar	<b>3.06</b>	3.16

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 44. Financial Instruments

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk.

#### (a) Financial Risk Management Policies

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

##### (i) Market Risks

###### (i) Foreign Currency Risk

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

The Group 2012	Euro RM'000	Kina RM'000	Indonesian Rupiah RM'000	United States Dollar RM'000	Ringgit Malaysia RM'000	Total RM'000
<b>Financial assets</b>						
Other investments	-	-	-	-	592	592
Trade receivables	-	-	8,974	28,627	59,099	96,700
Other receivables and deposits	-	-	12,351	-	26,641	38,992
Derivative asset	-	-	-	-	433	433
Short-term investment	-	-	-	-	21,593	21,593
Fixed and short-term deposits with licensed banks	-	-	-	-	10,587	10,587
Cash and bank balances	-	1	7,684	23,349	148,804	179,838
	-	<b>1</b>	<b>29,009</b>	<b>51,976</b>	<b>267,749</b>	<b>348,735</b>
<b>Financial liabilities</b>						
Trade payables	63	395	4,126	3,570	58,739	66,893
Bills payable	-	-	-	-	14,338	14,338
Other payables and accruals	-	146	1,777	-	6,572	8,495
Hire purchase payables	-	-	404	-	1,438	1,842
Term loan	-	-	-	-	776	776
Revolving credit	-	-	-	-	1,014	1,014
Bank overdraft	-	-	-	-	1,928	1,928
Dividend payable	-	-	-	-	13,404	13,404
	<b>63</b>	<b>541</b>	<b>6,307</b>	<b>3,570</b>	<b>98,209</b>	<b>108,690</b>
Net financial (liabilities)/ assets	(63)	(540)	22,702	48,406	169,540	240,045
Less: Net financial assets denominated in the entity's functional currencies	-	-	-	-	(169,540)	(169,540)
<b>Currency exposure</b>	<b>(63)</b>	<b>(540)</b>	<b>22,702</b>	<b>48,406</b>	<b>-</b>	<b>70,505</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 44. Financial Instruments (cont'd)

#### (a) Financial Risk Management Policies (cont'd)

##### (i) Market Risks (cont'd)

##### (i) Foreign Currency Risk (cont'd)

The Group 2011	Kina RM'000	Indonesian Rupiah RM'000	United States Dollar RM'000	Ringgit Malaysia RM'000	Total RM'000
<b>Financial assets</b>					
Other investments	-	-	-	594	594
Trade receivables	-	4,871	25,585	53,736	84,192
Other receivables, deposits and prepayments	18	1,293	-	11,387	12,698
Fixed and short- term deposit with licensed banks	1,808	-	-	912	2,720
Cash and bank balances	1,507	752	6,780	49,028	58,067
	3,333	6,916	32,365	115,657	158,271
<b>Financial liabilities</b>					
Trade payables	379	633	1,456	46,904	49,372
Other payables and accruals	215	3,923	-	35,610	39,748
Bills payable	-	-	-	8,767	8,767
Hire purchase payables	-	-	-	1,832	1,832
Revolving credit	-	-	-	8,599	8,599
Amount owing to a director	-	-	-	167	167
Term loan	-	-	-	1,544	1,544
Bank overdraft	-	-	-	3,322	3,322
	594	4,556	1,456	106,745	113,351
Net financial assets	2,739	2,360	30,909	8,912	44,920
Less: Net financial assets denominated in the Group's functional currency	-	-	-	(8,912)	(8,912)
<b>Currency exposure</b>	2,739	2,360	30,909	-	36,008

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 44. Financial Instruments (cont'd)

#### (a) Financial Risk Management Policies (cont'd)

##### (i) Market Risks (cont'd)

###### (i) Foreign Currency Risk (cont'd)

###### Foreign currency risk sensitivity analysis

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

	<b>The Group 2012 Increase/ (Decrease) RM'000</b>	The Group 2011 Increase/ (Decrease) RM'000
<b>Effects on profit after taxation</b>		
Indonesian Rupiah:		
- strengthened by 5%	<b>1,135</b>	112
- weakened by 5%	<b>(1,135)</b>	(112)
Kina:		
- strengthened by 5%	<b>27</b>	593
- weakened by 5%	<b>(27)</b>	(593)
United States Dollar:		
- strengthened by 5%	<b>2,420</b>	1,545
- weakened by 5%	<b>(2,420)</b>	(1,545)
<b>Effects on equity</b>		
Indonesian Rupiah:		
- strengthened by 5%	<b>1,135</b>	112
- weakened by 5%	<b>(1,135)</b>	(112)
Kina:		
- strengthened by 5%	<b>27</b>	593
- weakened by 5%	<b>(27)</b>	(593)
United States Dollar:		
- strengthened by 5%	<b>2,420</b>	1,545
- weakened by 5%	<b>(2,420)</b>	(1,545)



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 44. Financial Instruments (cont'd)

#### (a) Financial Risk Management Policies (cont'd)

##### (i) Market Risks (cont'd)

###### (ii) Interest Rate Risk

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

Information relating to the Group's exposure to the interest rate risk of the financial liabilities is disclosed in Note 44(a)(iii) to the financial statements.

###### Interest rate risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the interest rates as at the end of the reporting period, with all other variables held constant:-

	The Group		The Company	
	2012	2011	2012	2011
	Increase/ (Decrease)	Increase/ (Decrease)	Increase/ (Decrease)	Increase/ (Decrease)
	RM'000	RM'000	RM'000	RM'000
<b>Effects on profit after taxation</b>				
Increase of 100 basis points (bp)	1,197	(241)	569	(57)
Decrease of 100 bp	(1,197)	241	(569)	57
<b>Effects on equity</b>				
Increase of 100 bp	1,197	(241)	569	(57)
Decrease of 100 bp	(1,197)	241	(569)	57

###### (iii) Equity Price Risk

The Group's principal exposure to equity price risk arises mainly from changes in quoted investment prices. The exposure to equity price risk of the Group is not material and hence, sensitivity analysis is not presented.

##### (ii) Credit Risk

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 44. Financial Instruments (cont'd)

#### (a) Financial Risk Management Policies (cont'd)

##### (ii) Credit Risk (cont'd)

###### Credit risk concentration profile

The Group does not have any major concentration of credit risk related to any individual customer or counterparty.

###### Exposure to credit risk

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

The exposure of credit risk for trade receivables by geographical region is as follows:-

	<b>The Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>
Indonesia	<b>34,611</b>	4,871
Malaysia	<b>60,471</b>	79,321
South America	<b>439</b>	-
Thailand	<b>1,179</b>	-
	<b>96,700</b>	84,192

###### Ageing analysis

The ageing analysis of the Group's trade receivables (including amount owing by related parties) at the end of the reporting period is as follows:-

	<b>Gross amount</b>	<b>Individual impairment</b>	<b>Net carrying amount</b>
<b>2012</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Not past due	23,764	-	23,764
Past due:			
- less than 3 months	49,014	-	49,014
- 3 to 6 months	7,229	-	7,229
- over 6 months	30,176	(13,483)	16,693
	<b>110,183</b>	<b>(13,483)</b>	<b>96,700</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 44. Financial Instruments (cont'd)

#### (a) Financial Risk Management Policies (cont'd)

##### (ii) Credit Risk (cont'd)

2011	Gross amount RM'000	Individual impairment RM'000	Net carrying amount RM'000
Not past due	26,480	-	26,480
Past due:			
- less than 3 months	45,707	-	45,707
- 3 to 6 months	2,782	-	2,782
- over 6 months	23,763	(14,540)	9,223
	98,732	(14,540)	84,192

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. Trade receivables are not secured by any collateral or credit enhancement.

*Trade receivables that are past due but not impaired*

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

*Trade receivables that are neither past due nor impaired*

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

##### (iii) Liquidity Risk

The Group manages its liquidity risk by maintaining sufficient cash and the availability of funding through adequate committed credit facilities to meet estimated commitments arising from operational expenditure and financial liabilities. The Group also has effective cash management to ensure that the Group can pay dividends to its shareholders at an appropriate time.

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payment computed based on the rate at the end of the reporting period):-

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 44. Financial Instruments (cont'd)

#### (a) Financial Risk Management Policies (cont'd)

##### (iii) Liquidity Risk (cont'd)

The Group 2012	Weighted Average Effective Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 - 5 Years RM'000	More Than 5 years RM'000
Trade payables	-	66,893	66,893	66,893	-	-
Other payable and accruals	-	8,495	8,495	8,495	-	-
Bills payable	3.95	14,338	14,338	14,338	-	-
Hire purchase payables	5.22	1,842	2,146	1,217	883	46
Term loan	5.40	776	835	835	-	-
Revolving credit	6.05	1,014	1,014	1,014	-	-
Bank overdrafts	7.60	1,928	1,928	1,928	-	-
Dividend payable		13,404	13,404	13,404	-	-
		<b>108,690</b>	<b>109,053</b>	<b>108,124</b>	<b>883</b>	<b>46</b>

The Group 2011	Weighted Average Effective Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 - 5 Years RM'000
Trade payables	-	49,372	49,372	49,372	-
Other payables and accruals	-	39,748	39,748	39,748	-
Amount owing to a director	-	167	167	167	-
Bills payable	4.53	8,767	8,767	8,767	-
Hire purchase payables	3.32	1,832	2,064	800	1,264
Revolving credit	5.16	8,599	8,599	8,599	-
Term loan	3.50	1,544	1,588	812	776
Bank overdrafts	7.30	3,322	3,322	3,322	-
		<b>113,351</b>	<b>113,627</b>	<b>111,587</b>	<b>2,040</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 44. Financial Instruments (cont'd)

#### (a) Financial Risk Management Policies (cont'd)

##### (iii) Liquidity Risk (cont'd)

The Company 2012	Weighted Average Effective Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 - 5 Years RM'000
Other payables and accruals	-	308	308	308	-
Amount owing to subsidiaries	-	3,500	3,500	3,500	-
Hire purchase payable	2.56	393	434	217	217
Dividend payable	-	13,404	13,404	13,404	-
		<b>17,605</b>	<b>17,646</b>	<b>17,429</b>	<b>217</b>
<b>2011</b>					
Other payables and accruals	-	26,952	26,952	26,952	-
Amount owing to subsidiaries	-	28,302	28,302	28,302	-
Hire purchase payable	2.56	591	650	217	433
Revolving credit	4.96	5,072	5,072	5,072	-
		<b>60,917</b>	<b>60,976</b>	<b>60,543</b>	<b>433</b>

#### (b) Capital Risk Management

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

The Group manages its capital based on debt-to-equity ratio. The Group's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total equity is calculated as share capital plus reserves.

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

The debt-to-equity ratio of the Group at the end of the reporting period is not presented as its cash and cash equivalents exceeded the total debts.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 44. Financial Instruments (cont'd)

#### (c) Classification of Financial Instruments

	The Group		The Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
<b>Financial Assets</b>				
<u>Available-for-sale financial assets</u>				
Quoted investments	28	30	-	-
Golf club membership	564	564	-	-
	<b>592</b>	594	-	-
<u>Fair value through profit or loss</u>				
Cash and bank balances	107,407	31,810	56,908	5,030
Derivative asset	433	-	-	-
Short-term investment	21,593	-	21,593	-
	<b>129,433</b>	31,810	<b>78,501</b>	5,030
<u>Loans and receivables financial assets</u>				
Trade receivables	96,700	84,192	-	-
Other receivables and deposits	38,992	12,698	16,645	5,579
Amount owing by subsidiaries	-	-	141,002	56,572
Fixed and short-term deposits with licensed banks	10,587	2,720	-	-
Cash and bank balances	72,431	58,067	733	1,457
	<b>218,710</b>	157,677	<b>158,380</b>	63,608

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 44. Financial Instruments (cont'd)

#### (c) Classification of Financial Instruments (cont'd)

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
<b>Financial Liabilities</b>				
<u>Other financial liabilities</u>				
Trade payables	<b>66,893</b>	49,372	-	-
Other payables and accruals	<b>8,495</b>	39,748	<b>308</b>	26,952
Bills payable	<b>14,338</b>	8,767	-	-
Hire purchase payables	<b>1,842</b>	1,832	<b>393</b>	591
Revolving credit	<b>1,014</b>	8,599	-	5,072
Amount owing to a director	-	167	-	-
Amount owing to subsidiaries	-	-	<b>3,500</b>	28,302
Bank overdrafts	<b>1,928</b>	3,322	-	-
Term loan	<b>776</b>	1,544	-	-
Dividend payable	<b>13,404</b>	-	<b>13,404</b>	-
	<b>108,690</b>	113,351	<b>17,605</b>	60,917

#### (d) Fair Values of Financial Instruments

The carrying amounts of the financial assets and financial liabilities reported in the financial statements approximated their fair values.

The following summarises the methods used to determine the fair values of the financial instruments:-

- (i) The financial assets and financial liabilities maturing within the next 12 months approximated their fair values due to the relatively short-term maturity of the financial instruments.
- (ii) The fair value of quoted investments is estimated based on their quoted market prices as at the end of the reporting period.
- (iii) The fair value of hire purchase payables is determined by discounting the relevant cash flows using current interest rates for similar instruments as at the end of the reporting period.
- (iv) The carrying amounts of the term loans approximated their fair values as these instruments bear interest at variable rates.

#### (e) Fair Value Hierarchy

The fair values of the financial assets and liabilities are analysed into level 1 to 3 as follows:-

- Level 1: Fair value measurements derive from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value measurements derive from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 (cont'd)

### 44. Financial Instruments (cont'd)

#### (e) Fair Value Hierarchy (cont'd)

The fair values of the financial assets and liabilities are analysed into level 1 to 3 as follows (cont'd):-

Level 3: Fair value measurements derive from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at 31 December 2012, the Company's financial instruments carried at fair values are analysed as below:-

<b>The Group 2012</b>	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Level 3 RM'000</b>	<b>Total RM'000</b>
<b>Financial assets</b>				
Cash and bank balances:				
- placement in money market fund	-	107,407	-	107,407
Derivative Asset	-	433	-	433
Other investments:				
- quoted shares in Malaysia	28	-	-	28
- golf club membership	-	564	-	564
Short-term investment	-	21,593	-	21,593
	<b>28</b>	<b>129,997</b>	<b>-</b>	<b>130,025</b>

#### 2011

<b>Financial assets</b>				
Cash and bank balances:				
- placement in money market fund	-	31,810	-	31,810
Other investments:				
- quoted shares in Malaysia	30	-	-	30
- golf club membership	-	564	-	564
	<b>30</b>	<b>32,374</b>	<b>-</b>	<b>32,404</b>

<b>The Company 2012</b>	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Level 3 RM'000</b>	<b>Total RM'000</b>
<b>Financial assets</b>				
Cash and bank balances:				
- placement in money market fund	-	56,908	-	56,908
Short-term investment	-	21,593	-	21,593
	<b>-</b>	<b>78,501</b>	<b>-</b>	<b>78,501</b>

#### 2011

<b>Financial assets</b>				
Cash and bank balances:				
- placement in money market fund	-	5,030	-	5,030



## SUPPLEMENTARY INFORMATION

### 45. Disclosure Of Realised And Unrealised Profits/(Losses)

The breakdown of the retained profits of the Group and of the Company as at the end of the reporting period into realised and unrealised profits/(losses) are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, is as follows:-

	The Group		The Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Total share of retained profits/ (losses) of the Company and its subsidiaries:				
- realised	<b>366,076</b>	351,324	<b>197,779</b>	118,173
- unrealised	<b>(1,992)</b>	(17,433)	-	13
	<b>364,084</b>	333,891	<b>197,779</b>	118,186
Total share of profits/(losses) of associates:				
- realised	<b>38,682</b>	33,990	-	-
- unrealised	<b>(5,330)</b>	(4,241)	-	-
Total share of profits/ (losses) of jointly controlled entities:				
- realised	<b>2,258</b>	2,211	-	-
- unrealised	<b>(237)</b>	(237)	-	-
	<b>399,457</b>	365,614	<b>197,779</b>	118,186
Less: Consolidation adjustments	<b>(36,873)</b>	<b>(47,757)</b>	-	-
Total Group retained profits at 31 December	<b>362,584</b>	317,857	<b>197,779</b>	118,186

# LIST OF PROPERTIES

## List of Properties as at 31 December 2012

Location	Description Of Property/ Usage	Tenure	Year Of Acquisition/ Revaluation (if any)	Land Area Sq.M	Net Carrying Amount (RM'000)	Approximate Age Of Building (Years)
Lot No. 4 Jalan Waja 15, Telok Panglima Garang Industrial Estate, Mukim of Telok Panglima Garang, District of Kuala Langat, Selangor	Industrial land with a 3 storey office block cum factory building	Leasehold for 99 years/ Expiring on 9 September 2103	1998	22,286	7,778	14
Lot No. 3 Jalan Waja 16, Telok Panglima Garang Industrial Estate, Mukim of Telok Panglima Garang, District of Kuala Langat, Selangor	Industrial land with factory building	Leasehold for 99 years/ Expiring on 9 September 2103	2003	24,654	6,826	6
Lot No. 4 Jalan Waja 16, Telok Panglima Garang Industrial Estate, Mukim of Telok Panglima Garang, District of Kuala Langat, Selangor	Industrial land with a 3 storey office block cum factory building	Leasehold for 99 years/ Expiring on 9 September 2103	2006	20,369	8,502	6
H.S. (M) 24440 P.T. No.15690 Mukim and District of Petaling, Selangor	1 ½ storey light industrial building	Leasehold for 99 years/ Expiring on 16 August 2094	1998	186	197	16
H.S.(D) 9207 P.T. No.3845 (Lot 8026) and H.S.(D) 9208 P.T. No.3846 (Lot 8027), Mukim of Damansara, District of Petaling, Selangor	1 unit office lot/ Rented out	Freehold	1996	117	341	14

# LIST OF PROPERTIES (cont'd)

## List of Properties as at 31 December 2012 (cont'd)

Location	Description Of Property/ Usage	Tenure	Year Of Acquisition/ Revaluation (if any)	Land Area Sq.M	Net Carrying Amount (RM'000)	Approximate Age Of Building (Years)
Lot TPA/1, D'25 at Meranti Puchong, Taman Meranti Jaya, Mukim Dengkil, Daerah Sepang, Selangor	1 ½ storey semi-detached industrial building	Freehold	2010	1,078	2,424	1
No.1C, 3C & 5C, 3rd Floor, Block 2, Pusat Perniagaan Worldwide, Shah Alam, Selangor	3 units office lot	Leasehold for 99 years/ Expiring on 25 March 2102	2008	360	620	16
Lot 1115, Jalan Pandamaran, Batu 3 ½, Kampung Pandamaran, 41200 Klang, Selangor	Industrial land with 10 single-storey open factory buildings and 2 office buildings	Freehold	2011	37,940	16,913	37

# ANALYSIS OF SHAREHOLDERS

## AS AT 15 APRIL 2013

<b>Authorised Share Capital:</b>	RM500,000,000 comprising 1,000,000,000 ordinary shares of RM0-50 each
<b>Issued and Paid-Up Share Capital:</b>	RM136,004,236-50 comprising of 272,008,473 ordinary shares of RM0-50 each (including Treasury Shares of 5,996,027)
<b>Class of Shares:</b>	Ordinary shares of RM0-50 each
<b>Voting Rights :</b>	Every member of the Company, present in person or by proxy, shall have on a show of hands, one (1) vote or on a poll, one (1) vote for each share held
<b>Number of shareholders:</b>	5002

### Analysis of Shareholdings

Size of Shareholdings	No. of holders	No. of Shares	Percentage (%)
Less than 100	83	1,776	0.00
100 - 1,000	688	520,998	0.19
1,001 - 10,000	3,014	13,997,449	5.27
10,001 - 100,000	1,025	31,119,902	11.70
100,001 - 13,300,621 <sup>1</sup>	191	170,554,681	64.11
13,300,622 <sup>2</sup> and above	1	49,817,640	18.73
Total:	5,002	266,012,446 <sup>3</sup>	100.00

#### Notes:

- <sup>1</sup> Less than 5% of issued shares
- <sup>2</sup> 5% and above of issued shares
- <sup>3</sup> Excluding Treasury Shares of 5,996,027

### Substantial Shareholders' Shareholdings

Name	Direct		Indirect	
	No. of shares	%	No. of shares	%
Lim Chai Beng	86,909,560	32.67	1,088,200 <sup>1</sup>	0.41

### List of Directors' Shareholdings

Name	Direct		Indirect	
	No. of shares	%	No. of shares	%
Lim Chai Beng	86,909,560	32.67	1,088,200 <sup>1</sup>	0.41
Lim Chai Huat	10,500,000	3.94	-	-
Mak Chee Meng	7,438,330	2.80	-	-
Tengku Dato' Ardy Esfandiari Bin Tengku A. Hamid Shah	1,680,000	0.63	-	-
Tan Sri Datuk Dr. Yusof Bin Basiran	-	-	400,000 <sup>2</sup>	0.15
Michael Ting Sii Ching	-	-	-	-
Wong Chee Beng	-	-	-	-

#### Notes

- <sup>1</sup> Indirect Interest held through his children's shareholdings by virtue of Section 134 (12)(c) of the Companies Act, 1965.
- <sup>2</sup> Indirect Interest held through his spouse's shareholdings by virtue of Section 134 (12)(c) of the Companies Act, 1965.

# ANALYSIS OF SHAREHOLDERS

## AS AT 15 APRIL 2013 (cont'd)

### List of Thirty (30) Largest Securities Holders

	Name	No. of shares held	Percentage (%)
1	Lim Chai Beng	49,817,640	18.73
2.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Chai Beng (CEB)	12,890,350	4.85
3.	Lim Chai Guan	10,258,460	3.86
4.	HSBC Nominees (Asing) Sdn Bhd Exempt An For Credit Suisse (SG BR-TST-Asing)	8,184,290	3.08
5.	Lim Chai Huat	7,775,460	2.92
6.	Mak Chee Meng	7,438,330	2.80
7.	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Chai Beng (SIN 9853-2)	6,905,182	2.60
8.	HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Chai Beng (M02)	5,551,350	2.09
9.	Affin Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ong Lea Ping (ONG1339M)	4,991,300	1.88
10.	Citigroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Chai Beng (007158456)	4,900,000	1.84
11.	Tan Yu Hwa	4,300,800	1.62
12.	HSBC Nominees (Asing) Sdn Bhd BNY Brussels For Wisdomtree Emerging Markets Equity Income Fund	4,278,348	1.61
13.	HLB Nominees (Asing) Sdn Bhd Pledged Securities Account For Glaford Limited (SIN 5203702)	4,146,800	1.56
14.	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Chai Beng	4,033,302	1.52
15.	Lim Chye Ooi	3,041,140	1.14
16.	Public Invest Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mohamed Nizam Bin Abdul Razak	2,711,120	1.02
17.	Teh Huat Seng	2,632,300	0.99
18.	Lim Chai Tiong	2,431,170	0.91
19.	Lim Chai Beng	2,411,736	0.91
20.	HSBC Nominees (Asing) Sdn Bhd BNY Brussels For Wisdomtree Emerging Markets Smallcap Dividend Fund	2,263,195	0.85

# ANALYSIS OF SHAREHOLDERS

## AS AT 15 APRIL 2013 (cont'd)

### List of Thirty (30) Largest Securities Holders (cont'd)

	<b>Name</b>	<b>No. of shares held</b>	<b>Percentage (%)</b>
21.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Chye Hong (E-TWU)	1,840,950	0.69
22.	HSBC Nominees (Asing) Sdn Bhd Exempt An For BNP Paribas Prime Brokerage, Inc	1,815,000	0.68
23.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tengku Ardy Esfandiari Bin Tengku A. Hamid Shah (E-SS2)	1,680,000	0.63
24.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank For Chiew Chieng Siew (MK0111)	1,534,300	0.58
25.	Ho Keen Meng	1,520,310	0.57
26.	Lim Eng Hu	1,499,800	0.56
27.	HSBC Nominees (Asing) Sdn Bhd Exempt An For JPMorgan Chase Bank, National Association (Sweden)	1,408,470	0.53
28.	Cartaban Nominees (Asing) Sdn Bhd SSBT Fund 6608 For Royce Micro-Cap Fund	1,328,200	0.50
29.	CIMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chiew Chieng Siew (Kuching-CL)	1,239,400	0.47
30.	Lim Chai Huat	1,197,840	0.45



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# CB INDUSTRIAL PRODUCT HOLDING BERHAD

(Company No: 428930-H)

(Incorporated in Malaysia under the Companies Act, 1965)

## FORM OF PROXY

No. of ordinary shares held	
-----------------------------	--

I/We ..... NRIC/ Passport / Company No .....  
of .....

being a \*member/members of CB INDUSTRIAL PRODUCT HOLDING BERHAD, hereby appoint #THE CHAIRMAN OF THE MEETING or \*Mr/Ms ..... NRIC/ Passport No .....

..... of  
..... or failing

\*him/her, ..... NRIC/ Passport No .....  
of .....

as \*my/our proxy to vote for \*me/us and on \*my/our behalf, at the **SIXTEENTH ANNUAL GENERAL MEETING** of the Company to be held at Saujana Ballroom, The Saujana Hotel, 2KM, Off Jalan Sultan Abdul Aziz Shah Airport Highway, Saujana, 47200 Subang, Selangor Darul Ehsan on Friday, 31 May 2013 at 11.30 a.m. and, at any adjournment thereof.

#If you wish to appoint other person(s) to be your proxy/proxies, kindly delete the words "THE CHAIRMAN OF THE MEETING" and insert the name(s) of the person(s) desired.

Please indicate with an "X" in the space provided, how you wish your vote to be cast in respect of the following resolutions. In the absence of specific directions, your proxy may vote or abstain at his/her discretion. If you appoint two (2) proxies, please specify the proportions of holdings to be represented by each proxy.

My/our proxy/proxies is/are to vote as indicated below:

Ordinary Resolutions		For	Against
1	To re-elect Tengku Dato' Ardy Esfandiari Bin Tengku A. Hamid Shah as Director		
2	To re-elect Michael Ting Sii Ching as Director		
3	To approve the payment of Directors' fees for the financial year ending 31 December 2013		
4	To re-appoint Messrs Crowe Horwath as Auditors of the Company		
5	To approve the Proposed Renewal of Authority for Purchase of Own Shares by the Company		
6	To approve the Authority to Issue Shares		
7	Continuing in Office for Michael Ting Sii Ching as an Independent Non-Executive Director.		
8	Continuing in Office for Wong Chee Beng as an Independent Non-Executive Director.		

\* Delete if not applicable

Dated this ..... day of ..... 2013

.....  
Signature/Common Seal of Shareholder

Notes:-

- A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and Section 149 of the Companies Act, 1965 shall not apply to the Company.
- A member shall be entitled to appoint more than one (1) proxy (subject always to a maximum of two (2) proxies at each meeting) to attend and vote at the same meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportions of his shareholdings to be represented by each proxy.
- Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- If no name is inserted in the space provided for the name of your proxy, the Chairman of the meeting will act as your proxy.
- The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
- The instrument appointing a proxy must be deposited at the registered office of the Company at Lot 4, Jalan Waja 15, Kawasan Perusahaan Telok Panglima Garang, 42500 Telok Panglima Garang, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.
- For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn. Bhd. to make available to the Company pursuant to Article 69 of the Articles of Association of the Company, a Record of Depositors as at 23 May 2013 and only a Depositor whose name appear on such Record of Depositors shall be entitled to attend this meeting.

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AFFIX  
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HERE

The Company Secretary  
**CB INDUSTRIAL PRODUCT HOLDING BERHAD** (428930-H)  
Lot 4, Jalan Waja 15  
Kawasan Perusahaan Telok Panglima Garang  
42500 Telok Panglima Garang  
Selangor Darul Ehsan

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**CB INDUSTRIAL PRODUCT HOLDING BERHAD (428930-H)**

Lot 4, Jalan Waja 15,  
Kawasan Telok Panglima Garang,  
42500 Telok Panglima Garang,  
Selangor, Malaysia.

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