Knusford Berhad

(Company No. 380100-D)
(Incorporated in Malaysia)

and its subsidiaries

Financial statements for the year ended 31 December 2012

Knusford Berhad
(Company No. 380100-D)
(Incorporated in Malaysia)
and its subsidiaries

Directors' report for the year ended 31 December 2012

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2012.

Principal activities

The Company is principally engaged in investment holding and property investment whilst the principal activities of the subsidiaries are as stated in Note 26 to the financial statements. There have been no other significant changes in the nature of these activities during the financial year.

Results

	Group RM'000	Company RM'000
Profit for the year attributable to owners of the Company	15,436	6,613
	=====	====

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review.

Dividends

Since the end of the previous financial year, the Company paid:

i) a first and final ordinary dividend of 3.6 sen per ordinary share less tax at 25% totalling RM2,690,415 (2.7 sen net per ordinary share) in respect of the financial year ended 31 December 2011 on 18 September 2012; and

ii) a first and final single tier dividend of 1.4 sen per ordinary share totalling RM1,395,030 in respect of the financial year ended 31 December 2011 on 18 September 2012.

The final ordinary dividends recommended by the Directors in respect of the financial year ended 31 December 2012 is 5.0 sen per ordinary share, tax exempt under the single-tier tax system, totalling RM4,982,250.

Company No. 380100-D

Directors of the Company

Directors who served since the date of the last report are:

Datuk Halimah Binti Mohd Sadique
Tan Sri Dato' Lim Kang Hoo
Dato' Lim Kang Swee
Khoo Nang Seng @ Khoo Nam Seng
Lim Keng Cheng
Aznam bin Mansor
Kang Hui Ling
Bernard Hilary Lawrence (Appointed on 12.4.2013)
Cho Joy Leong (Appointed on 12.4.2013)
Lim Ts-Fei (Resigned on 12.4.2013)
Dr. Wong Kai Fatt (Resigned on 12.4.2013)

Directors' interests

The interests and deemed interest in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM1 each			
	At 1.1.2012	**Bought**	**(Sold)**	**At 31.12.2012**
Interests in the Company				
Dato' Lim Kang Swee	8,154,000	-	-	8,154,000
Tan Sri Tan Sri Dato' Lim Kang Hoo	615,749	-	-	615,749
Khoo Nang Seng @ Khoo Nam Seng	8,124,122	-	-	8,124,122
Aznam bin Mansor	8,000	-	-	8,000
Lim Ts-Fei	10,000	-	-	10,000
Lim Keng Cheng	1,691,500	-	-	1,691,500
Deemed interests in the Company through				
i) Kinston Park Sdn. Bhd.				
Tan Sri Dato' Lim Kang Hoo	2,410,000	-	-	2,410,000
ii) Aman Setegap Sdn. Bhd.				
Tan Sri Dato' Lim Kang Hoo	30,000,000	-	-	30,000,000
iii) Bidarcita Sdn. Bhd.				
Dato' Lim Kang Swee	439,000	-	-	439,000
iv) Fablelite Sdn. Bhd.				
Lim Keng Cheng	287,500	-	-	287,500
v) Lim Seong Hai Holdings Sdn. Bhd.				
Lim Keng Cheng	1,735,500	-	-	1,735,500

Directors' interests (continued)

	Number of ordinary shares of RM1 each At 1.1.2012	Bought	(Sold)	At 31.12.2012
Deemed interests in the subsidiary company				
Yasmin Marine Technology Sdn. Bhd.				
Tan Sri Dato' Lim Kang Hoo	80	-	-	80
Dato' Lim Kang Swee	80	-	-	80
Khoo Nang Seng @ Khoo Nam Seng	80	-	-	80

By virtue of their interests in the shares of the Company, Tan Sri Dato' Lim Kang Hoo, Dato' Lim Kang Swee and Lim Keng Cheng are also deemed interested in the shares of the subsidiaries during the financial year to the extent that Knusford Berhad has an interest.

None of the other Directors holding office at 31 December 2012 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) 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, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 27 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business 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:

i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

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

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2012 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Subsequent event

On 5 March 2013, the Group entered into a sale and purchase agreement to dispose a land measuring approximately 43,560 square feet for a cash consideration of RM4,268,880.

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

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

…………………………………………………………
Tan Sri Dato' Lim Kang Hoo

…………………………………………………………
Lim Keng Cheng

Kuala Lumpur, Malaysia

Date: 22 April 2013

Knusford Berhad
(Company No. 380100-D)
(Incorporated in Malaysia)
and its subsidiaries

Statements of financial position as at 31 December 2012

	Note	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Group 1.1.2011 RM'000	Company 31.12.2012 RM'000	Company 31.12.2011 RM'000	Company 1.1.2011 RM'000
Assets							
Property, plant and equipment	3	27,762	17,758	19,060	6	7	8
Investment property	4	77,559	63,580	61,739	25,275	25,667	26,111
Investments in subsidiaries	5	-	-	-	87,392	85,142	86,292
Investment in associate	6	2,000	2,000	40	2,000	2,000	40
Deferred tax assets	7	2,810	3,189	3,534	-	-	-
Total non-current assets		110,131	86,527	84,373	114,673	112,816	112,451
Inventories	8	28,720	36,979	34,072	-	-	-
Trade and other receivables	9	155,419	109,711	171,128	20,374	4,325	12,726
Current tax assets		707	10	399	51	10	3
Cash and cash equivalents	10	61,977	105,142	34,592	10,384	13,013	11,067
Total current assets		246,823	251,842	240,191	30,809	17,348	23,796
Total assets		356,954	338,369	324,564	145,482	130,164	136,247

Company No. 380100-D

Statements of financial position as at 31 December 2012
(continued)

	Note	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Group 1.1.2011 RM'000	Company 31.12.2012 RM'000	Company 31.12.2011 RM'000	Company 1.1.2011 RM'000
Equity							
Share capital		99,645	99,645	99,645	99,645	99,645	99,645
Share premium		22,693	22,693	22,693	22,693	22,693	22,693
Retained earnings		130,492	119,141	63,121	9,914	7,386	4,074
Total equity attributable to owners of the Company	11	252,830	241,479	185,459	132,252	129,724	126,412
Liabilities							
Borrowings	12	1,481	549	758	-	-	-
Deferred tax liabilities	7	2,876	2,279	5,048	-	-	-
Total non-current liabilities		4,357	2,828	5,806	-	-	-
Trade and other payables	13	84,950	81,466	109,866	430	415	2,398
Borrowings	12	13,348	779	20,304	12,800	25	7,437
Current tax payable		1,469	11,817	3,129	-	-	-
Total current liabilities		99,767	94,062	133,299	13,230	440	9,835
Total liabilities		104,124	96,890	139,105	13,230	440	9,835
Total equity and liabilities		356,954	338,369	324,564	145,482	130,164	136,247

The notes on pages 14 to 75 are an integral part of these financial statements.

Knusford Berhad
(Company No. 380100-D)
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Statements of comprehensive income for the year ended 31 December 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Continuing operations					
Revenue	14	189,680	288,819	8,652	5,656
Cost of sales	15	(153,554)	(183,315)	(757)	(797)
Gross profit		36,126	105,504	7,895	4,859
Other income		6,234	983	-	-
Administrative expenses		(17,869)	(27,711)	(884)	(1,796)
Results from operating activities		24,491	78,776	7,011	3,063
Finance income		2,011	1,560	473	346
Finance costs		(706)	(314)	-	-
Profit before tax		25,796	80,022	7,484	3,409
Tax expense	16	(10,360)	(24,002)	(871)	(97)
Profit for the year/Total comprehensive income for the year attributable to owners of the Company	17	15,436	56,020	6,613	3,312
Basic earnings per ordinary share (sen)	19	15.49	56.22		

The notes on pages 14 to 75 are an integral part of these financial statements.

Knusford Berhad
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Statements of changes in equity for the year ended 31 December 2012

		<-Attributable to owners of the Company->			
		Non-distributable		*Distributable*	
Group	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Retained earnings RM'000**	**Total RM'000**
At 1 January 2011		99,645	22,693	63,121	185,459
Profit for the year/Total comprehensive income for the year		-	-	56,020	56,020
At 31 December 2011/ 1 January 2012		99,645	22,693	119,141	241,479
Profit for the year/Total comprehensive income for the year		-	-	15,436	15,436
Distributions to owners of the Company					
Dividends to owners of the Company	20	-	-	(4,085)	(4,085)
Total transactions with owners of the Company		-	-	(4,085)	(4,085)
At 31 December 2012		99,645	22,693	130,492	252,830

Company No. 380100-D

Statements of changes in equity for the year ended 31 December 2012
(continued)

		<-Attributable to owners of the Company->			
		Non-distributable		*Distributable*	
Company	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Retained earnings RM'000**	**Total RM'000**
At 1 January 2011		99,645	22,693	4,074	126,412
Profit for the year/Total comprehensive income for the year		-	-	3,312	3,312
At 31 December 2011/ 1 January 2012		99,645	22,693	7,386	129,724
Profit for the year/Total comprehensive income for the year		-	-	6,613	6,613
Distributions to owners of the Company					
Dividends to owners of the Company	20	-	-	(4,085)	(4,085)
Total transactions with owners of the Company		-	-	(4,085)	(4,085)
At 31 December 2012		99,645	22,693	9,914	132,252

The notes on pages 14 to 75 are an integral part of these financial statements.

Knusford Berhad
(Company No. 380100-D)
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Statements of cash flows for the year ended 31 December 2012

		Group		Company	
		2012	2011	2012	2011
	Note	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities					
Profit before tax		25,796	80,022	7,484	3,409
Adjustments for:					
Depreciation of property, plant and equipment	3	4,920	5,059	1	1
Depreciation of investment property	4	706	666	449	445
Dividend income		-	-	(8,178)	(5,200)
Gain on disposal of property, plant and equipment		(5,506)	(452)	-	-
Interest expense		706	314	-	-
Interest income		(2,011)	(1,560)	(473)	(346)
Operating profit/(loss) before changes in working capital		24,611	84,049	(717)	(1,691)
Changes in working capital:					
Properties under development		8,259	(4,184)	-	-
Inventories		-	1,277	-	-
Trade and other receivables		(45,708)	61,417	(87)	3,971
Trade and other payables		3,484	(28,400)	163	(1,983)
Cash (used in)/generated from operations		(9,354)	114,159	(641)	297
Tax paid		(20,429)	(17,349)	(85)	(104)
Net cash (used in)/generated from operating activities		(29,783)	96,810	(726)	193

Company No. 380100-D

Statements of cash flows for the year ended 31 December 2012

(continued)

		Group		Company	
		2012	2011	2012	2011
	Note	RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities					
Acquisition of property, plant and equipment	*(i)*	(19,705)	(3,303)	-	-
Acquisition of investment property	4	(14,731)	(2,507)	(57)	(1)
Capital repayment from a subsidiary	5	-	-	750	1,150
(Advance to)/Repayment from subsidiaries		-	-	(8,759)	9,630
Investment in associate	6	-	(1,960)	-	(1,960)
Interest received		2,011	1,560	473	346
Deposits uplifted from/(pledged with) licensed banks		7,550	(398)	3,891	(302)
Increase in investment in a subsidiary	5	-	-	(3,000)	-
Proceeds from disposal of property, plant and equipment		11,952	659	-	-
Proceeds from disposal of investment property		46	-	-	-
Net cash (used in)/generated from investing activities		(12,877)	(5,949)	(6,702)	8,863
Cash flows from financing activities					
Dividends paid to owners of the Company		(4,085)	-	(4,085)	-
Interest paid		(706)	(314)	-	-
Proceeds from/(Repayment of) borrowings, net		12,800	(18,150)	12,800	(6,350)
Repayment of finance lease liabilities		(939)	(1,183)	-	-
Net cash generated from/(used in) financing activities		7,070	(19,647)	8,715	(6,350)
Net (decrease)/increase in cash and cash equivalents		(35,590)	71,214	1,287	2,706
Cash and cash equivalents at 1 January	*(ii)*	90,363	19,149	1,893	(813)
Cash and cash equivalents at 31 December	*(ii)*	54,773	90,363	3,180	1,893

Company No. 380100-D

Statements of cash flows for the year ended 31 December 2012

(continued)

i) Acquisition of property, plant and equipment

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM21,370,000 (2011: RM3,964,000), of which RM1,665,000 (2011: RM661,000) were acquired by means of finance lease arrangements.

ii) Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

		Group		**Company**	
	Note	**2012 RM'000**	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Cash and bank balances	10	15,726	18,263	197	135
Deposits with licensed banks	10	46,251	86,879	10,187	12,878
Bank overdraft	12	-	(25)	-	(25)
		61,977	105,117	10,384	12,988
Less: Deposits pledged	10	(7,204)	(14,754)	(7,204)	(11,095)
		54,773	90,363	3,180	1,893
		=====	=====	=====	=====

Knusford Berhad
(Company No. 380100-D)
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Notes to the financial statements

Knusford Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the registered office and principal place of business of the Company are as follows:

Registered office
Ground Floor
Wisma Ekovest
No.118, Jalan Gombak
53000 Kuala Lumpur

Principal place of business
1st Floor
Wisma Ekovest
No.118, Jalan Gombak
53000 Kuala Lumpur

The consolidated financial statements as at and for the financial year ended 31 December 2012 comprise the Company and its subsidiaries (together referred to as "the Group"). The financial statements of the Company as at and for the year ended 31 December 2012 do not include other entities.

The Company is principally engaged in investment holding and property investment whilst the principal activities of the subsidiaries are as stated in Note 26 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 22 April 2013.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the Companies Act, 1965 in Malaysia. These are the Group and the Company's first financial statements prepared in accordance with MFRSs and MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* has been applied.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

In the previous financial years, the financial statements of the Group and the Company were prepared in accordance with Financial Reporting Standards ("FRSs") in Malaysia. The financial impacts on transition to MFRSs are disclosed in Note 29.

The following are accounting standards, amendments and interpretations of the MFRS framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2012

- Amendments to MFRS 101, *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013

- MFRS 10, *Consolidated Financial Statements*
- MFRS 11, *Joint Arrangements*
- MFRS 12, *Disclosure of Interests in Other Entities*
- MFRS 13, *Fair Value Measurement*
- MFRS 119, *Employee Benefits* (2011)
- MFRS 127, *Separate Financial Statements* (2011)
- MFRS 128, *Investments in Associates and Joint Ventures* (2011)
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards – Government Loans*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 101, *Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 132, *Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements: Transition Guidance*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013 (continued)
- Amendments to MFRS 11, *Joint Arrangements: Transition Guidance*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Transition Guidance*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014
- Amendments to MFRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to MFRS 127, *Separate Financial Statements (2011): Investment Entities*
- Amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015
- MFRS 9, *Financial Instruments* (2009)
- MFRS 9, *Financial Instruments* (2010)
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Mandatory Date of MFRS 9 and Transition Disclosures*

The Group and the Company plan to apply the abovementioned standards, amendments and interpretations:

- from the annual period beginning on 1 July 2012 and 1 January 2013 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2013, except for IC Interpretation 20 and Amendments to MFRS 1 which are not applicable to the Group and the Company.

- from the annual period beginning on 1 January 2014 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014.

- from the annual period beginning on 1 January 2015 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2015.

The initial application of the standards, amendments and interpretations is not expected to have any material financial impacts to the current and prior periods financial statements upon their first adoption.

1. Basis of preparation (continued)

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than Note 9.3 – Construction work-in-progress.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and in preparing the opening MFRS statements of financial position of the Group and of the Company at 1 January 2011 (the transition date to MFRS framework), unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Control exists when the Company has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

Acquisitions on or after 1 January 2011

For acquisitions on or after 1 January 2011, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

Acquisitions on or after 1 January 2011 (continued)

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Acquisitions before 1 January 2011

As part of its transition to MFRS, the Group elected not to restate those business combinations that occurred before the date of transition to MFRSs, i.e. 1 January 2011.

(ii) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or included in a disposal group that is classified as held for sale. The consolidated financial statements include the Group's share of other comprehensive income of the equity accounted associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that associate, with a resulting gain or loss being recognised in profit or loss. Any retained interest in the former associate at the date when significant influence is lost is re-measured at fair value and this amount is regarded as the initial carrying amount of a financial asset.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Associates (continued)

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution.

(iii) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2. Significant accounting policies (continued)

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

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.

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

Loans and receivables

Loans and receivables category comprises receivables and cash and cash equivalents.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(j)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iii) Derecognition

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

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

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour and, for qualifying assets, borrowing costs are capitalised in accordance with the Group's accounting policy on borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within “other income” or “other expenses” respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or Company and its cost can be measured reliably. The carrying amount of the replaced component is de-recognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component are depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

• Buildings	5 - 50 years
• Equipment, furniture and fittings	10 years
• Plant and machinery	10 - 20 years
• Motor vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period and adjusted as appropriate.

2. Significant accounting policies (continued)

(e) Leased assets

Finance lease

Leases in terms of which the Group and the Company assume substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(f) Investment property

Investment property carried at cost

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both. These include freehold land and leasehold land which in substance is a finance lease held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties. Investment properties initially and subsequently measured at cost are accounted for similarly to property, plant and equipment.

Investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy Note 2(d).

Depreciation is charged to the profit or loss on a straight-line basis over the estimated useful lives of 50 years for buildings. Freehold land is not depreciated.

2. Significant accounting policies (continued)

(g) Inventories

Inventories consist of developed properties held for sale and property development costs.

(i) Developed properties held for sale

Developed properties held for sale are stated at the lower of cost and net realisable value. Cost consists of costs associated with the acquisition of land, direct costs and appropriate proportions of common costs attributable to developing the properties to completion.

(ii) Property development costs

Property development costs comprise costs associated with the acquisition of land and all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

Property development costs not recognised as an expense is recognised as an asset and is stated at the lower of cost and net realisable value.

The excess of revenue recognised in profit or loss over billings to purchasers is shown as accrued billings under trade and other receivables and the excess of billings to purchasers over revenue recognised in profit or loss is shown as progress billings under trade and other payables

(h) Construction work-in-progress

Construction work-in-progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Construction work-in-progress is presented as part of trade and other receivables as amount due from contract customers in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as amount due to contract customers which is part of the deferred income in the statement of financial position.

2. Significant accounting policies (continued)

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(i) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks. For the purpose of the statements of cash flow, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(j) Impairment

(i) Financial assets

All financial assets (except for investments in subsidiaries and associates) are assessed at each reporting date 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. Losses expected as a result of future events, no matter how likely, are not recognised.

An impairment loss in respect of loans and receivables 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 asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

If, in a subsequent period, the recoverable value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

The carrying amount of other assets (except for inventories, amount due from contract customers and deferred tax asset) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or the cash-generating unit. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

2. Significant accounting policies (continued)

(j) Impairment (continued)

(ii) Other assets (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amount of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(k) Employee benefits

Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2. Significant accounting policies (continued)

(k) Employee benefits (continued)

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(m) Revenue recognition

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in the profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in the profit or loss.

2. Significant accounting policies (continued)

(m) Revenue recognition (continued)

(iii) Rental of machinery

Revenue from the rental of machinery is recognised in the profit or loss on an accrual basis in accordance with the substance of the rental agreements.

(iv) Rental of investment property

Revenue from rental of investment property is recognised in the profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(v) Property development

Property development activities refer to properties which meet the following conditions:

(i) the risk and rewards of the properties under development passes to the buyer upon delivery of vacant possession in its entirety at a single time and not continuously as construction progresses;

(ii) the Group maintain control over the properties under development during the construction period;

(iii) the sale and purchase agreement does not give the right to the buyer to take over the work in progress during construction; and

(iv) the buyers have limited ability to influence the design of the property.

The revenue from property development activities is recognised in the profit or loss upon delivery of vacant possession to buyers.

(vi) Dividend income

Dividend income is recognised in profit or loss on the date that the Group’s or the Company’s right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(vii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

2. Significant accounting policies (continued)

(n) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying asset is deducted from the borrowing cost eligible for capitalisation.

(o) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

2. Significant accounting policies (continued)

(o) Income tax (continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(p) Earnings per ordinary share

The Group presents basic earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

(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, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(r) Contingencies

Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2. Significant accounting policies (continued)

(r) Contingencies (continued)

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Company No. 380100-D

3. Property, plant and equipment

Group	Buildings RM'000	Equipment, furniture and fittings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Total RM'000
Cost					
At 1 January 2011	30	2,823	61,937	7,516	72,306
Additions	1,410	261	1,402	891	3,964
Disposals	-	(3)	(1,153)	(736)	(1,892)
Write-offs	-	-	-	(350)	(350)
At 31 December 2011/ 1 January 2012	1,440	3,081	62,186	7,321	74,028
Additions	-	860	18,433	2,077	21,370
Disposals	-	(71)	(21,534)	(992)	(22,597)
At 31 December 2012	1,440	3,870	59,085	8,406	72,801
Depreciation and impairment loss					
At 1 January 2011:					
Accumulated depreciation	30	1,599	45,756	4,861	52,246
Accumulated impairment loss	-	85	915	-	1,000
	30	1,684	46,671	4,861	53,246
Depreciation for the year	14	243	3,946	856	5,059
Disposals	-	-	(1,079)	(606)	(1,685)
Write-offs	-	-	-	(350)	(350)
At 31 December 2011:					
Accumulated depreciation	44	1,842	48,623	4,761	55,270
Accumulated impairment loss	-	85	915	-	1,000
	44	1,927	49,538	4,761	56,270

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3. Property, plant and equipment (continued)

Group	Buildings RM'000	Equipment, furniture and fittings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Total RM'000
Depreciation and impairment loss (continued)					
Depreciation for the year	28	287	3,424	1,181	4,920
Disposals	-	(40)	(15,352)	(759)	(16,151)
At 31 December 2012:					
Accumulated depreciation	72	2,089	36,695	5,183	44,039
Accumulated impairment loss	-	85	915	-	1,000
	72	2,174	37,610	5,183	45,039
Carrying amounts					
At 1 January 2011	-	1,139	15,266	2,655	19,060
At 31 December 2011/ 1 January 2012	1,396	1,154	12,648	2,560	17,758
At 31 December 2012	1,368	1,696	21,475	3,223	27,762

3. Property, plant and equipment (continued)

Company	**Equipment, furniture and fittings RM'000**
Cost	
At 1 January 2011/ 31 December 2011/ 1 January 2012/31 December 2012	11
	=====
Accumulated depreciation	
At 1 January 2011	3
Depreciation for the year	1
At 31 December 2011/1 January 2012	4
Depreciation for the year	1
At 31 December 2012	5
	=====
Carrying amounts	
At 1 January 2011	8
	=====
At 31 December 2011/1 January 2012	7
	=====
At 31 December 2012	6
	=====

3.1 Leased property, plant and equipment

At 31 December 2012, the net carrying amount of leased motor vehicles and plant and machinery of the Group was RM2,966,000 (31 December 2011: RM2,393,000; 1 January 2011: RM2,512,000).

3.2 Title of vessels

At 31 December 2012, included under plant and machinery of the Group are vessels with net carrying amount of RM4,544,000 (31 December 2011: RM5,874,000; 1 January 2011: RM7,267,000) was registered under the name of a related party.

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4. Investment property

Group	Freehold land RM'000	Buildings RM'000	Total RM'000
Cost			
At 1 January 2011	39,377	25,252	64,629
Additions	-	2,507	2,507
At 31 December 2011/1 January 2012	39,377	27,759	67,136
Additions	14,674	57	14,731
Disposal	-	(46)	(46)
At 31 December 2012	54,051	27,770	81,821
Depreciation			
At 1 January 2011	-	2,890	2,890
Depreciation for the year	-	666	666
At 31 December 2011/1 January 2012	-	3,556	3,556
Depreciation for the year	-	706	706
At 31 December 2012	-	4,262	4,262
Carrying amounts			
At 1 January 2011	39,377	22,362	61,739
At 31 December 2011/1 January 2012	39,377	24,203	63,580
At 31 December 2012	54,051	23,508	77,559
Fair value			
At 1 January 2011	115,849	38,335	154,184
At 31 December 2011/1 January 2012	135,531	34,406	169,937
At 31 December 2012	160,183	42,392	202,575

4. Investment property (continued)

Company	**Freehold land RM'000**	**Buildings RM'000**	**Total RM'000**
Cost			
At 1 January 2011	12,794	15,095	27,889
Additions	-	1	1
At 31 December 2011/1 January 2012	12,794	15,096	27,890
Additions	-	57	57
At 31 December 2012	12,794	15,153	27,947
Depreciation			
At 1 January 2011	-	1,778	1,778
Depreciation for the year	-	445	445
At 31 December 2011/1 January 2012	-	2,223	2,223
Depreciation for the year	-	449	449
At 31 December 2012	-	2,672	2,672
Carrying amounts			
At 1 January 2011	12,794	13,317	26,111
At 31 December 2011/1 January 2012	12,794	12,873	25,667
At 31 December 2012	12,794	12,481	25,275
Fair value			
At 1 January 2011	43,699	19,261	62,960
At 31 December 2011/1 January 2012	47,753	21,011	68,764
At 31 December 2012	51,447	25,636	77,083

Included in freehold land with a carrying amount of RM16,110,000 (31 December 2011: RM16,110,000; 1 January 2011: RM16,110,000) which is pending sub-division and has yet to be registered in the name of a subsidiary.

4. Investment property (continued)

Certain buildings of the Group and of the Company with an aggregate carrying amount of RM9,537,000 (31 December 2011: RM19,155,000; 1 January 2011: RM17,034,000) and RM Nil (31 December 2011: RM9,410,000; 1 January 2011: RM9,622,000) respectively are in the process of being registered under the name of the Company and its subsidiaries.

The following are recognised in the profit or loss in respect of investment property:

	Group		Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Rental income from external parties	695	729	378	360
Rental income from subsidiaries	-	-	96	96
Direct operating expenses:				
- income generating investment property	124	136	77	76
- non-income generating investment property	342	355	190	222
	=====	=====	=====	=====

5. Investments in subsidiaries

	Company		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
At cost:			
Unquoted shares in subsidiaries	68,392	68,392	68,392
Additions	3,000	-	-
	71,392	68,392	68,392
Capital contribution:			
At 1 January	16,750	17,900	-
(Repayment)/Addition	(750)	(1,150)	17,900
At 31 December	16,000	16,750	17,900
	87,392	85,142	86,292
	=====	=====	=====

The capital contribution amounting to RM16,000,000 (31 December 2011: RM16,750,000; 1 January 2011: RM17,900,000) for working capital purposes and is treated as quasi-equity. The capital contribution has no fixed term of repayment and amount payable is at the discretion of the wholly-owned subsidiaries.

Details of the subsidiaries are disclosed in Note 26.

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6. Investment in associate

	Group and Company		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
At cost:			
Unquoted shares in associate			
At 1 January/31 December	40	40	40
Capital contribution			
At 1 January	1,960	-	-
Addition	-	1,960	-
At 31 December	1,960	1,960	-
	2,000	2,000	40

Included in investment in associate is capital contribution amounted to RM1,960,000 (31 December 2011: RM1,960,000; 1 January 2011: Nil) for working capital purposes and was treated as quasi-equity and had no fixed term of repayment and amount payable is at the discretion of the associate.

The summary financial information based on its unaudited results for the associate, not adjusted for the percentage ownership held by the Group is as follows:

Group	**Country of incorporation**	**Effective ownership interest**	**Revenue* (100%) RM'000**	**Profit*/ (Loss)* (100%) RM'000**	**Total assets (100%) RM'000**	**Total liabilities (100%) RM'000**
31 December 2012						
CBD Development Sdn. Bhd.	Malaysia	40%	-	(81)	3,729	(3,695)
31 December 2011						
CBD Development Sdn. Bhd.	Malayisa	40%	-	22	3,833	(3,718)
1 January 2011						
CBD Development Sdn. Bhd.	Malaysia	40%	-	(6)	714	(621)

* No disclosure is required at the date of transition to MFRS.

7. Deferred tax assets/(liabilities)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets			Liabilities			Net		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**	**1.1.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Group									
Property, plant and equipment	-	-	-	(2,484)	(2,745)	(3,715)	(2,484)	(2,745)	(3,715)
Investment properties	-	-	-	(1,032)	(1,192)	(1,340)	(1,032)	(1,192)	(1,340)
Provisions	734	1,802	1,516	-	-	-	734	1,802	1,516
Unabsorbed capital allowances	19	725	1,043	-	-	-	19	725	1,043
Unutilised tax losses	34	34	34	-	-	-	34	34	34
Deferred revenue, net of properties under development	2,663	2,286	948	-	-	-	2,663	2,286	948
Tax assets/(liabilities)	3,450	4,847	3,541	(3,516)	(3,937)	(5,055)	(66)	910	(1,514)
Set-off	(640)	(1,658)	(7)	640	1,658	7	-	-	-
Net tax assets/(liabilities)	2,810	3,189	3,534	(2,876)	(2,279)	(5,048)	(66)	910	(1,514)

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7. Deferred tax assets and liabilities (continued)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Deductible temporary differences	26,775	17,580	268
Unabsorbed capital allowances	3,445	3,463	3,568
Unutilised tax losses	3,693	2,943	2,419
	33,913	23,986	6,255
Unrecognised deferred tax assets at 25%	8,478	5,996	1,564

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits thereon.

Movement in temporary differences during the year

Group	**At 1.1.2011 RM'000**	**Recognised in profit or loss (Note 16) RM'000**	**At 31.12.2011 RM'000**	**Recognised in profit or loss (Note 16) RM'000**	**At 31.12.2012 RM'000**
Property, plant and equipment	(3,715)	970	(2,745)	261	(2,484)
Investment properties	(1,340)	148	(1,192)	160	(1,032)
Provisions	1,516	286	1,802	(1,068)	734
Unabsorbed capital allowances	1,043	(318)	725	(706)	19
Unutilised tax losses	34	-	34	-	34
Deferred revenue, net of properties under development	948	1,338	2,286	377	2,663
	(1,514)	2,424	910	(976)	(66)

8. Inventories

	Note	Group 31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Developed properties held for sale		2,273	2,273	3,550
Property development costs	8.1	26,447	34,706	30,522
		28,720	36,979	34,072

8.1 Property development costs

The detailed breakdown of property development costs is as follow:

	2012 RM'000	2011 RM'000
At 1 January		
Land	6,942	6,942
Development costs	27,764	23,580
	34,706	30,522
Development costs incurred during the year	5,785	4,184
Cost charged to profit or loss	(14,044)	-
	26,447	34,706
At 31 December		
Land	6,052	6,942
Development costs	20,395	27,764
	26,447	34,706

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9. Trade and other receivables

	Note	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Group 1.1.2011 RM'000	Company 31.12.2012 RM'000	Company 31.12.2011 RM'000	Company 1.1.2011 RM'000
Current							
Trade							
Trade receivables	9.1	91,565	57,899	64,296	-	-	-
Less: Allowance for impairment loss		(4,576)	(5,636)	(4,462)	-	-	-
		86,989	52,263	59,834	-	-	-
Progress billings receivables	9.2	40,537	18,685	97,643	-	-	-
Less: Allowance for impairment loss		(7,581)	-	-	-	-	-
		32,956	18,685	97,643	-	-	-
		119,945	70,948	157,477	-	-	-
Construction work-in-progress		50,691	51,073	6,125	-	-	-
Less: Allowance for impairment loss		(17,312)	(17,312)	-	-	-	-
	9.3	33,379	33,761	6,125	-	-	-
Amount due from subsidiaries	9.4	-	-	-	20,230	4,268	10,794
		153,324	104,709	163,602	20,230	4,268	10,794
Non-trade							
Amount due from associate	9.4	-	-	15	-	-	15
Other receivables, deposits and prepayments		4,265	7,759	8,977	1,294	1,355	1,917
Less: Allowance for impairment loss		(2,170)	(2,757)	(1,466)	(1,150)	(1,298)	-
		2,095	5,002	7,526	144	57	1,932
		155,419	109,711	171,128	20,374	4,325	12,726

9. Trade and other receivables (continued)

9.1 Trade receivables

Included in trade receivables of the Group are amounts due from companies deemed related to Directors amounting to RM29,229,000 (31 December 2011: RM25,260,000; 1 January 2011: RM37,888,000).

9.2 Progress billings receivables

Included in the progress billings receivables are retention sums amounted to RM20,112,000 (31 December 2011: RM18,685,000; 1 January 2011: RM22,529,000). The retention sums are unsecured, interest-free and are expected to be collected within the normal operating cycle.

9.3 Construction work-in-progress

		Group		
	Note	**31.12.2012 RM'000**	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Aggregate costs incurred to date		448,323	411,582	294,494
Add: Attributable profits		133,531	113,247	28,239
		581,854	524,829	322,733
Less: Progress billings		(533,291)	(476,802)	(335,598)
		48,563	48,027	(12,865)
Amount due to contract customers reclassified	13	2,128	3,046	18,990
Amount due from contract customers		50,691	51,073	6,125
Less: Allowance for impairment loss		(17,312)	(17,312)	-
		33,379	33,761	6,125

9.4 Amounts due from subsidiaries and associate

The amounts due from subsidiaries and associate are unsecured, interest-free and are repayable on demand except for advances to a subsidiary amounted to RM15,170,000 (31 December 2011: nil; 1 January 2011: nil) which is subject to interest rates ranging from 5.63% - 5.82% per annum.

10. Cash and cash equivalents

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Deposits with licensed banks	46,251	86,879	28,027	10,187	12,878	10,993
Cash and bank balances	15,726	18,263	6,565	197	135	74
	61,977	105,142	34,592	10,384	13,013	11,067

Included in cash and bank balances of the Group is an amount of RM10,148,000 (31 December 2011: RM6,294,000; 1 January 2011: RM1,545,000), the utilisation of which is subject to the Housing Development (Housing Development Account) Regulations 2002.

Deposits with licensed banks pledged for bank facilities

Included in deposits with licensed banks of the Group and of the Company are deposits amounting to RM7,204,000 (31 December 2011: RM14,754,000; 1 January 2011: RM14,356,000) and RM7,204,000 (31 December 2011: RM11,095,000; 1 January 2011: RM10,793,000) respectively which are pledged to banks to secure bank borrowings and facilities granted to the Company and certain subsidiaries (Note 12).

11. Share capital and reserves

11.1 Share capital

	Group and Company					
	Amount 31.12.2012 RM'000	Number of shares 31.12.2012 '000	Amount 31.12.2011 RM'000	Number of shares 31.12.2011 '000	Amount 1.1.2011 RM'000	Number of shares 1.1.2011 '000
Authorised:						
Ordinary shares of RM1 each	200,000	200,000	200,000	200,000	200,000	200,000
Issued and fully paid:						
Ordinary shares of RM1 each	99,645	99,645	99,645	99,645	99,645	99,645

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

11.2 Share premium

Share premium relates to the amount that shareholders have paid for the shares in excess of the nominal value.

12. Borrowings

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Non-current						
Finance lease liabilities	1,481	549	758	-	-	-
Current						
Bank overdraft - secured	-	25	1,087	-	25	1,087
Revolving credits - secured	12,800	-	18,150	12,800	-	6,350
Finance lease liabilities	548	754	1,067	-	-	-
	13,348	779	20,304	12,800	25	7,437
	14,829	1,328	21,062	12,800	25	7,437

12.1 Security and terms

In previous financial year, the bank overdraft of the Group and of the Company was subject to interest at 1.5% per annum above the base lending rate and was secured by way of pledged of fixed deposits (Note 10).

In 31 December 2012, revolving credits of the Group and of the Company were subject to interest at 1.50% (31 December 2011: nil; 1 January 2011: 0.25% to 1.75%) per annum above cost of funds. The revolving credits were secured by way of pledged of fixed deposits (Note 10).

Finance lease liabilities are subject to fixed interest rates ranging from 2.36% to 4.00% (31 December 2011: 2.30% to 3.50%; 1 January 2011: 2.30% to 3.50%) per annum.

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12. Borrowings (continued)

12.2 Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	Future minimum lease payments 31.12.2012 RM'000	Interest 31.12.2012 RM'000	Present value of minimum lease payments 31.12.2012 RM'000	Future minimum lease payments 31.12.2011 RM'000	Interest 31.12.2011 RM'000	Present value of minimum lease payments 31.12.2011 RM'000	Future minimum lease payments 1.1.2011 RM'000	Interest 1.1.2011 RM'000	Present value of minimum lease payments 1.1.2011 RM'000
Less than one year	634	86	548	803	49	754	1,144	77	1,067
Between one and five years	1,589	108	1,481	591	42	549	792	34	758
	2,223	194	2,029	1,394	91	1,303	1,936	111	1,825

13. Trade and other payables

	Note	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Group 1.1.2011 RM'000	Company 31.12.2012 RM'000	Company 31.12.2011 RM'000	Company 1.1.2011 RM'000
Trade							
Trade payables	13.1	59,888	57,956	69,283	-	-	-
Amount due to contract customers	9.3	2,128	3,046	18,900	-	-	-
		62,016	61,002	88,183	-	-	-
Non-trade							
Other payables and accrued expenses	13.2	22,934	20,464	21,683	430	267	154
Amount due to subsidiaries		-	-	-	-	148	2,244
		84,950	81,466	109,866	430	415	2,398

13.1 Trade payables

Included in the trade payables are progress billings amounting to RM19,472,000 (31 December 2011: RM30,239,000; 1 January 2011: RM14,797,000).

Included in trade payables of the Group are amounts due to companies deemed related to certain Directors amounting to RM5,252,000 (31 December 2011: RM425,000; 1 January 2011: RM3,449,000).

13.2 Other payables and accrued expense

Included in other payables and accrued expenses of the Group are for construction-related costs amounting to RM9,819,000 (31 December 2011: RM9,402,000; 1 January 2011: RM16,269,000).

14. Revenue

Group	2012 RM'000	2011 RM'000
Sales of goods	103,253	73,658
Rental of motor vehicle and machinery	8,558	9,744
Contract revenue	57,025	202,096
Property development revenue	20,149	2,592
Rental income from investment properties	695	729
	189,680	288,819
Company		
Dividend income from unquoted subsidiaries	8,178	5,200
Rental income from investment property	474	456
	8,652	5,656

15. Cost of sales

Group	2012 RM'000	2011 RM'000
Cost of goods sold	96,440	60,556
Direct operating expenses	6,328	6,373
Contract costs recognised as an expense	36,741	114,953
Property development expenses	14,045	1,433
	153,554	183,315
Company		
Direct operating expenses	757	797

16. Tax expense

Recognised in profit or loss

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Current tax expense					
Malaysian - current year		9,263	26,727	858	80
- prior year		121	(301)	13	17
Total current tax		9,384	26,426	871	97
Deferred tax expense					
Reversal of temporary differences		851	(1,412)	-	-
Under/(Over) provision in prior years		125	(1,012)	-	-
Total deferred tax	7	976	(2,424)	-	-
Total tax expense		10,360	24,002	871	97

Reconciliation of tax expense

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Profit before tax	25,796	80,022	7,484	3,409
Tax at Malaysian tax rate of 25%	6,449	20,006	1,871	852
Non-deductible expenses	1,183	877	144	528
Non-taxable income	-	-	(1,218)	(1,300)
Deferred tax not recognised during the year	2,482	4,432	61	-
	10,114	25,315	858	80
Under/(Over) provided in prior years	246	(1,313)	13	17
	10,360	24,002	871	97

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17. Profit for the year

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Profit for the year is arrived at after charging:				
Auditors' remuneration to KPMG:				
- Audit fees	211	160	60	45
- Non-audit fees	42	8	5	-
Depreciation of property, plant and equipment	4,920	5,059	1	1
Depreciation of investment property	706	666	449	445
Impairment loss on trade and other receivables	7,961	20,322	-	-
Personnel expenses (including key management personnel)				
- Wages, salaries and others	11,485	13,600	49	118
- Contributions to Employees Provident Fund	920	895	6	11
Rental of motor vehicles	186	250	-	-
Rental of premises	1,002	1,113	-	-
Rental of equipment and machinery	4,377	5,977	-	-
	=====	=====	=====	=====
and after crediting:				
Dividend income from subsidiaries (unquoted)	-	-	8,178	5,200
Gain on disposal of property, plant and equipment	5,506	452	-	-
Rental income from investment property	695	729	474	456
Rental of motor vehicle	27	50	-	-
Reversal of impairment loss on trade and other receivables	129	545	-	-
	=====	=====	=====	=====

18. Key management personnel compensation

The key management personnel compensations are as follows:

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Directors				
- Fees	180	180	180	180
- Remuneration	907	1,042	-	-
Other short term employee benefits (including estimated monetary value of benefits-in-kind)	56	47	-	-
Total short-term employee benefits	1,143	1,269	180	180

19. Earnings per ordinary share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2012 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

Profit attributable to ordinary shareholders

	Group 2012 RM'000	Group 2011 RM'000
Profit from continuing operations for the year attributable to owners	15,436	56,020

Weighted average number of ordinary shares

	Group 2012 '000	Group 2011 '000
Weighted average number of ordinary shares at 31 December	99,645	99,645

Basic earnings per ordinary share

	Group 2012 Sen	Group 2011 Sen
From continuing operations	15.49	56.22

20. Dividends

Dividends recognised by the Company:

2012	Sen per share (net of tax)	Total amount RM'000	Date of payment
Final 2011 ordinary			
- Franked dividend	2.70	2,690	18 September 2012
- Single tier dividend	1.40	1,395	18 September 2012
Total amount		4,085	

After the reporting period, the following dividends were proposed by the Directors. These dividends will be recognised in subsequent financial period upon approval by the owners of the Company.

	Sen per share (net of tax)	Total amount RM'000
Final 2012 ordinary (single tier dividend)	5.00	4,982

21. Operating segments

Operating segments are components in which separate financial information is available that is evaluated regularly by the Chief Executive Officer ("CEO") in deciding how to allocate resources and in assessing performance of the Group. The Group has four reportable segments as described below:

Trading and services	Reconditioning, sales and rental of light and heavy machinery, trading of building materials and provision of transportation services
Property development	Development of residential and commercial properties
Investment property	Rental of investment property
Construction	Civil works contracting

Performance is measured based on segment profit before tax, interest and depreciation as included in the internal management reports that are reviewed by the Group's CEO (the chief operating decision maker). Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets and liabilities

The total of segment asset is measured based on all assets of a segment.

Segment liabilities

The total of segment liabilities is measured based on all liabilities of a segment.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment, and intangible assets other than goodwill.

21. Operating segments (continued)

	Trading and services 2012 RM'000	Trading and services 2011 RM'000	Property development 2012 RM'000	Property development 2011 RM'000	Investment property 2012 RM'000	Investment property 2011 RM'000	Construction 2012 RM'000	Construction 2011 RM'000	Eliminations 2012 RM'000	Eliminations 2011 RM'000	Consolidated 2012 RM'000	Consolidated 2011 RM'000
Segment profit												
Total external revenue	111,811	83,402	20,149	2,592	695	729	57,025	202,096	-	-	189,680	288,819
Inter-segment revenue	13,150	42,317	-	-	8,274	5,368	-	-	(21,424)	(47,685)	-	-
Total segment revenue	124,961	125,719	20,149	2,592	8,969	6,097	57,025	202,096	(21,424)	(47,685)	189,680	288,819
Segment profit	12,139	13,341	4,652	(422)	(350)	(105)	10,450	68,288	(700)	(529)	26,191	80,573
Unallocated expenses											(1,700)	(1,797)
Results from operating activities											24,491	78,776
Finance income	299	603	48	31	1,034	345	630	581	-	-	2,011	1,560
Finance costs	(38)	(12)	-	-	(500)	-	(168)	(302)	-	-	(706)	(314)
Profit before taxation											25,796	80,022
Tax expense	(3,531)	(4,221)	(1,174)	107	(1,939)	(97)	(4,721)	(20,909)	1,005	1,118	(10,360)	(24,002)
Profit for the year											15,436	56,020
Included in the measure of segment profit is:												
Depreciation and amortisation	3,629	4,046	19	18	707	666	1,271	995	-	-	5,626	5,725

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21. Operating segments (continued)

	Trading and services 2012 RM'000	Trading and services 2011 RM'000	Property development 2012 RM'000	Property development 2011 RM'000	Investment property 2012 RM'000	Investment property 2011 RM'000	Construction 2012 RM'000	Construction 2011 RM'000	Eliminations 2012 RM'000	Eliminations 2011 RM'000	Consolidated 2012 RM'000	Consolidated 2011 RM'000
Segment assets	179,341	132,684	44,264	55,986	72,260	42,169	90,386	109,548	(47,805)	(18,017)	338,446	322,370
Unallocated assets											18,508	15,999
Total assets											356,954	338,369
Included in the measure of segment assets are:												
Investment in associate	2,000	2,000	-	-	-	-	-	-	-	-	2,000	2,000
Capital expenditure	19,793	1,409	1	12	14,731	2,506	1,704	2,544	(128)	-	36,101	6,471
Segment liabilities	(80,287)	(24,306)	(26,982)	(38,761)	(15,177)	-	(32,996)	(43,517)	69,374	24,168	(86,068)	(82,416)
Unallocated liabilities											(18,056)	(14,474)
Total liabilities											(104,124)	(96,890)

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22. Financial instruments

22.1 Categories of financial instruments

	Carrying amount					
	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Financial assets categorised as loans and receivables:						
Trade and other receivables	122,040	75,950	165,003	20,374	4,325	12,726
Cash and cash equivalents	61,977	105,142	34,592	10,384	13,013	11,067
	184,017	181,092	199,595	30,758	17,338	23,793
Financial liabilities measured at amortised cost:						
Trade and other payables	84,950	81,466	109,866	430	415	2,398
Borrowings	14,829	1,328	21,062	12,800	25	7,437
	99,779	82,794	130,928	13,230	440	9,835

22.2 Net gains and losses arising from financial instruments

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Net gains/(losses) on:				
Loans and receivables	(5,821)	(888)	473	346
Financial liabilities measured at amortised cost	(706)	(314)	-	-
	(6,527)	(1,202)	473	346

22. Financial instruments (continued)

22.3 Financial risk management

The Group and the Company have exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

22.4 Credit risk

Credit risk is the risk of a financial loss to the Group or the Company if a customer or counterparty to a financial instrument fails to meets its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers, and deposits with licensed banks. The Company's exposure to credit risk arises principally from advances to subsidiaries and deposits with licensed banks.

Trade receivables

Risk management objectives, policies and processes for managing the risk

Management has monitored the exposure to credit risk on an ongoing basis. Credit evaluations are required to be performed on new customers.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit arising from trade receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that trade receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of trade receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any trade receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

22. Financial instruments (continued)

22.4 Credit risk (continued)

Trade receivables (continued)

Impairment losses

The ageing of trade receivables as at the end of the reporting period was:

Group	Gross RM'000	Individual impairment RM'000	Net RM'000
31 December 2012			
Not past due	55,296	(22)	55,274
Past due 1 – 90 days	33,462	(34)	33,428
Past due more than 90 days	43,344	(12,101)	31,243
	132,102	(12,157)	119,945
31 December 2011			
Not past due	23,745	(752)	22,993
Past due 1 – 90 days	13,804	(286)	13,518
Past due more than 90 days	39,035	(4,598)	34,437
	76,584	(5,636)	70,948
1 January 2011			
Not past due	82,348	-	82,348
Past due 1 – 90 days	14,503	-	14,503
Past due more than 90 days	65,088	(4,462)	60,626
	161,939	(4,462)	157,477

22. Financial instruments (continued)

22.4 Credit risk (continued)

Trade receivables (continued)

Impairment losses (continued)

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	Group 2012 RM'000	Group 2011 RM'000
At 1 January	5,636	4,462
Impairment loss recognised	7,961	1,719
Impairment loss reversed	(129)	(545)
Impairment loss write off	(1,311)	-
At 31 December	12,157	5,636

Deposits with licensed banks

Risk management objectives, policies and processes for managing the risk

The Group and the Company's cash and cash equivalents are deposited with high creditworthy licensed banks.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk is represented by the carrying amounts of cash and cash equivalents in the statement of financial position. Management does not expect any counterparty to fail to meet its obligations in respect of these deposits.

22. Financial instruments (continued)

22.4 Credit risk (continued)

Inter-company balances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position. Advances are only provided to subsidiaries which are wholly owned by the Company. The Company considers its subsidiaries as companies associated with low credit risk.

Impairment losses

As at the end of the reporting period, there was no indication that advances to subsidiaries are not recoverable. The Company does not specifically monitor the ageing of the advances to related companies. Nevertheless, these advances are repayable on demand and have no fixed term of repayment as at the reporting date.

22.5 Liquidity risk

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

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

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

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22. Financial instruments (continued)

22.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

Group **31 December 2012**	**Carrying amount** **RM'000**	**Contractual interest rate/ coupon** **%**	**Contractual cash flows** **RM'000**	**Under 1 year** **RM'000**	**1 - 2 years** **RM'000**	**2 - 5 years** **RM'000**	**More than 5 years** **RM'000**
Non-derivative financial liabilities							
Revolving credits – secured	12,800	5.63 – 5.82	13,533	13,533	-	-	-
Finance lease liabilities	2,029	2.36 – 4.00	2,223	633	567	1,023	-
Trade and other payables	84,950	-	84,950	84,950	-	-	-
	======		======	======	======	======	======
31 December 2011							
Non-derivative financial liabilities							
Bank overdraft - secured	25	8.10	27	27	-	-	-
Finance lease liabilities	1,303	2.30 - 3.25	1,394	801	289	304	-
Trade and other payables	81,466	-	81,466	81,466	-	-	-
	======		======	======	======	======	======
1 January 2011							
Non-derivative financial liabilities							
Bank overdraft - secured	1,087	7.80	1,172	1,172	-	-	-
Revolving credits - secured	18,150	1.50 - 5.23	19,099	19,099	-	-	-
Finance lease liabilities	1,825	2.30 – 3.25	1,936	1,144	686	106	-
Trade and other payables	109,866	-	109,866	109,866	-	-	-
	======		======	======	======	======	======

Company No. 380100-D

22. Financial instruments (continued)

22.5 Liquidity risk (continued)

Company 31 December 2012	Carrying amount	Contractual interest rate/ coupon %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Non-derivative financial liabilities							
Revolving credits – secured	12,800	5.63 – 5.82	13,533	13,533	-	-	-
Trade and other payables	430	-	430	430	-	-	-
	=====		=====	=====	=====	=====	=====
31 December 2011							
Non-derivative financial liabilities							
Bank overdraft - secured	25	8.10	27	27	-	-	-
Trade and other payables	415	-	415	-	-	-	-
	=====		=====	=====	=====	=====	=====
1 January 2011							
Non-derivative financial liabilities							
Bank overdraft - secured	1,087	7.80	1,172	1,172	-	-	-
Revolving credits – secured	6,350	5.23	6,682	6,682	-	-	-
Trade and other payables	2,398	-	2,398	2,398	-	-	-
	=====		=====	=====	=====	=====	=====

22. Financial instruments (continued)

22.6 Market risk

Market risk is the risk that changes in market prices such as interest rates will affect the Group's financial position or cash flows.

22.6.1 Interest rate risk

The Group's investments in fixed rate deposits with licensed banks and its fixed rate borrowings are exposed to a risk of change in their fair values due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period, was:

	Group			Company		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Fixed rate instruments						
Financial asset						
Deposit with licensed banks	46,251	86,879	28,027	10,187	12,878	10,993
Financial liabilities						
Bank overdraft - secured	-	(25)	(1,087)	-	(25)	(1,087)
Finance lease liabilities	(2,029)	(1,303)	(1,825)	-	-	-
	44,222	85,551	25,115	10,187	12,853	9,906
Floating rate instruments						
Revolving credit - secured	(12,800)	-	(18,150)	(12,800)	-	(6,350)

Interest rate risk sensitivity analysis

(a) *Fair value sensitivity analysis for fixed rate instruments*

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

22. Financial instruments (continued)

22.6 Market risk (continued)

22.6.1 Interest rate risk (continued)

(b) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased (decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

	Profit or loss	
	100 bp increase	**100 bp decrease**
Group	**RM'000**	**RM'000**
2012		
Floating rate instruments	(86)	86
	=====	=====

22.7 Fair value

The carrying amounts of cash and cash equivalents, short term receivables and payables approximate their fair values due to the relatively short term nature of these instruments.

The fair values of other financial liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

Group	**Carrying amount 31.12.2012 RM'000**	**Fair value 31.12.2012 RM'000**	**Carrying amount 31.12.2011 RM'000**	**Fair value 31.12.2011 RM'000**	**Carrying amount 1.1.2011 RM'000**	**Fair value 1.1.2011 RM'000**
Finance lease liabilities	2,029	1,946	1,303	1,217	1,825	1,787
	====	====	====	====	====	====

The following summarises the methods used in determining the fair value of financial instruments reflected in the above table.

Interest rates used to determine fair value

Fair value for finance leases, the market rate of interest is determined by reference to similar lease agreements. The interest rates used to discount estimated cash flows, when applicable, are as follows:

	31.12.2012	**31.12.2011**	**1.1.2011**
Finance leases	2.36% - 4.00%	3.20% - 4.67%	4.37% - 7.20%
	===========	===========	===========

23. Capital management

The Group's objectives when managing capital is to maintain an optimal capital structure and to safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as results from operating activities divided by total shareholders' equity.

There were no changes in the Group's approach to capital management during the year. The Group is not subject to externally imposed capital requirements.

24. Contingencies

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

		Group	
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM'000	**RM'000**	**RM'000**
Guarantees and contingencies relating to borrowings of subsidiaries (secured)	-	-	11,800
	=====	=====	=====

25. Capital commitment

		Group	
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM'000	**RM'000**	**RM'000**
Capital commitment of a subsidiary to purchase an asset	-	12,867	-
	=====	=====	=====

26. Details of subsidiaries

The principal activities of the subsidiaries, which are all incorporated in Malaysia, and the effective ownership interest of Knusford Berhad are shown below:

Name of company	Principal activities	Effective ownership interest 2012	Effective ownership interest 2011
Subsidiaries			
Wengcon Holdings Sdn. Bhd.	Reconditioning, sales and rental of heavy machinery	100%	100%
Wengcon Equipment Sdn. Bhd.	Rental of machinery and equipment, provision of transportation services and trading of building materials	100%	100%
Segi Tiara Sdn. Bhd.	Civil works contracting	100%	100%
D-Hill Sdn. Bhd.	Property development	100%	100%
Wengcon Marketing Sdn. Bhd.	Trading in building materials	100%	100%
Hi-Plus Development Sdn. Bhd.	Rental of machinery and equipment	100%	100%
Endau Prima Sdn. Bhd.	Ceased operations	100%	100%
Segi Gemilang Sdn. Bhd.	Rental of machinery and equipment	100%	100%
Lakaran Cahaya Sdn. Bhd.	Has not commenced operations	100%	-
Knusford Oil & Gas Sdn. Bhd.	Has not commenced operations	100%	-
Knusford Autohaus Sdn. Bhd.	Has not commenced operations	100%	-
Kota Ekspres Sdn. Bhd.	Has not commenced operations	100%	-
Subsidiaries of Wengcon Equipment Sdn. Bhd.			
Radiant Seas Sdn. Bhd.	Rental of machinery and equipment	100%	100%
Yasmin Marine Technology Sdn. Bhd.	Rental of machinery and equipment	80%	80%

27. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. Key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

The Group has related party relationship with the following companies, which are deemed related to the Directors and major shareholders as follows:

i) Ekovest Berhad and Ekovest Construction Sdn. Bhd. are deemed related to Tan Sri Dato' Lim Kang Hoo and Khoo Nang Seng @ Khoo Nam Seng;

ii) Aramijaya Sdn. Bhd., Danga Bay Sdn. Bhd., Ekovest Holdings Sdn. Bhd., Iskandar Coast Sdn. Bhd., Iskandar Waterfront Sdn. Bhd., Konsortium Lebuhraya Utara-Timur (KL) Sdn. Bhd., Pembinaan KS Tebrau Sdn. Bhd., Rampai Fokus Sdn. Bhd., Tebrau Bay Construction Sdn. Bhd., Uniregion Sdn. Bhd. and Wengcon Machinery Sdn. Bhd. are deemed related to Tan Sri Dato' Lim Kang Hoo and Lim Keng Cheng;

iii) Fablelite Sdn. Bhd., Knight Auto Sdn. Bhd., Lim Seong Hai Holdings Sdn. Bhd. and Milan Suria Sdn. Bhd. are deemed related to Lim Keng Cheng.

Company No. 380100-D

27. Related parties (continued)

The significant related party transactions of the Group and the Company are shown below. The balances related to the below transactions are shown in Note 9 and 13.

Group Type of transactions		2012 RM'000	2011 RM'000
	Related parties		
Sale and rental of machinery and equipment, transportation charges and sale of building materials	Aramijaya Sdn. Bhd.	4,228	5,830
	Danga Bay Sdn. Bhd.	10,775	3,256
	Ekovest Berhad	28	33
	Ekovest Construction Sdn. Bhd.	3,804	5,953
	Rampai Fokus Sdn. Bhd.	9,728	10,075
	Uniregion Sdn. Bhd.	-	102
	Konsortium Lebuhraya Utara-Timur (KL) Sdn. Bhd.	146	139
	Pembinaan KS Tebrau Sdn. Bhd.	2,662	2,409
	Teras Hijaujaya Sdn. Bhd.	81	-
	Tebrau Bay Constructions Sdn. Bhd.	3,949	-
Sub-contractor fees on civil works and land clearing	Aramijaya Sdn. Bhd.	-	37
Purchase and rental of machinery and equipment and purchase of building materials	Aramijaya Sdn. Bhd.	743	124
	Ekovest Berhad	657	370
	Ekovest Construction Sdn. Bhd.	171	114
	Fablelite Sdn. Bhd.	-	475
	Wengcon Machinery Sdn. Bhd.	25	25
	Danga Bay Sdn. Bhd.	6	48
	Knight Auto Sdn. Bhd.	11	55
Purchase of mixed wood logs	Aramijaya Sdn. Bhd.	-	66
Rental of premises paid	Ekovest Berhad	292	310
	Aramijaya Sdn. Bhd.	120	91
	Ekovest Holdings Sdn. Bhd.	22	22
	Lim Seong Hai Holdings Sdn. Bhd.	30	30
Rental of premises received	Danga Bay Sdn. Bhd.	435	443
	Ekovest Construction Sdn. Bhd.	-	71
Company			
	Related parties		
Rental of premises received	Danga Bay Sdn. Bhd.	360	360
	Subsidiaries		
Rental of premises received	Wengcon Marketing Sdn. Bhd.	48	48
	Segi Tiara Sdn. Bhd.	48	48
		=====	=====

28. Subsequent event

On 5 March 2013, the Group entered into a sale and purchase agreement to dispose a land measuring approximately 43,560 square feet for a cash consideration of RM4,268,880.

29. Explanation of transition to MFRSs

As stated in Note 1(a), these are the first financial statements of the Group and of the Company prepared in accordance with MFRSs.

The accounting policies set out in Note 2 have been applied in preparing the financial statements of the Group and of the Company for the financial year ended 31 December 2012, the comparative information presented in these financial statements for the financial year ended 31 December 2011 and in the preparation of the opening MFRS statement of financial position at 1 January 2011 (the Group's date of transition to MFRSs).

The transition to MFRSs does not have financial impact to the separate financial statements of the Company.

In preparing the opening consolidated statement of financial position at 1 January 2011, the Group has adjusted amounts reported previously in financial statements prepared in accordance with previous FRSs. An explanation of how the transition from previous FRSs to MFRSs has affected the Group's financial position, financial performance and cash flows is set out as follows:

Company No. 380100-D

29. Explanation of transition to MFRSs (continued)

29.1 Reconciliation of financial position

Group	Note	1.1.2011 FRSs RM'000	1.1.2011 Effect of Transition to MFRSs RM'000	1.1.2011 MFRSs RM'000	31.12.2011 FRSs RM'000	31.12.2011 Effect of transition to MFRSs RM'000	31.12.2011 MFRSs RM'000
Assets							
Property, plant and equipment		19,060	-	19,060	17,758	-	17,758
Investment properties	a	40,328	21,411	61,739	42,169	21,411	63,580
Investments in associates		40	-	40	2,000	-	2,000
Land held for property development	a	26,777	(26,777)	-	26,777	(26,777)	-
Deferred tax assets	c	2,593	941	3,534	912	2,277	3,189
Total non-current assets		88,798	(4,425)	84,373	89,616	(3,089)	86,527
Inventories	a,b	3,550	30,522	34,072	2,273	34,706	36,979
Property development costs	b	14,318	(14,318)	-	10,650	(10,650)	-
Trade and other receivables	c	173,827	(2,699)	171,128	110,659	(948)	109,711
Current tax assets		399	-	399	10	-	10
Cash and cash equivalents		34,592	-	34,592	105,142	-	105,142
Total current assets		226,686	13,505	240,191	228,734	23,108	251,842
Total assets		315,484	9,080	324,564	318,350	20,019	338,369

29. Explanation of transition to MFRSs (continued)

29.1 Reconciliation of financial position (continued)

Group	Note	1.1.2011 FRSs RM'000	1.1.2011 Effect of Transition to MFRSs RM'000	1.1.2011 MFRSs RM'000	31.12.2011 FRSs RM'000	31.12.2011 Effect of transition to MFRSs RM'000	31.12.2011 MFRSs RM'000
Equity							
Share capital		99,645	-	99,645	99,645	-	99,645
Share premium		22,693	-	22,693	22,693	-	22,693
Retained earnings	d	65,965	(2,844)	63,121	125,998	(6,857)	119,141
Total equity attributable to owners of the Company		188,303	(2,844)	185,459	248,336	(6,857)	241,479
Liabilities							
Borrowings		758	-	758	549	-	549
Deferred tax liabilities	c	5,055	(7)	5,048	2,288	(9)	2,279
Total non-current liabilities		5,813	(7)	5,806	2,837	(9)	2,828

29. Explanation of transition to MFRSs (continued)

29.1 Reconciliation of financial position (continued)

Group		1.1.2011			31.12.2011		
	Note	FRSs RM'000	Effect of Transition to MFRSs RM'000	MFRSs RM'000	FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs RM'000
Trade and other payables	a,c	97,935	11,931	109,866	54,581	26,885	81,466
Borrowings		20,304	-	20,304	779	-	779
Current tax payable		3,129	-	3,129	11,817	-	11,817
Total current liabilities		121,368	11,931	133,299	67,177	26,885	94,062
Total liabilities		127,181	11,924	139,105	70,014	26,876	96,890
Total equity and liabilities		315,484	9,080	324,564	318,350	20,019	338,369

29. Explanation of transition to MFRSs (continued)

29.2 Reconciliation of other comprehensive income for the year ended 31 December 2011

Group

	Note	FRSs RM'000	Effect of Transition to MFRSs RM'000	MFRSs RM'000
Continuing operations				
Revenue	c	302,021	(13,202)	288,819
Cost of sales	c	(191,166)	7,851	(183,315)
Gross profit		110,855	(5,351)	105,504
Other income		983	-	983
Administrative expenses		(27,711)	-	(27,711)
Results from operating activities		84,127	(5,351)	78,776
Finance income		1,560	-	1,560
Finance costs		(314)	-	(314)
Profit before tax		85,373	(5,351)	80,022
Tax expense	c	(25,340)	1,338	(24,002)
Profit for the year/ Total other comprehensive income for the year		60,033	(4,013)	56,020

29. Explanation of transition to MFRSs (continued)

29.2 Reconciliation of other comprehensive income for the year ended 31 December 2011 (continued)

29.3 Material adjustments to the statements of cash flows for 2011

There are no material differences between the statement of cash flows presented under MFRSs and the statement of cash flows presented under FRSs.

29.4 Notes to reconciliations

(a) Investment properties and inventories

Upon transition to MFRSs, the Group accounted land held for planned development as investment properties and inventories. A piece of land is classified as investment property if it is held for undetermined future use and classified as inventory if it is held for planned development. The carrying value of the land is stated in accordance with accounting policy stated in Note 2(f) and 2(g).

The impact arising from the change is summarised as follows :

	1.1.2011 RM'000	31.12.2011 RM'000
Statements of financial position		
Investment properties	21,411	21,411
Inventories	5,366	5,366
Land held for property development	(26,777)	(26,777)
Adjustment to retained earnings	-	-

(b) Inventories

Upon transition to MFRSs, the Group also accounted property development costs as inventories in accordance with accounting policy stated in Note 2(g).

The impact arising from the change is summarised as follows :

	1.1.2011 RM'000	31.12.2011 RM'000
Statements of financial position		
Inventories	25,156	29,340
Properties development costs	(14,318)	(10,650)
Adjustment to retained earnings	10,838	18,690

29. Explanation of transition to MFRSs (continued)

29.4 Notes to reconciliations (continued)

(c) Revenue recognition

Under FRSs, revenue from property development is recognised based on the stage of completion measured by reference to the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Upon transition to MFRSs, the Company measures revenue based on accounting policy stated in Note 2(m)(v).

The impact arising from the change is summarised as follows :

	1.1.2011 RM'000	31.12.2011 RM'000
Statements of comprehensive income		
Revenue		(13,202)
Cost of sales		7,851
Tax expense		(1,338)
		=====
Statements of financial position		
Inventories	25,156	29,340
Properties development costs	(14,318)	(10,650)
Trade receivables	(2,699)	(948)
Trade payables	(11,931)	(26,885)
Deferred tax assets	941	2,277
Deferred tax liabilities	7	9
Adjustment to retained earnings	(2,844)	(6,857)
	=====	=====

(d) Retained earnings

The changes that affected the retained earnings are as follows:

	Note	1.1.2011 RM'000	31.12.2011 RM'000
Inventories	c	10,838	18,690
Trade receivables	c	(2,699)	(948)
Trade payables	c	(11,931)	(26,885)
Deferred tax asset	c	941	2,277
Deferred tax liabilities	c	7	9
Decrease in retained earnings		(2,844)	(6,857)
		=====	=====

30. Supplementary financial information on the breakdown of realised and unrealised profits or losses

The breakdown of the retained earnings of the Group and of the Company as at 31 December, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirement, are as follows:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total retained earnings of the Company and its subsidiaries:				
- Realised gain	181,298	168,557	9,914	7,386
- Unrealised gain	966	1,986	-	-
	182,264	170,543	9,914	7,386
Less: Consolidation adjustments	(51,772)	(51,402)	-	-
Total retained earnings	130,492	119,141	9,914	7,386

The determination of realised and unrealised profits is based on the Guidance of 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,* issued by Malaysian Institute of Accountants on 20 December 2010.

Knusford Berhad
(Company No. 380100-D)
(Incorporated in Malaysia)
and its subsidiaries

Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 6 to 75 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performance and cash flows for the year ended on that date.

In the opinion of the Directors, the information set out in Note 30 on page 76 to the financial statements has been compiled in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

…………………………………………………………
Tan Sri Dato' Lim Kang Hoo

…………………………………………………………
Lim Keng Cheng

Kuala Lumpur, Malaysia

Date: 22 April 2013

Knusford Berhad
(Company No. 380100-D)
(Incorporated in Malaysia)
and its subsidiaries

Statutory declaration pursuant to Section 169(16) of the Companies Act, 1965

I, **Lee Mong Fang**, the officer primarily responsible for the financial management of Knusford Berhad, do solemnly and sincerely declare that the financial statements set out on pages 6 to 76 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 the above named in Kuala Lumpur on 22 April 2013.

……………………………………………….
Lee Mong Fang

Before me:

Independent auditors' report to the members of Knusford Berhad

(Company No. 380100-D)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Knusford 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, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 6 to 75.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Company No. 380100-D

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 year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

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

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

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

(c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 30 on page 76 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards or International Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Company No. 380100-D

Other Matter

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.

KPMG
Firm Number: AF 0758
Chartered Accountants

Johan Idris
Approval Number: 2585/10/14(J)
Chartered Accountant

Petaling Jaya, Malaysia

Date: 22 April 2013