



# CHIN TECK PLANTATIONS BERHAD

(Company No. 3250-V)  
(Incorporated in Malaysia)

*Annual Report*  
**2012**

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## FINANCIAL HIGHLIGHTS AND FINANCIAL CALENDAR

## FINANCIAL HIGHLIGHTS - GROUP

	2012 RM'000	2011 RM'000
Revenue	119,224	143,343
Profit before tax	68,399	95,772
Income tax expense	(15,724)	(19,758)
Profit net of tax	52,675	76,014
Dividends	27,409	32,890
Issued and paid-up share capital	91,363	91,363
Equity attributable to owners of the Company	615,987	595,679
Earnings per stock unit		
- Basic	57.65 sen	83.20 sen
- Diluted	57.65 sen	83.20 sen
Dividends		
- First interim dividend	16% less 25% taxation	18% less 25% taxation
- Second interim dividend	24% less 25% taxation	30% less 25% taxation
Dividend cover (times)	1.92	2.31
Net assets per stock unit	RM6.74	RM6.52

## FINANCIAL CALENDAR

Financial year	1 September 2011 to 31 August 2012
Announcement of results	
First financial quarter ended 30 November 2011	30 January 2012
Second financial quarter ended 29 February 2012	27 April 2012
Third financial quarter ended 31 May 2012	30 July 2012
Fourth financial quarter ended 31 August 2012	31 October 2012
Dividends payment	
First interim	17 January 2012
Second interim	30 August 2012
Despatch of 2012 Annual Report	9 January 2013
Fifty Fourth Annual General Meeting	31 January 2013

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifty Fourth Annual General Meeting of the Company will be held at the Conference Room, Suite 2B-3A-3, Block 2B, Level 3A, Plaza Sentral, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur on Thursday, 31 January 2013 at 10.30 am for the following purposes: -

1. To receive and adopt the Directors' Report and the Financial Statements for the financial year ended 31 August 2012 and the Independent Auditors' Report thereon. (Resolution 1)
2. To increase the directors' fees for the financial year ended 31 August 2012 to RM435,000 and to authorise the directors to divide such fees in the proportions and manner to be determined by them. (Resolution 2)
3. To re-elect the following directors retiring under Article 94 of the Articles of Association of the Company: -
  - (i) Mr Goh Wei Lei (Resolution 3)
  - (ii) Mr Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong (Resolution 4)
4. To consider and if thought fit, pass the following resolutions pursuant to Section 129(6) of the Companies Act, 1965: -
  - (i) "That Mr Goh Eng Chew, who retires pursuant to Section 129 of the Companies Act, 1965 be re-appointed a director of the Company to hold office until the next Annual General Meeting of the Company." (Resolution 5)
  - (ii) "That Mr Wong Aun Phui, who retires pursuant to Section 129 of the Companies Act, 1965 be re-appointed a director of the Company to hold office until the next Annual General Meeting of the Company." (Resolution 6)
  - (iii) "That Mr Goh Beng Hwa @ Gho Bin Hoa, who retires pursuant to Section 129 of the Companies Act, 1965 be re-appointed a director of the Company to hold office until the next Annual General Meeting of the Company." (Resolution 7)
  - (iv) "That Mr Goh Pock Ai, who retires pursuant to Section 129 of the Companies Act, 1965 be re-appointed a director of the Company to hold office until the next Annual General Meeting of the Company." (Resolution 8)
  - (v) "That Dr Gan Kim Leng, who retires pursuant to Section 129 of the Companies Act, 1965 be re-appointed a director of the Company to hold office until the next Annual General Meeting of the Company." (Resolution 9)
5. To re-appoint auditors and authorise the directors to fix their remuneration. (Resolution 10)
6. As special business, to consider and if thought fit, pass the following resolutions: -
  - (i) Proposed renewal of shareholders' mandate for the Company and its subsidiary to enter into recurrent related party transactions of a revenue or trading nature with a related party (Resolution 11)
  - (ii) Proposed amendments to articles of association (Resolution 12)The text of the above resolutions together with the details of the proposed renewal of shareholders' mandate for the Company and its subsidiary to enter into recurrent related party transactions of a revenue or trading nature with a related party and proposed amendments to articles of association are set out in the Circular to Shareholders dated 9 January 2013.
7. To transact any other ordinary business of the Company of which proper notice shall have been given to the Company.

By Order of the Board  
Gan Kok Tiong  
Company Secretary  
Kuala Lumpur  
9 January 2013

### NOTES:

1. A depositor shall not be regarded as a member entitled to attend this Meeting and to speak and vote thereat unless his/her name appears in the Record of Depositors as at 22 January 2013 (which is not less than 3 market days before the date of this Meeting) issued by Bursa Depository Sdn Bhd ("Bursa Depository") upon request by the Company in accordance with the rules of the Bursa Depository.
2. A member entitled to attend and vote at this Meeting may appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.
3. If the member is a corporation, the Form of Proxy must be executed under its common seal or under the hand of a person duly authorised in writing.
4. The Form of Proxy must be deposited at the Registered Office, Suite 2B-3A-2, Block 2B, Level 3A, Plaza Sentral, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur not less than 48 hours before the time fixed for the Meeting or any adjournment thereof.
5. For Item 6, further information are set out in the Circular to Shareholders dated 9 January 2013 which is despatched together with the Annual Report.

## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Further details of directors who are standing for re-election and re-appointment at the Fifty Fourth Annual General Meeting.

- |   |   |
|---|---|
| (a) Goh Wei Lei   | - Retiring pursuant to Article 94 of the Articles of Association.<br>His profile is set out on page 5 and his shareholding in the Company and subsidiary is set out on page 79. |
| (b) Goh Tju Kiang @<br>Gho Tju Kiang @<br>Gho Tju Kiong | - Retiring pursuant to Article 94 of the Articles of Association.<br>His profile is set out on page 7 and his shareholding in the Company and subsidiary is set out on page 79. |
| (c) Goh Eng Chew  | - Retiring pursuant to Section 129 of the Companies Act, 1965.<br>His profile is set out on page 5 and his shareholding in the Company and subsidiary is set out on page 79.    |
| (d) Wong Aun Phui                                       | - Retiring pursuant to Section 129 of the Companies Act, 1965.<br>His profile is set out on page 5 and his shareholding in the Company and subsidiary is set out on page 79.    |
| (e) Goh Beng Hwa @ Gho Bin Hoa                          | - Retiring pursuant to Section 129 of the Companies Act, 1965.<br>His profile is set out on page 6 and his shareholding in the Company and subsidiary is set out on page 79.    |
| (f) Goh Pock Ai   | - Retiring pursuant to Section 129 of the Companies Act, 1965.<br>His profile is set out on page 5 and his shareholding in the Company and subsidiary is set out on page 79.    |
| (g) Dr Gan Kim Leng                                     | - Retiring pursuant to Section 129 of the Companies Act, 1965.<br>His profile is set out on page 6 and his shareholding in the Company and subsidiary is set out on page 79.    |



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

**Executive Chairman  
(Non-Independent)**

Goh Eng Chew

**Senior Executive Director  
(Non-Independent)**

Goh Pock Ai

**Executive Directors  
(Non-Independent)**

Wong Aun Phui  
Goh Wei Lei

**Non-Executive Directors  
(Independent)**

Goh Beng Hwa @ Gho Bin Hoa  
Sio Sit Po  
Dr Gan Kim Leng  
Keong Choon Keat

**Non-Executive Directors  
(Non-Independent)**

Gho Lian Chin  
Goh Yeok Beng  
Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong

**Alternate Director**

Gho Bun Tjin (alternate to Gho Lian Chin)

### AUDIT COMMITTEE

**Chairman  
Members**

Keong Choon Keat  
Dr Gan Kim Leng  
Sio Sit Po

### NOMINATION COMMITTEE & REMUNERATION COMMITTEE

**Chairman  
Members**

Gho Lian Chin  
Goh Beng Hwa @ Gho Bin Hoa  
Dr Gan Kim Leng  
Keong Choon Keat  
Goh Yeok Beng

### COMPANY SECRETARY

Gan Kok Tiong B.Commerce (Accounting)(Hons.), CA(M), CPA

### REGISTERED OFFICE

Suite 2B-3A-2  
Block 2B, Level 3A, Plaza Sentral  
Jalan Stesen Sentral 5, Kuala Lumpur Sentral  
50470 Kuala Lumpur, Malaysia  
Telephone: +603 2261 4633  
Fax: +603 2261 4733

### INDEPENDENT AUDITORS

Ernst & Young  
Chartered Accountants  
Level 23A Menara Milenium  
Jalan Damanlela, Pusat Bandar Damansara  
50490 Kuala Lumpur, Malaysia

**SHARE REGISTRAR AND  
MANAGING AGENT**

Sin Thye Management Sdn Bhd  
Suite 2B-3A-2  
Block 2B, Level 3A, Plaza Sentral  
Jalan Stesen Sentral 5, Kuala Lumpur Sentral  
50470 Kuala Lumpur, Malaysia  
Telephone: +603 2261 4633  
Fax: +603 2261 4733

### LEGAL FORM AND DOMICILE

Public Limited Liability Company  
Incorporated and Domiciled in Malaysia

### WEBSITE

[www.chinteck.com.my](http://www.chinteck.com.my)

### STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

## PROFILE OF DIRECTORS

### Goh Eng Chew (Executive Chairman)

81-year-old Mr Goh, a Singaporean, has more than forty years of plantation and financial experience. Appointed to the Board on 1 January 1971. He later served as Executive Director on 21 January 1984 and as Chairman from 17 December 1994. He was appointed as the Executive Chairman on 1 March 1996. He had been Chairman of a licensed commercial bank, a licensed finance company and a real estate company, all of which were formerly listed in Singapore. He is also the Executive Chairman of Negri Sembilan Oil Palms Berhad. Other public companies in which he heads the Board are Eng Thye Plantations Berhad, Timor Oil Palm Plantation Berhad and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 83 of the Annual Report. He has had no convictions for any offences within the past ten years. He is the brother of Goh Pock Ai and Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong and the father of Goh Wei Lei.

Number of Board meetings attended during the financial year ended 31 August 2012: 5 out of 5

### Goh Pock Ai (Senior Executive Director)

72 years of age, Singaporean. Appointed to the Board on 2 June 1979. He later served as Executive Director on 23 April 1983 and as Senior Executive Director from 1 May 2008. He has vast experience and extensive knowledge in the oil palm plantation industry and property development. Other public companies in which he is a director are Negri Sembilan Oil Palms Berhad, Eng Thye Plantations Berhad, Timor Oil Palm Plantation Berhad and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 83 of the Annual Report. He has had no convictions for any offences within the past ten years. He is the brother of Goh Eng Chew and Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong.

Number of Board meetings attended during the financial year ended 31 August 2012: 5 out of 5

### Wong Aun Phui (Executive Director)

91 years of age, Malaysian. Has more than fifty years of plantation and banking experience. Appointed to the Board on 29 January 1961 and as Executive Director on 23 April 1983. He was conferred Senior Cambridge Certificate by Cambridge University. He had served as Assistant Managing Director of Malayan Banking Berhad, Managing Director of Pan Malayan Finance Limited and Adviser of Bank Bumiputra Malaysia Berhad (now known as CIMB Bank Berhad). Formerly, Chairman of Bandar Raya Development Berhad. Other public companies in which he is a director are Negri Sembilan Oil Palms Berhad, Eng Thye Plantations Berhad, Timor Oil Palm Plantation Berhad and Pan Malaysia Corporation Berhad. He does not have any family relationship with any director and/or major shareholder of the Company nor any conflict of interest with the Company. He has had no convictions for any offences within the past ten years.

Number of Board meetings attended during the financial year ended 31 August 2012: 5 out of 5

### Goh Wei Lei (Executive Director)

44 years of age, Singaporean. He was first appointed as alternate director of Goh Eng Chew on 29 March 1994. He resigned as alternate director on 29 July 2003 and appointed as director on the same day. He was later appointed as Executive Director on 1 May 2008. Holds a Bachelor of Science from the Oregon State University, USA. He has vast experience and extensive knowledge in oil palm plantation and property development. Other public companies in which he is a director are Negri Sembilan Oil Palms Berhad, Eng Thye Plantations Berhad, Timor Oil Palm Plantation Berhad and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 83 of the Annual Report. He has had no convictions for any offences within the past ten years. He is the son of Goh Eng Chew.

Number of Board meetings attended during the financial year ended 31 August 2012: 5 out of 5

## PROFILE OF DIRECTORS

### **Goh Beng Hwa @ Gho Bin Hoa (Independent Non-Executive Director)**

81 years of age, Singaporean. Appointed to the Board on 16 November 1969. He is a member of the Nomination Committee and Remuneration Committee. He had worked for several years in a listed licensed commercial bank in Singapore and was formerly the Managing Director of a licensed finance company listed in Singapore. He does not hold any directorship in other public companies. He does not have any family relationship with any director and/or major shareholder of the Company nor any conflict of interest with the Company. He has had no convictions for any offences within the past ten years.

Number of Board meetings attended during the financial year ended 31 August 2012: 4 out of 5

### **Sio Sit Po (Independent Non-Executive Director)**

64 years of age, Singaporean. He was first appointed as an alternate director on 16 June 1995 and ceased as alternate director on 10 January 1997. Subsequently, he was appointed as a director on 3 February 1997. He is a member of the Audit Committee. Holds a Bachelor of Science (Hons) from the Nanyang University, Singapore. Worked in a licensed commercial bank listed in Singapore since graduation till 1999. Other public companies in which he is a director are Negri Sembilan Oil Palms Berhad and Eng Thye Plantations Berhad. He does not have any family relationship with any director and/or major shareholder of the Company nor any conflict of interest with the Company. He has had no convictions for any offences within the past ten years.

Number of Board meetings attended during the financial year ended 31 August 2012: 4 out of 5

### **Dr Gan Kim Leng (Independent Non-Executive Director)**

70 years of age, Malaysian. Appointed to the Board on 29 October 1999. A dental surgeon. He is a member of the Audit Committee, Nomination Committee and Remuneration Committee. He holds a Bachelor of Dental Surgery from the University of Sydney, Australia. He does not hold any directorship in other public companies. He does not have any family relationship with any director and/or major shareholder of the Company. He does not have any family relationship with any director and/or major shareholder of the Company nor any conflict of interest with the Company. He has had no convictions for any offences within the past ten years.

Number of Board meetings attended during the financial year ended 31 August 2012: 5 out of 5

### **Keong Choon Keat (Independent Non-Executive Director)**

68 years of age, Malaysian. Appointed to the Board on 26 April 2001. He is the Chairman of the Audit Committee and a member of the Nomination Committee and Remuneration Committee. He is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants and a fellow member of the Institute of Chartered Accountants in England and Wales. Attached to Bristol Myers & Company Ltd, England as an Accountant in 1968 and left to join Malaysian Tobacco Company Bhd as an Accountant in 1969. From 1974 to 1999, he was attached to UMW Holdings Bhd where he held various management positions from General Manager to Director, Group Accounts before being promoted to the position of an Executive Director in 1988. Upon retirement in 1999, he joined a consultancy firm providing outplacement and career management consultancy services in Malaysia. Other public companies in which he is a director are JT International Berhad, Negri Sembilan Oil Palms Berhad and Crest Builder Holdings Berhad. He does not have any family relationship with any director and/or major shareholder of the Company nor any conflict of interest with the Company. He has had no convictions for any offences within the past ten years.

Number of Board meetings attended during the financial year ended 31 August 2012: 4 out of 5



## PROFILE OF DIRECTORS

### Gho Lian Chin (Non-Independent Non-Executive Director)

65 years of age, Singaporean. Appointed to the Board on 13 July 1995. Holds a Bachelor of Science from the University of Melbourne, Australia. He is the Chairman of the Nomination Committee and Remuneration Committee. He worked in a licensed commercial bank listed in Singapore as its representative in a foreign country. Subsequently, he was engaged to manage the property division of the bank. He was also formerly a director of a licensed finance company and a real estate company both of which were listed in Singapore. He has extensive experience and knowledge in the rubber industry. Other public companies in which he is a director are Negri Sembilan Oil Palms Berhad, Eng Thye Plantations Berhad, Timor Oil Palm Plantation Berhad and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 83 of the Annual Report. He has had no convictions for any offences within the past ten years. He is the brother of Gho Bun Tjin.

Number of Board meetings attended during the financial year ended 31 August 2012: 5 out of 5

### Goh Yeok Beng (Non-Independent Non-Executive Director)

64 years of age, Singaporean. Appointed to the Board on 23 December 1998. He is a member of the Nomination Committee and Remuneration Committee. He has vast experience and extensive knowledge in the oil palm plantation industry and rubber industry. Other public companies in which he is a director are Negri Sembilan Oil Palms Berhad, Timor Oil Palm Plantation Berhad and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 83 of the Annual Report. He has had no convictions for any offences within the past ten years.

Number of Board meetings attended during the financial year ended 31 August 2012: 5 out of 5

### Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong (Non-Independent Non-Executive Director)

66 years of age, Singaporean. Appointed to the Board on 10 April 2006. Holds a Bachelor of Business from South Australian Institute of Technology. He has vast experience and extensive knowledge in banking and finance. Attached to DBS Bank Ltd as Senior Officer from 1973 to 1974 and left to join Tat Lee Bank Ltd from 1974 to 1998, during which time he held various positions; credit officer, sub-manager, manager, senior manager, executive director, deputy president and president (from 1995 to 1998). Other public companies in which he is a director are Negri Sembilan Oil Palms Berhad, Timor Oil Palm Plantation Berhad (alternate director) and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 83 of the Annual Report. He has had no convictions for any offences within the past ten years. He is the brother of Goh Eng Chew and Goh Pock Ai.

Number of Board meeting attended during the financial year ended 31 August 2012: 4 out of 5

### Gho Bun Tjin (alternate to Gho Lian Chin)

62 years of age, Singaporean. He was first appointed as an alternate director on 18 February 1994 and ceased as alternate director on 21 June 1995. Subsequently, he was appointed as alternate director of Gho Lian Chin on 8 September 1995. Holds a Bachelor of Science from the University of Waterloo, Canada. He worked for a short period in a licensed commercial bank listed in Singapore. He is now working in a commercial company overseeing the general management. Other public companies in which he is an alternate director are Negri Sembilan Oil Palms Berhad, Eng Thye Plantations Berhad, Timor Oil Palm Plantation Berhad and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 83 of the Annual Report. He has had no convictions for any offences within the past ten years. He is the brother of Gho Lian Chin.

## CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Chin Teck Plantations Berhad, I take great pleasure in presenting the Annual Report and the Audited Financial Statements of the Group and of the Company for the financial year ended 31 August 2012.

During the financial year under review, the average selling price of crude palm oil remained at around RM3,100 per m/t. However, since the end of the financial year under review, it has weakened due to high level of inventory. The authorities have taken the initiatives to address this extremely high level of inventory in the country in order to normalise inventory situation and stabilise price.

### Financial and operations review of the Group

During the financial year under review, revenue of the Group decreased by 16.83% to RM119,224,230 from that in the previous financial year.

The average selling prices of ffb, crude palm oil and palm kernel were substantially lower when compared with those of the previous financial year.

Share of results of associates was lower due mainly to loss suffered by the joint ventures engaged in oil palm plantation located in Lampung Province, Indonesia as the joint ventures encountered a suspension in routine harvesting since second financial quarter due to unrest in the villages located in the vicinity of the plantations. The suspension of the routine harvesting activities is temporary and is expected not to prolong. Appropriate actions are being taken by the management of the joint ventures together with the relevant authorities and law enforcement agencies to resume the harvesting activities.

The joint venture engaged in property development continued to perform satisfactory with a contribution of RM2,773,404 to the profit before tax of the Group.

Overall, profit after tax of the Group under review decreased by 30.70% to RM52,675,134 and correspondingly, earnings per stock unit decreased to 57.65 sen.

Production of ffb decreased due to cyclical factors as well as the replanting of old and low yield palms.

During the financial year 2012, an additional 337 hectares of old and low yield palms were replanted. Replanting of approximately 218 hectares of old and low yield palms will take place during the financial year 2013.

### Dividends

Total gross dividends of 40% in respect of the financial year ended 31 August 2012 were paid during the financial year. i.e. a first interim dividend of 16% less 25% taxation and a second interim dividend of 24% less 25% taxation. The total dividend payments for the financial year under review decreased by 16.67% to RM27,408,975.

In view of the payment of the interim dividends, the Board do not recommend a final dividend in respect of the financial year ended 31 August 2012. However, a first interim dividend of 13% less 25% taxation in respect of the financial year ending 31 August 2013 has been declared and this will be paid on 30 January 2013.

### Recurrent related party transactions

The Company announced on 17 December 2012 that it proposes to seek the approval of shareholders for the proposed renewal of shareholders' mandate for the Group to enter into recurrent related party transactions of a revenue or trading nature at the forthcoming Annual General Meeting. A separate Circular to Shareholders, the purpose of which is to provide information on the proposed renewal of shareholders' mandate and to seek the approval for the ordinary resolution pertaining to the proposed renewal of shareholders' mandate, is enclosed together with the Annual Report.

## CHAIRMAN'S STATEMENT

### Proposed Amendments to the Articles of Association of the Company

On 17 December 2012, the Company also announced that it proposes to amend its Articles of Association. A separate Circular to Shareholders, the purpose of which is to provide information on the proposed amendments to the articles of association and to seek the approval for the special resolution pertaining to the proposed amendments to the articles of association, is enclosed together with the Annual Report.

### Outlook for Year 2013

The financial performance for financial year 2013 will be affected by the volatility of the selling prices of fresh fruit bunches, crude palm oil and palm kernel.

Since the end of the previous financial year, the selling prices of fresh fruit bunches, crude palm oil and palm kernel have weakened and should the selling prices remain weak it will affect the financial performance for the financial year 2013.

### Appreciation

On behalf of the Board of Directors, I would like to thank the management and staff for their diligence and commitment. Our suppliers and customers also deserve our thanks for their understanding and support. Lastly, I would like to thank our shareholders for their patience and support.

Goh Eng Chew  
Executive Chairman

21 December 2012

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Description of business

Chin Teck Plantations Berhad ('Company') was incorporated on 14 August 1958.

The principal activities of the Company are the cultivation of oil palms, production and sale of fresh fruit bunches, crude palm oil and palm kernel and investment holding.

The Company currently has three estates, namely, Jemima and Sungei Sendayan Estate, Gua Musang Estate and Keratong Estate with a total land bank of approximately 11,327 hectares.

The Company also owns three mills with a total milling capacity of 68 m/t per hour.

Through joint ventures, the Company also has interests in oil palm plantation in Indonesia and property development in Malaysia.

### Financial review

Revenue of the Group for the financial year 2012 decreased by 16.83% to RM119,224,230 from RM143,342,979 in the previous financial year.

This is mainly due to decreases in the average selling prices of ffb, crude palm oil and palm kernel when compared with those of the previous financial year.

Average selling prices per tonne:-

	Financial year		
	2012	2011	
	RM	RM	+/-
Fresh fruit bunches	661	730	-9.45
Crude palm oil	3,152	3,201	-1.53
Palm kernel	2,061	2,401	-14.16

Overall operating expenses decreased by 11.89% to RM62,678,513 from RM71,134,153 due mainly to decrease in the cost of purchase of fresh fruit bunches ('ffb') and the payment of windfall profit levy as a result of lower selling prices of ffb and crude palm oil.

Interest income increased by 20.55% to RM5,356,821 from RM4,443,569.

Dividend income also increased by 16.49% to RM2,058,931 from RM1,767,515.

Even though there was an amount of RM1,458,127 being net fair value gain on available-for-sale investment securities transferred from equity upon disposal, however, other income decreased by 50.36% to RM1,952,018 from RM3,932,278. This was mainly due to a decrease in the amount of gain on foreign exchange by 93.46% to RM144,909 from RM2,214,714 and in the previous corresponding financial year, the Company received an amount of RM1,286,250 being replanting incentives, which did not recur in the current financial year under review.

Share of results of associates decreased by 77.18% to RM3,468,468 from RM15,199,697 due mainly to loss suffered by the joint ventures engaged in oil palm plantation located in Lampung Province, Indonesia as the joint ventures encountered a suspension in routine harvesting since the second financial quarter due to unrest in the villages located in the vicinity of the plantations.

The Group suffered loss of RM982,451 from its share of results of its jointly controlled entity on the other joint venture engaged in oil palm plantation located at the Regency of Ogan Komering Ilir, South Sumatera, Indonesia. This was due mainly to expenses of administrative in nature recognised in profit or loss.

The joint venture engaged in property development contributed RM2,773,404 to the profit before tax of the Group.

The effective tax rate is 22.99% which is lower than the statutory tax rate due mainly to the effect of share of results of associates and a jointly controlled entity and certain income which are not assessable for income tax purpose.

Overall, profit after tax of the Group decreased by 30.70% to RM52,675,134 and correspondingly, earnings per stock unit decreased to 57.65 sen.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Financial review (cont'd.)

Cash and bank balances increased by 8.79% to RM215,646,709 mainly due to positive net cash flows generated from operating and investing activities.

In line with a lower profit net of tax attributable to owners of the Company, the amount of dividend paid is also lower i.e a decrease of 16.67% to RM27,408,975 from RM32,890,768. However, the dividend payout ratio increased to 52.03% from 43.27%.

The Group did not have any borrowings in the financial year 2012 and its strategy in the current financial year, which was unchanged from previous financial year, was to maintain a debt free capital structure and to pay steady amount of dividends to shareholders.

Shareholders' equity increased by 3.41% to RM615,986,855.

### Operational review

During the financial year 2012, the total average planted area was 10,925 hectares of which 76.73% or 8,383 hectares are mature area and 23.27% or 2,542 hectares are immature area.

	Hectares	%
Age in years		
Mature area		
Above 25	946	8.66%
21 – 25	4,048	37.05%
16 – 20	508	4.65%
11 – 15	771	7.06%
6 – 10	1,470	13.46%
Below 6	640	5.85%
	<hr/>	<hr/>
	8,383	76.73%
Immature	2,542	23.27%
	<hr/>	<hr/>
	10,925	100.00%

During the financial year 2012, an additional 337 hectares of old and low yield palms were replanted.

Replanting of approximately 218 hectares of old and low yield palms will take place during the financial year 2013.

The Group has a replanting schedule covering a period of ten years and this schedule is reviewed quarterly which will ensure progressive replanting on a yearly basis. At each review, prevailing conditions and circumstances are taken into consideration to determine the replanting programme.

Production of ffb decreased by 1.56% to 157,647 m/t. Purchases of ffb also decreased by 58.29% to 11,962 m/t. Correspondingly, production of crude palm oil decreased by 14.55% to 25,773 m/t and production of palm kernel also decreased by 15.46% to 7,263 m/t.

The decrease in the production of ffb is due to cyclical factors as well as the replanting of old and low yield palms.

The decrease in the purchase of ffb is mainly due to intense competition.

Annual ffb yield per hectare is 18.81 m/t.

The mills processed 133,056 m/t of ffb during the financial year 2012. The overall average oil and kernel extraction rates of the mills are 19.37% and 5.46% respectively.

The Group faces shortage of labour. Measures such as improving incentives and welfare are being considered to attract workers. Furthermore, the Group is also considering to recruit foreign workers from various sources rather than depending on a single source.

The Group has also taken measures to plant better yielding seedlings during its replanting programme.

Good agriculture and milling practices are constantly being implemented with the aim to improve productivity and efficiency.

In an effort to optimise the utilisation of land, the Group is studying the possibility and feasibility of planting other cash-crops in areas that are not suitable for planting of oil palms.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Joint ventures on oil palm plantations in Indonesia

For the financial year 2012, the Group suffered an overall loss of RM247,000 from its share of the results of the joint ventures engaged in oil palm plantation in Indonesia due to loss suffered by the joint ventures operating oil palm plantation located in Lampung Province, Indonesia as the joint ventures encountered a suspension in routine harvesting since the second financial quarter due to unrest in the villages located in the vicinity of the plantation. Certain inventories and estates properties, excluding biological assets, were damaged during the disturbances. An amount of RM906,732 representing the Group's share of the carrying amount of identifiable assets which were damaged during the disturbances has been recognised and included in share of results of associates in the income statement. The directors are of the view that the suspension of the routine harvesting activities is temporary and is expected not to prolong. Appropriate actions are being taken by the management of the joint ventures together with the relevant authorities and law enforcement agencies to resume the harvesting activities.

As at 31 August 2012, a total area of 21,122 hectares haven been planted of which 88.69% or 18,734 hectares are mature area and 11.31% or 2,388 hectares are immature area.

	Hectares	%
Age in years		
Mature		
16 – 20	912	4.32%
11 – 15	7,218	34.17%
6 – 10	6,516	30.85%
Below 6	4,088	19.35%
	<hr/> 18,734	<hr/> 88.69%
Immature	2,388	11.31%
	<hr/> 21,122	<hr/> 100.00%
Production – m/t		
ffb	77,556	
Crude palm oil	19,094	
Palm kernel	3,593	

The low production is due to the suspension of the routine harvesting activities as mentioned above.

The overall average oil and kernel extraction rates of the mills are 22.77% and 4.28% respectively.

### Joint ventures on property development

The development in Bandar Springhill by West Synergy Sdn Bhd, the Group's 40% owned associate has progressed further as more units of houses were sold compared to the previous financial year. Sales in terms of value have also increased mainly due to sales of higher priced properties especially double storey terraced houses in the gated project in Phase E3. The improvement in sales is partly attributed to the anticipated opening of the international school of UCSI.

UCSI International School commenced its semester in late September 2012 with more students expected in batches in December 2012 and thereafter in February 2013. With this development, it is expected that the properties will sell even better in the year ahead.

Construction works on UCSI University's 140 acres development site has recommenced. The main campus also include a full fledge Teaching Hospital, a Faculty of Medical Sciences and a Hospital building.

### Prospects

The financial performance for financial year 2013 will be affected by the volatility of the selling prices of fresh fruit bunches, crude palm oil and palm kernel.

The Group remains optimistic about the long term prospects of palm oil business. Palm oil is one of the vital oils in meeting the world's dietary and energy requirements. Besides its nutritional values, palm oil is widely available and affordable. Palm oil also has vast potential as a renewable energy source. Hence, the global demand for palm products should continue to grow.

## STATEMENT ON THE APPLICATION OF THE PRINCIPLES AND COMPLIANCE WITH THE BEST PRACTICES OF THE MALAYSIAN CODE OF CORPORATE GOVERNANCE

The Board of Directors is committed to ensure that a high standard of corporate governance is practised throughout the Group in discharging its responsibilities to protect and enhance shareholders' value and the financial performance of the Group.

The Board of Directors will continuously evaluate the status of the Group's corporate governance practices and procedures with a view to adopt and implement the Best Practices of the Malaysian Code on Corporate Governance ("the Code") wherever applicable in the best interests of the shareholders of the Company. The Board considers that it has generally applied the Principles of the Code and complied with the Best Practices of the Code to the extent described in this statement.

### 1. Directors

#### Board responsibilities

The Board retains full and effective control of the Company and is responsible for the overall performance of the Company. It focuses mainly on strategies, performance and critical business issues and is responsible for the following: -

- Group's strategic plans
- Conduct of the Group's business
- Principal risks identification and their management
- Succession planning for senior management
- Shareholders communication policy
- Group's internal control system and management information system

#### Composition of the Board

The Board currently consists of eleven directors: -

- An Executive Chairman
- Three Executive Directors
- Four Independent Non-Executive Directors
- Three Non-Independent Non-Executive Directors

There is an alternate director on the Board.

The Executive Chairman and Executive Directors have vast experience and extensive knowledge in managing the Group's core business, plantations. The Non-Executive Directors have broad business and commercial experience. The Independent Directors are actively involved in various Board Committees and they provide independent assessments and opinions. The biographical details of the Board members are set out on pages 5 to 7 of the Annual Report.

The Executive Chairman functions both as Chairman of the Board and Executive Director. The Board is mindful of the combined roles but is comfortable that there is no undue risk involved as the Executive Directors will be informed and consulted before the Executive Chairman makes any significant decision and all major matters and issues are referred to the Board for consideration and approval. The roles and contributions of Independent Directors also provide an element of objectivity, independent judgement and check and balance on the Board. Furthermore, all related party transactions are dealt with in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

## STATEMENT ON THE APPLICATION OF THE PRINCIPLES AND COMPLIANCE WITH THE BEST PRACTICES OF THE MALAYSIAN CODE OF CORPORATE GOVERNANCE

### 1. Directors (cont'd.)

#### Composition of the Board (cont'd.)

The Executive Chairman, Goh Eng Chew, the Executive Directors, Goh Pock Ai and Goh Wei Lei, the three Non-Independent Non-Executive Directors, Gho Lian Chin, Goh Yeok Beng and Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong and the alternate director, Gho Bun Tjin are directors and/or alternate director and/or shareholders of Tiong Thye Company Berhad, the largest shareholder of the Company holding 36.67% of the issued and paid-up share capital of the Company as at 13 December 2012.

The Board considers that its complement of the Independent Non-Executive Directors and Non-Independent Non-Executive Directors provides an effective Board with a mix of general management, accounting and finance and business experience and fairly reflects the investment in the Company by shareholders. The Board complies with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad that requires at least two or one third of the Board, whichever is higher, to be independent directors.

All concerns regarding the Company can be conveyed to any one of the directors. As such, the Board has not appointed a senior Independent Non-Executive Director to whom concerns regarding the Company may be conveyed.

The Board has established Board committees, which operate within the defined terms of reference. These committees are: -

- Audit Committee
- Nomination Committee
- Remuneration Committee

The Report on Audit Committee for the financial year ended 31 August 2012 is set out on pages 21 to 23 of the Annual Report.

Details of the Nomination Committee and Remuneration Committee are set out on pages 15 to 17 of the Annual Report.

The Board of Directors met five times during the financial year ended 31 August 2012. The Executive Chairman and the Executive Directors explained to the Board the rationale of the matters discussed and the implications on the Company. The directors participated in the discussion and comments were considered before a decision was made.

The attendances of the directors were as follows: -

Name	Number of meetings attended
Goh Eng Chew	5
Goh Pock Ai	5
Wong Aun Phui	5
Goh Wei Lei	5
Goh Beng Hwa @ Gho Bin Hoa	4
Sio Sit Po	4
Dr Gan Kim Leng	5
Keong Choon Keat	4
Gho Lian Chin	5
Goh Yeok Beng	5
Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong	4



## STATEMENT ON THE APPLICATION OF THE PRINCIPLES AND COMPLIANCE WITH THE BEST PRACTICES OF THE MALAYSIAN CODE OF CORPORATE GOVERNANCE

### 1. Directors (cont'd.)

#### Supply of information

Each director receives monthly statements of accounts, which contain information on financial performance and plantation statistics.

Agenda of Board meetings and Board papers for each agenda item are sent to the directors prior to Board meetings. The Board papers include amongst others, quarterly financial results, performance of the estates, financial position of the Company, the market value of its quoted investments, the sales of crude palm oil and palm kernel, summary of budgets and capital expenditure, proposals for major acquisitions and disposals and corporate issues, if any.

Directors have access to information within the Group. Any comments and suggestions for improvements are directed to the Executive Chairman and/or Executive Directors. Directors may also obtain independent professional advice as and when necessary.

Directors also have direct access to the services of the Company Secretary.

#### Appointments to the Board

The Nomination Committee was established on 26 April 2001. The members of the Nomination Committee are as follows: -

Chairman	Gho Lian Chin	- Non-Independent Non-Executive Director
Members	Goh Beng Hwa @ Gho Bin Hoa	- Independent Non-Executive Director
	Dr Gan Kim Leng	- Independent Non-Executive Director
	Keong Choon Keat	- Independent Non-Executive Director
	Goh Yeok Beng	- Non-Independent Non-Executive Director

The duties and functions of the Nomination Committee are: -

- To propose new nominees for the Board and Board Committee
  - Recommend to the Board, candidates for directorships to be filled by the shareholders or the Board;
  - Consider, in making its recommendations, candidates for directorships proposed by the executive directors and, within the bounds of practicability, by any other senior executive or any director or shareholder;
  - Recommend to the Board, directors to fill the seats on Board Committees
- to assess directors, including executive directors, on an on-going basis
- to annually review the required mix of skills and experience and core competencies of non-executive directors, effectiveness of the Board as a whole and the Board Committees

The directors have direct access to the services of the Company Secretary who is responsible for ensuring that all appointments are properly made and all necessary information is obtained from directors, both for the Company's own records and for the purposes of meeting the requirements of the Companies Act, 1965, Main Market Listing Requirements of Bursa Malaysia Securities Berhad and other regulatory requirements.

One meeting of the Nomination Committee was held during the financial year ended 31 August 2012. All members attended the meeting.

#### Directors' training

All directors are required to attend the training programmes that are prescribed by Bursa Malaysia Securities Berhad from time to time.

All the directors and alternate director had successfully attended the Mandatory Accreditation Programme ("MAP").

The directors and alternate director evaluated their own training needs on a continuous basis.

## STATEMENT ON THE APPLICATION OF THE PRINCIPLES AND COMPLIANCE WITH THE BEST PRACTICES OF THE MALAYSIAN CODE OF CORPORATE GOVERNANCE

### 1. Directors (cont'd.)

#### Directors' training (cont'd)

During the financial year ended 31 August 2012, the directors and alternate director attended the following programmes: -

Name	Programme	Duration
Goh Eng Chew	Art of war in the new business landscape	1/2 day
Goh Pock Ai	Art of war in the new business landscape	1/2 day
Wong Aun Phui	Art of war in the new business landscape	1/2 day
Goh Wei Lei	Art of war in the new business landscape	1/2 day
Goh Beng Hwa @ Gho Bin Hoa	Art of war in the new business landscape	1/2 day
Sio Sit Po	Art of war in the new business landscape	1/2 day
Dr Gan Kim Leng	Art of war in the new business landscape	1/2 day
Keong Choon Keat	Art of war in the new business landscape	3 1/2 days
	FRS workshops and industry related training	
Goh Yeok Beng	Art of war in the new business landscape	1/2 day
Gho Lian Chin	Art of war in the new business landscape	1/2 day
Goh Tju Kiang @	Art of war in the new business landscape	1/2 day
Gho Tju Kiang @		
Gho Tju Kiong		
Gho Bun Tjin	Art of war in the new business landscape	1/2 day

#### Re-election of directors

In accordance with the Articles of Association of the Company, all directors who are appointed by the Board are subject to re-election by shareholders at the first Annual General Meeting after their appointment.

The Articles of Association of the Company provides that one-third of the directors, or if their number is not three or a multiple of three, then the number nearest to one third shall retire from office once at least three years but shall be eligible for re-election.

Directors who are of or over the age of seventy years shall retire pursuant to Section 129 of the Companies Act, 1965 and shall be re-appointed under the provision of Section 129(6) of the said Act annually.

### 2. Directors' remuneration

It is the Company's policy that the level of directors' remuneration is sufficient to attract and retain the directors of the calibre needed to run the Group successfully. In the case of Executive Directors, the component parts of the remuneration are structured to link rewards to corporate and individual performance. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the Non-Executive Directors concerned.

The Remuneration Committee was established on 26 April 2001. The members of the Remuneration Committee are as follows: -

Chairman	Gho Lian Chin	- Non-Independent Non-Executive Director
Members	Goh Beng Hwa @ Gho Bin Hoa	- Independent Non-Executive Director
	Dr Gan Kim Leng	- Independent Non-Executive Director
	Keong Choon Keat	- Independent Non-Executive Director
	Goh Yeok Beng	- Non-Independent Non-Executive Director

The primary duty and responsibility of the Remuneration Committee is to recommend to the Board the remuneration of the Executive Directors and Non-Executive Directors. However, the determination of remuneration packages of directors is a matter for the Board as a whole and individual directors are required to abstain from discussion of their own remuneration.

One meeting of the Remuneration Committee was held during the financial year ended 31 August 2012. All members attended the meeting.

## STATEMENT ON THE APPLICATION OF THE PRINCIPLES AND COMPLIANCE WITH THE BEST PRACTICES OF THE MALAYSIAN CODE OF CORPORATE GOVERNANCE

### 2. Directors' remuneration (cont'd.)

The shareholders at the annual general meeting approve the annual fees payable to the directors. The basic salary for each Executive Director takes into account the compensation practices of other comparable companies and the performance of each individual director. Salary will be reviewed annually (although not necessary increased). Appropriate adjustments will be made to reflect performance and increased responsibilities. Executive Directors are entitled to a commission, which is dependent on the financial performance of the Company based on an established formula.

To commensurate with the experience and level of responsibilities undertaken by the Directors, the Directors have recommended that their total fees for the financial year ended 31 August 2012 be increased to RM435,000 from RM297,000 with authority to Directors to divide such fees in the proportions and manner to be determined by them. The previous increase in directors' fees was in financial year ended 31 August 2008.

During the financial year ended 31 August 2012, the Board approved an increase in the monthly salary of the executive directors. The previous increase in the monthly salary of the executive directors was in Year 2008.

The details of the total remuneration of the Executive Directors and Non-Executive Directors for the financial year ended 31 August 2012 are as follows:-

	No. of Directors	Fees RM	Salaries RM	Commission RM	Other RM	Total RM
Executive Directors						
	1	41,000	336,000	362,166	14,500	753,666
	1	31,000	236,000	263,394	14,500	544,894
	1	31,000	213,600	230,470	14,500	489,570
	1	31,000	200,000	230,470	14,500	475,970
	4	134,000	985,600	1,086,500	58,000	2,264,100
Non-Executive Directors						
	1	61,000	-	-	28,000	89,000
	1	49,000	-	-	30,500	79,500
	1	43,000	-	-	20,500	63,500
	1	43,000	-	-	18,500	61,500
	1	37,000	-	-	20,500	57,500
	1	37,000	-	-	17,500	54,500
	1	31,000	-	-	12,000	43,000
	7	301,000	-	-	147,500	448,500
	11	435,000	985,600	1,086,500	205,500	2,712,600

### 3. Shareholders

#### Dialogue between the Company and investors

The annual and quarterly reports and the various mandatory announcements are the primary modes of communication to report on the Group's financial performance and operations and corporate developments. Annual reports are sent to shareholders. Shareholders and the members of the public can also obtain information on the annual and quarterly reports and the announcements made by accessing the websites of the Company and Bursa Malaysia Securities Berhad.

#### Annual general meeting

The annual general meeting is the principal forum for dialogue with shareholders. Notice of the annual general meeting and the annual report are despatched to shareholders within the prescribed period. Notice of the annual general meeting is also published in a leading English newspaper. At the annual general meeting, shareholders have direct access to the directors and are given the opportunity to ask questions during the question and answer session prior to the resolution to receive and adopt the audited annual financial statements and directors' report. Suggestions and comments by shareholders are noted by directors for consideration.

## **STATEMENT ON THE APPLICATION OF THE PRINCIPLES AND COMPLIANCE WITH THE BEST PRACTICES OF THE MALAYSIAN CODE OF CORPORATE GOVERNANCE**

### **4. Accountability and audit**

#### **Financial reporting**

In presenting the annual and quarterly financial statements to shareholders, the directors aim to present a balanced and understandable assessment of the Group's position and prospects. The Audit Committee assists the Board in ensuring accuracy, adequacy and completeness of information for disclosure.

The Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965 is set out on page 29 of the annual report and the Statement explaining the directors' responsibility for preparing the annual audited accounts pursuant to paragraph 15.27 (a) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is set out on page 25 of the annual report.

#### **Internal control**

The directors acknowledge their responsibilities for the Group's system of internal control, which has been designed to meet the Group's particular needs. The system of internal control is designed to manage risks to which the business of the Group is exposed rather than eliminate the risk of failure to achieve business objectives.

The directors continue to maintain a sound system of internal control to safeguard shareholders' investment and Group's assets.

#### **Internal audit**

The internal audit functions have been outsourced to J. S. Lim & Co., chartered accountants (Malaysia), with the primary objective to carry out reviews of the business processes as well as the internal control systems to determine if the accounting and internal control system procedures have been complied with as well as to identify recommendations to strengthen the accounting and internal control system so as to foster a strong management control environment.

#### **Relationship with the independent auditors**

The Company has always maintained a formal and transparent relationship with its independent auditors.

The role of the Audit Committee in relation to the independent auditors is set out in the report on Audit Committee on pages 21 to 23 of the annual report.



## STATEMENT OF INTERNAL CONTROL

The Board of Directors is pleased to present the statement on the state of internal control of the Group comprising the Company and its subsidiary.

### Responsibility

The Board has overall responsibility for maintaining an effective and sound system of internal control and for reviewing its adequacy and recognises that there are inherent limitations to any system of internal control.

The system of internal control has been designed to meet the particular needs of the Group and to manage risks, which the Group is exposed rather than eliminating the risk of failure in achieving business objectives.

In pursuing these objectives, internal control can only provide reasonable and not absolute assurance against material misstatement or loss. Furthermore, it should be recognised that the cost of control procedures should not outweigh or exceed the expected benefits.

### Internal control processes

There is continuous process for identifying, evaluating and managing the significant risks faced by the Group, which has been in place for the financial year under review and up to the date of approval of the annual report and financial statements.

### Key elements of internal control

- **Organisational structure**

The Group is headed by the Executive Chairman and assisted by three Executive Directors. The Executive Chairman and Executive Directors have many years of experience in managing the Group's core business i.e. plantations.

There is in place an operating structure with clear defined lines of accountability and delegated authority for the estates.

- **Policies manual**

There is a Policy Manual including Authority Limit to serve as guidance for the operations and personnel of the Group to function within the accepted practices of the Group.

- **Audit committee and internal audit**

The Audit Committee was established with a view to assist the Board in discharging its duties. The internal audit function has the primary objective to carry out a review of the internal control system to determine if the accounting and internal control procedures have been complied with as well as to identify recommendations to strengthen the accounting and internal control system so as to foster a strong management control environment.

The internal auditors report directly to the Audit Committee. An internal audit report is prepared by J. S. Lim & Co., chartered accountants (Malaysia), and presented to the Audit Committee. The internal audit report summarises the audit approach, scope, significant audit findings, the overall opinion for the internal control review, management comments on the audit findings and recommendations. The internal audit report also covers the follow-up by the management on implementation of recommendations in their earlier reports.

- **Financial report**

The Group has in place a reporting mechanism whereby Directors receive monthly financial statements, which contain information on financial performance and plantation statistics.

Periodical meetings of the Board and Audit Committee are held. Quarterly financial results, performance of the estates, financial position of the Company, the market value of its quoted investments, the sales of fresh fruits bunches, crude palm oil and palm kernel, summary of budgets and capital expenditure, plantations statistics and financial performance of the joint ventures on oil palm plantation in Indonesia are presented to the Board at the Board meetings.

## STATEMENT OF INTERNAL CONTROL

### Key elements of internal control (cont'd.)

- **Estates visits**

Executive Directors and the Plantation Controller regularly visit the Group's estates to monitor the state of affairs of the estates. During the visits, the estate managers report on the progress and performance of the respective estates and discuss and resolve the estates operational and key management issues.

Other Directors also visit the Group's estates from time to time and their comments and suggestions for improvements are directed to the Executive Chairman and/or Executive Directors.

- **Review of recurrent related party transactions**

All recurrent related party transactions are dealt with in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Audit Committee and the Board review the recurrent related party transactions at the respective meetings of the Audit Committee and the Board.

### Risk management

Management regularly review, identify, evaluate, monitor and manage the significant risks faced by the Group. In addition, the internal auditors, using a risk-based approach, annually review the operational procedures and processes to ensure the integrity of the management information system.

The Audit Committee chaired by an Independent Non-Executive Director and its members comprising Independent Non-Executive Directors, provide an independent review of the process of the Group for producing financial data, the adequacy, effectiveness and integrity of the system of internal control, compliance with laws, regulations and guidelines, independence of external auditors and the internal audit function. It reviews annually with the internal and external auditors, their evaluation of the system of internal control.

### Conclusion

The Board is of the opinion that the existing system of internal control is adequate to achieve the business objectives of the Group. The Board will continuously assess the adequacy of the system of internal control of the Group and make improvements and enhancements to the system as and when necessary.

## REPORT ON AUDIT COMMITTEE

The Board of Directors of Chin Teck Plantations Berhad is pleased to present the report on the Audit Committee for the financial year ended 31 August 2012.

### Members of the Audit Committee

The members of the Audit Committee during the financial year ended 31 August 2012 are as follows: -

Chairman	Keong Choon Keat	- Independent Non-Executive Director
Members	Dr Gan Kim Leng	- Independent Non-Executive Director
	Sio Sit Po	- Independent Non-Executive Director

### Terms of reference

The Terms of Reference of the Audit Committee are as follows: -

#### 1. Formation

1.1 The Board pursuant to its resolution formed the Audit Committee on 25 June 1994.

#### 2. Membership

2.1 The members of the Audit Committee shall be appointed by the Board from amongst their number and shall consist of not fewer than three (3) members all of whom shall be independent directors.

2.2 At least one (1) member of the Audit Committee: -

- (i) must be a member of the Malaysian Institute of Accountants; or
- (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and: -
- (iii) (a) he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
- (b) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.

2.3 No alternate director can be appointed as a member of the Audit Committee.

2.4 The members of the Audit Committee shall elect a Chairman from amongst their number who shall be an independent director.

2.5 If a member of the Audit Committee retires, resigns, dies or for any reason ceases to be a member resulting in the non-compliance of paragraph 2.1 and 2.2 above, the Board shall within three (3) months of that event, fill the vacancy.

2.6 The Company Secretary or such other person as the Audit Committee may determine shall be the Secretary of the Audit Committee.

#### 3. Meeting

3.1 Meetings of Audit Committee shall be held at least four (4) times a year.

3.2 In order to form a quorum in respect of a meeting of an Audit Committee, the majority of members present must be independent directors.

3.3 Upon the request of the external auditors, the Chairman of the Audit Committee shall convene a meeting of the Audit Committee to consider any matter the external auditors believes should be brought to the attention of the Board or shareholders.

3.4 The Audit Committee shall meet with the external auditors without the presence of the executive directors at least twice a year.

3.5 At least 5 calendar days' notice should be given to members of the Audit Committee before a meeting is held. In an emergency meeting, the notice can be shortened provided majority of members agree.

3.6 Each member is entitled to one vote. Decision arising from any meeting shall be by majority of votes. The Chairman has no casting vote.

3.7 Other directors and employees may attend any particular Audit Committee meeting only at the Audit Committee's invitation, specific to the relevant meeting.

## REPORT ON AUDIT COMMITTEE

### Terms of reference (cont'd.)

#### 4. Authority

- 4.1 The Audit Committee is authorised to investigate any activity within its term of reference.
- 4.2 The Audit Committee shall have the resources, which are required to perform its duties.
- 4.3 The Audit Committee shall have full and unrestricted access to any information pertaining to the Group and is authorised to seek any information it requires from any employees and all employees are directed to co-operate with any request made by the Audit Committee and is free to summon any employee to appear before the meeting of the Audit Committee.
- 4.4 The Audit Committee is authorised to communicate directly with the external auditors and person(s) carrying out the internal audit function.
- 4.5 The Audit Committee is authorised to obtain independent professional service or other service and to secure the attendance of persons with relevant experience and expertise at the meeting of the Audit Committee, if it considers necessary.

#### 5. Duties and functions

- 5.1 The duties and functions of the Audit Committee shall be: -
- (a) to review with the external auditors, the audit plan.
  - (b) to review with the external auditors, their evaluation of the system of internal controls.
  - (c) to review with the external auditors, their audit report.
  - (d) to review the assistance given by the employees to the external auditors.
  - (e) to review the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work.
  - (f) to review the internal audit programme, processes, the results of the internal audit programme, process or investigation and consider the findings and recommendations of the internal audit and management's response.
  - (g) to review any appraisal or assessment of the performance of members of the internal audit function and approve any appointment or termination of senior staff members of the internal audit function and take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
  - (h) to review the quarterly results and year end financial statements, prior to the approval by the Board, focusing particularly on: -
    - any change in or implementation of accounting policies and practices
    - the going concern assumption
    - significant and unusual events
    - significant adjustments arising from the audit
    - compliance with accounting standards and other legal requirements
  - (i) to review any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity.
  - (j) to discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management where necessary)
  - (k) to consider the appointment of the external auditors, audit fee and any questions of resignation or dismissal.
- 5.2 To consider other topics as defined by the Board.
- #### 6. Minutes
- 6.1 The Audit Committee shall cause minutes to be duly entered in books provided for the purpose of all proceedings of meetings of Audit Committee.
- 6.2 Such minutes shall be signed by the Chairman of the meeting at which the proceedings were held or the Chairman of the next succeeding meeting and if so signed, shall be conclusive evidence without any further proof of the facts thereon stated.
- 6.3 The Secretary shall circulate the minutes of meetings of Audit Committee to all members of the Board.



## REPORT ON AUDIT COMMITTEE

### Terms of reference (cont'd.)

#### 7. Reporting of breaches to Bursa Malaysia Securities Berhad

7.1 Where the Audit Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Audit Committee must promptly report such matter to Bursa Malaysia Securities Berhad.

#### 8. Review of the Audit Committee

8.1 The Board must review the terms of office and performance of the Audit Committee and each of its members at least once every three (3) years to determine whether the Audit Committee and the members have carried out their duties in accordance with the terms of reference.

### Number of meetings of Audit Committee held during the financial year ended 31 August 2012 and attendance of each member of Audit Committee

During the financial year ended 31 August 2012, a total of four meetings were held.

The attendance of each member is as follows: -

	<u>Number of meetings attended</u>
Members of Audit Committee:	
Keong Choon Keat	4
Dr Gan Kim Leng	4
Sio Sit Po	3

### Summary of the activities of the Audit Committee during the financial year ended 31 August 2012

The Audit Committee met at scheduled times. Agendas were planned and itemised so that matters were deliberated and discussed in a focused and detailed manner.

The Audit Committee carried out the following activities during the financial year ended 31 August 2012:-

- (a) Meeting with the external auditors twice without the executive directors being present.
- (b) Review of the quarterly and annual financial statements prior to submission to the Board of Directors for consideration and approval.
- (c) Review of the audit report and any internal control weaknesses report and recommendations made by the external auditors as well as internal audit report and recommendations made by the internal auditors.
- (d) Review of the audit plans for the financial year prepared by the external and internal auditors as well as the recommendation of their respective fees to the Board.
- (e) Consider and recommend to the Board of Directors the re-appointment of external auditors.
- (f) Review the transactions with related parties as disclosed in the annual financial statements.

### Internal audit functions

The internal audit functions have been outsourced to J. S. Lim & Co., chartered accountants (Malaysia), with the primary objective to carry out reviews of the business processes as well as the internal control systems to determine if the accounting and internal control system procedures have been complied with as well as to identify recommendations to strengthen the accounting and internal control system so as to foster a strong management control environment.

The internal auditors report directly to the Audit Committee.

During the financial year under review, the internal auditors visited the estates of the Company. The internal auditors presented their report to the Audit Committee at a meeting of the Audit Committee. The internal audit report summarises the audit approach, scope, significant audit findings, the overall opinion for the internal control review, management comments on the audit findings and recommendations. The internal audit report also covers the follow-up by the management on implementation of recommendations in their earlier reports. The total cost of internal audit for the financial year under review amounted to RM58,480.

## **CORPORATE SOCIAL RESPONSIBILITY**

### **Health and safety**

The Company is committed to provide a safe and healthy working environment for all employees. Health and safety consideration will not be compromised in all processes and activities. Relevant health and safety programmes will be implemented with the ultimate objective of achieving “Zero Accident” at work place. To achieve this objective, the Company has established a Health and Safety Committee which is entrusted with the functions of cultivating safe working practices and behaviour at the work place.

Safety equipment and working procedures are provided to workers at the work place. The workers are also provided with regular training and briefing on health and safety matters.

Injury investigations are conducted and analysis reports are prepared to determine the root cause for preventing or reducing accidents in the future.

Approved codes of health and safety practices are to be strictly adhered to by all parties concerned.

### **Environmental management**

Our palm oil mills adhere to strict compliance with the environmental laws governing mill operations, maintenance and improvements in areas relating to environmental standards, emission standards, noise level management and treatment of effluents and waste disposal.

The visiting engineer reviews environmental issues and compliance. Appropriate recommendations are made and necessary actions are taken for further improvement in compliance with environmental and related standards.

### **Human resource development**

The Company believes that proper training and development programme is necessary in developing and upgrading workers’ skills and knowledge to achieve an optimal performance. Workers are encouraged to attend relevant external trainings and seminars. In-house trainings are also conducted for workers.

Recognising the social needs, quarters are provided to staff and workers in the estates. Furthermore, the estates provide facilities to take care of the young children of the workers. Sports facilities such as football fields, badminton courts and table tennis tables, are provided for workers to engage in healthy activities during their free time. The estates also provide transportation for workers’ school going children.

To foster a better rapport among the workforce, the estates organise social events on festive and cultural occasions.

### **Community**

Additionally, the Company also makes monetary donations and contributions to charitable organisations from time to time.

**STATEMENT ON DIRECTORS' RESPONSIBILITY  
FOR THE PREPARATION OF ANNUAL AUDITED ACCOUNTS**

The Directors are required by the Companies Act, 1965 ('the Act') to prepare financial statements for each financial year which give a true and fair view of the financial position of the Company and of the Group as at the end of the financial year and their financial performance and cash flows of the Company and of the Group for the financial year.

The Directors are responsible for ensuring that the Company and the Group keep accounting records which disclose with reasonable accuracy the financial position of the Company and of the Group and which enable them to ensure that the financial statements of the Company and of the Group comply with the Financial Reporting Standards and the Act in Malaysia.

The Directors consider that the financial statements set out on pages 35 to 77 have been prepared using appropriate accounting policies, which are consistently applied and are in accordance with the Financial Reporting Standards and the Act in Malaysia.

The Directors have engaged independent auditors who are required to undertake inspection and make enquiries they consider to be appropriate for the purpose of enabling them to give their audit report set out on pages 33 and 34.

This statement is made in accordance with a resolution of the Board of Directors dated 31 October 2012.

## GROUP FINANCIAL PROFILE

	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Revenue	165,299	112,266	111,443	143,343	119,224
Cost of sales	(53,362)	(44,231)	(42,624)	(50,359)	(39,279)
Gross profit	111,937	68,035	68,819	92,984	79,945
Interest income	4,017	3,335	3,170	4,444	5,356
Dividend income	1,552	1,135	1,768	1,768	2,059
Other income	3,493	1,972	883	3,932	1,952
Selling expenses	(2,888)	(2,841)	(2,376)	(2,247)	(2,089)
Administrative expenses	(11,140)	(11,785)	(11,153)	(12,238)	(15,302)
Replanting expenses	(2,497)	(4,673)	(6,319)	(6,290)	(5,850)
Other expense	-	-	(1,416)	-	(158)
Share of results of associates	19,940	5,622	8,092	15,199	3,468
Share of results of a jointly controlled entity	(609)	(1,274)	(895)	(1,780)	(982)
Profit before tax	123,805	59,526	60,573	95,772	68,399
Income tax expense	(26,084)	(13,211)	(13,693)	(19,758)	(15,724)
Profit net of tax	97,721	46,315	46,880	76,014	52,675
Dividends	47,326	23,983	27,409	32,890	27,409
Analysis of share of results of associates and jointly controlled entity:					
Plantations	17,368	2,912	5,672	10,404	(247)
Property development	2,248	1,650	1,669	3,023	2,773
Management and advisory services and insurance agent	(150)	(214)	(144)	(8)	(40)
Food manufacturing	(135)	-	-	-	-
	19,331	4,348	7,197	13,419	2,486
Earnings per stock unit (sen)					
Basic	106.96	50.69	51.31	83.20	57.65
Diluted	106.96	50.69	51.31	83.20	57.65
Net dividend (%)					
First interim	18.50	10.50	12.00	13.50	12.00
Second interim	25.90	15.75	18.00	22.50	18.00
Special	7.40	-	-	-	-
	51.80	26.25	30.00	36.00	30.00
Dividend cover (times)	2.06	1.93	1.71	2.31	1.92
	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Net cash flows from operating activities	73,909	36,750	36,570	57,597	39,443
Net cash flows from/(used in) investing activities	9,686	(882)	(7,820)	(1,921)	5,222
Net cash flows used in financing activities	(47,326)	(23,983)	(27,409)	(32,890)	(27,409)
Net increase in cash and cash equivalents	36,269	11,885	1,341	22,785	17,256
Effects of exchange rate changes on cash and cash equivalents	1,062	773	(1,416)	2,215	145
Cash and cash equivalents at 1 September	122,228	159,559	172,217	172,142	197,142
Cash and cash equivalents at 31 August	159,559	172,217	172,142	197,142	214,543
Deposits pledged for bank guarantee facilities	983	1,020	1,048	1,074	1,104
Cash and bank balances	160,542	173,237	173,190	198,216	215,647

## GROUP FINANCIAL PROFILE

	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	39,550	39,674	39,304	40,559	41,445
Biological assets	74,225	74,225	74,225	74,225	74,225
Investments in associates	189,472	193,872	194,253	210,093	207,690
Investment in a jointly controlled entity	23,460	24,237	23,217	22,523	20,675
Investment securities	21,874	23,300	34,526	55,912	58,736
	348,581	355,308	365,525	403,312	402,771
<b>Current assets</b>					
Inventories	4,297	2,666	2,447	2,572	2,676
Receivables	11,099	6,701	8,567	7,625	7,798
Tax receivable	-	-	-	-	174
Cash and bank balances	160,542	173,237	173,190	198,216	215,647
	175,938	182,604	184,204	208,413	226,295
<b>Total assets</b>	524,519	537,912	549,729	611,725	629,066
<b>Current liabilities</b>					
Payables	9,120	7,280	6,892	6,999	6,872
Income tax payable	6,086	953	1,482	2,674	-
	15,206	8,233	8,374	9,673	6,872
<b>Non-current liabilities</b>					
Deferred tax liabilities	6,596	6,348	6,389	6,373	6,207
<b>Total liabilities</b>	21,802	14,581	14,763	16,046	13,079
<b>Equity attributable to owners of the Company</b>					
Share capital	91,363	91,363	91,363	91,363	91,363
Share premium	19,654	19,654	19,654	19,654	19,654
Other reserves	10,170	8,433	578	18,149	13,171
Retained profits	381,530	403,881	423,371	466,513	491,799
<b>Total equity</b>	502,717	523,331	534,966	595,679	615,987
<b>Total equity and liabilities</b>	524,519	537,912	549,729	611,725	629,066
Net assets per stock unit (RM)	5.50	5.73	5.86	6.52	6.74



## PLANTATIONS STATISTICS

	2008	2009	2010	2011	2012
<b>Malaysia</b>					
Planted Area (Hectares)	10,940	10,940	10,958	10,960	10,925
Age in years					
Above 25	25.27%	24.07%	15.35%	10.57%	8.66%
21 – 25	9.65%	7.80%	5.29%	1.93%	37.05%
16 – 20	37.42%	37.42%	37.57%	38.39%	4.65%
11 – 15	6.13%	9.88%	11.05%	9.84%	7.06%
6 – 10	5.14%	1.39%	4.46%	11.34%	13.46%
Below 6	16.39%	19.44%	26.28%	27.93%	29.12%
	100.00%	100.00%	100.00%	100.00%	100.00%
<b>Production (m/t)</b>					
ffb					
- own estates	207,671	201,519	169,851	160,146	157,647
- purchased	29,209	28,082	33,532	28,679	11,962
	236,880	229,601	203,383	188,825	169,609
Crude palm oil	43,997	37,500	32,818	30,160	25,773
Palm kernel	13,076	11,224	9,584	8,591	7,263
<b>Extraction Rate (%)</b>					
Crude palm oil	19.06	19.38	19.54	19.57	19.37
Palm kernel	5.66	5.80	5.71	5.57	5.46
<b>Joint Ventures In Indonesia</b>					
Planted Area (Hectares)	19,856	20,136	20,484	20,641	21,122
Age in years					
Above 25	-	-	-	-	-
21 – 25	-	-	-	-	-
16 – 20	-	-	-	-	4.32%
11 – 15	8.38%	9.72%	20.45%	21.65%	34.17%
6 – 10	34.28%	32.11%	34.80%	34.40%	30.85%
Below 6	57.34%	58.17%	44.75%	43.95%	30.66%
	100.00%	100.00%	100.00%	100.00%	100.00%
<b>Production (m/t)</b>					
ffb					
- own estates	104,133	144,575	137,451	127,835	77,566
- purchased	78,177	80,749	50,195	57,449	6,317
	182,310	225,324	187,646	185,284	83,873
Crude palm oil	24,182	48,967	40,827	40,046	19,094
Palm kernel	5,005	10,563	8,472	8,315	3,593
Palm kernel oil	-	-	2,180	2,243	-
Kernel cake	-	-	2,724	2,827	-
<b>Extraction Rate (%)</b>					
Crude palm oil	22.48	21.75	21.76	21.61	22.77
Palm kernel	4.65	4.69	4.51	4.49	4.28
Palm kernel oil	-	-	42.67	40.90	-
Kernel cake	-	-	53.30	51.55	-

## DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 August 2012.

### Principal activities

The principal activities of the Company are the cultivation of oil palms, production and sale of fresh fruit bunches, crude palm oil and palm kernel and investment holding.

The principal activity of the subsidiary is that of investment holding.

There have been no significant changes in the nature of the principal activities during the financial year.

### Results

	Group RM	Company RM
Profit net of tax	52,675,134	50,191,477

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

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

### Dividends

The amount of dividends paid by the Company since 31 August 2011 were as follows:

	RM
In respect of the financial year ended 31 August 2012:	
First interim dividend of 16% less 25% taxation, on 91,363,250 ordinary stock units, declared on 16 December 2011 and paid on 17 January 2012	10,963,590
Second interim dividend of 24% less 25% taxation, on 91,363,250 ordinary stock units, declared on 30 July 2012 and paid on 30 August 2012	16,445,385
	<u>27,408,975</u>

In view of the payment of the interim dividends, the directors do not recommend any final dividend in respect of the current financial year.

### Directors

The names of directors of the Company in office since the date of the last report and at the date of this report are:

Goh Eng Chew  
 Goh Pock Ai  
 Wong Aun Phui  
 Goh Wei Lei  
 Goh Beng Hwa @ Gho Bin Hoa  
 Gho Lian Chin  
 Sio Sit Po  
 Goh Yeok Beng  
 Gan Kim Leng  
 Keong Choon Keat  
 Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong  
 Gho Bun Tjin (alternate to Gho Lian Chin)

## DIRECTORS' REPORT

### Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 7 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 28 to the financial statements.

### Directors' interests

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in stock units in the Company during the financial year were as follows:

<----- Number of ordinary stock units of RM1 each ----->				
	1 September 2011	Bought	Sold	31 August 2012
<b>The Company</b>				
<b>Direct interest:</b>				
Goh Eng Chew	500,000	-	(500,000)	-
Goh Pock Ai	500,000	-	-	500,000
Wong Aun Phui	1,030,250	-	-	1,030,250
Goh Beng Hwa @ Gho Bin Hoa	3,108,280	-	-	3,108,280
Sio Sit Po	851,376	-	-	851,376
Goh Yeok Beng	24,000	-	-	24,000
Gan Kim Leng	68,812	-	-	68,812
<b>Indirect interest:</b>				
Goh Eng Chew	33,520,968	500,000	-	34,020,968
Wong Aun Phui #	2,951,905	-	-	2,951,905
Goh Beng Hwa @ Gho Bin Hoa #	1,803,375	-	-	1,803,375
Gho Lian Chin	33,562,968	-	-	33,562,968
Sio Sit Po	1,293,750	-	-	1,293,750
Gan Kim Leng	2,152,875	-	-	2,152,875

# Interest by virtue of the interests of children

Goh Eng Chew and Gho Lian Chin by virtue of their interests in the Company, are also deemed interested in the shares of the subsidiary to the extent the Company has an interest.

None of the other directors in office at the end of the financial year had any interest in stock units in the Company and shares of its related corporations during the financial year.

## DIRECTORS' REPORT

### Other statutory information

- (a) Before the income statements, statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:
  - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that no provision for doubtful debts was necessary; and
  - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
  - (i) it necessary to write off any bad debts or to make any provision for doubtful debts in respect of the financial statements of the Group and of the Company; and
  - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
  - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
  - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

### Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 31 October 2012.

Goh Eng Chew

Wong Aun Phui

**STATEMENT BY DIRECTORS  
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965**

We, Goh Eng Chew and Wong Aun Phui, being two of the directors of Chin Teck Plantations Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 35 to 77 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 August 2012 and of their financial performance and cash flows for the year then ended.

**Other matters**

The supplementary information set out in Note 33 on page 78, is prepared 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 Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants (MIA Guidance) and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance with a resolution of the directors dated 31 October 2012.

Goh Eng Chew

Wong Aun Phui

**STATUTORY DECLARATION  
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965**

I, Gan Kok Tiong, being the officer primarily responsible for the financial management of Chin Teck Plantations Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 35 to 78 are in my opinion 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  
abovenamed Gan Kok Tiong at Kuala  
Lumpur in the Federal Territory on 31  
October 2012.

Gan Kok Tiong

Before me,

Ooi Ah Bah  
No. W152  
Commissioner for Oaths  
Kuala Lumpur



## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHIN TECK PLANTATIONS BERHAD

### Report on the financial statements

We have audited the financial statements of Chin Teck Plantations Berhad, which comprise the statements of financial position as at 31 August 2012 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 35 to 77.

#### *Directors' responsibility for the financial statements*

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

#### *Auditors' responsibility*

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

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

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

#### *Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 August 2012 and of their financial performance and cash flows for the year then ended.

### Report on other legal and regulatory requirements

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the accounts of the subsidiary that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (c) The auditors' report on the accounts of the subsidiary was not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHIN TECK PLANTATIONS BERHAD

### Other matters

The supplementary information set out in Note 33 on page 78 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Main Market Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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.

Ernst & Young  
AF: 0039  
Chartered Accountants

Tan Shium Jye  
No. 2991/05/14(J)  
Chartered Accountant

Kuala Lumpur, Malaysia  
31 October 2012

**INCOME STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2012**

		<b>Group</b>		<b>Company</b>	
	<b>Note</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
		<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Revenue</b>	3	119,224,230	143,342,979	119,224,230	143,342,979
Cost of sales	3	(39,279,565)	(50,359,400)	(39,279,565)	(50,359,400)
<b>Gross profit</b>		<b>79,944,665</b>	<b>92,983,579</b>	<b>79,944,665</b>	<b>92,983,579</b>
<b>Other items of income</b>					
Interest income		5,356,821	4,443,569	5,354,790	4,441,671
Dividend income	4	2,058,931	1,767,515	2,058,931	1,767,515
Other income	5	1,952,018	3,932,278	1,952,018	3,932,278
<b>Other items of expense</b>					
Selling expenses		(2,088,610)	(2,246,749)	(2,088,610)	(2,246,749)
Administrative expenses		(15,302,382)	(12,238,266)	(15,298,473)	(12,234,791)
Replanting expenses		(5,849,653)	(6,289,738)	(5,849,653)	(6,289,738)
Other expenses		(158,303)	-	(158,303)	-
Share of results of associates		3,468,468	15,199,697	-	-
Share of results of a jointly controlled entity		(982,451)	(1,779,988)	-	-
<b>Profit before tax</b>	6	<b>68,399,504</b>	<b>95,771,897</b>	<b>65,915,365</b>	<b>82,353,765</b>
Income tax expense	9	(15,724,370)	(19,758,319)	(15,723,888)	(19,757,868)
<b>Profit net of tax</b>		<b>52,675,134</b>	<b>76,013,578</b>	<b>50,191,477</b>	<b>62,595,897</b>
<b>Earnings per stock unit attributable to owners of the Company (sen per stock unit)</b>					
Basic	10	57.65	83.20		
Diluted	10	57.65	83.20		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

**STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2012**

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Profit net of tax	52,675,134	76,013,578	50,191,477	62,595,897
<b>Other comprehensive income/(loss):</b>				
Foreign currency translation	(6,714,700)	1,701,092	-	-
Net gain on fair value changes of available-for-sale investment securities	1,779,305	1,486,621	1,779,305	1,486,621
- Transfer to profit or loss upon disposal	(1,458,127)	-	(1,458,127)	-
- Gain on fair value changes	3,237,432	1,486,621	3,237,432	1,486,621
Share of other comprehensive loss of an associate	(22,334)	(12,916)	-	-
Total comprehensive income for the year	47,717,405	79,188,375	51,970,782	64,082,518

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

**STATEMENTS OF FINANCIAL POSITION  
AS AT 31 AUGUST 2012**

	Note	<----- Group ----->	<----- Company ----->
		2012 RM	2011 RM
		2012 RM	2011 RM
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	41,445,148	40,558,754
Biological assets	13	74,224,646	74,224,646
Investment in a subsidiary	14	-	-
Investments in associates	15	207,690,185	210,093,432
Investment in a jointly controlled entity	16	20,675,104	22,522,874
Investment securities	17	58,736,180	55,911,494
		402,771,263	403,311,200
<b>Current assets</b>			
Inventories	18	2,676,247	2,572,325
Receivables	19	7,797,891	7,625,087
Income tax recoverable		173,767	219
Due from a subsidiary	20	-	-
Cash and bank balances	21	215,646,709	198,216,214
		226,294,614	208,413,845
<b>Total assets</b>		<b>629,065,877</b>	<b>611,725,045</b>
<b>Current liabilities</b>			
Payables	22	6,872,505	6,999,381
Income tax payable		-	2,674,900
		6,872,505	9,674,281
<b>Non-current liabilities</b>			
Deferred tax liabilities	26	6,206,517	6,372,339
<b>Total liabilities</b>		<b>13,079,022</b>	<b>16,046,620</b>
<b>Equity attributable to owners of the Company</b>			
Share capital	23	91,363,250	91,363,250
Share premium	23	19,654,027	19,654,027
Other reserves	24	13,170,077	18,147,153
Retained profits	25	491,799,501	466,513,995
<b>Total equity</b>		<b>615,986,855</b>	<b>595,678,425</b>
<b>Total equity and liabilities</b>		<b>629,065,877</b>	<b>611,725,045</b>
		<b>590,321,023</b>	<b>568,727,203</b>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.



<---- Non-distributable ----> Distributable <----- Non-distributable ----->

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CHIN TECK PLANTATIONS BERHAD (3250V)  
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2012 (CONT'D.)**

		<----- Non-distributable ---->			<----- Non-distributable ----->		
2011 Group	Note	Equity attributable to owners of the Company, total RM	Share capital RM	Share premium RM	Retained profits RM	Asset revaluation reserve – land and biological assets RM	Fair value adjustment reserve RM
Opening balance at 1 September 2010		549,380,818	91,363,250	19,654,027	423,371,838	16,782,210	14,414,472
Total comprehensive income		79,188,375	-	-	76,013,578	-	1,473,705
Revaluation reserve of leasehold land realised		-	-	-	19,347	(19,347)	-
<b>Transactions with owners</b>							
Dividends, representing total transactions with owners	11	(32,890,768)	-	-	(32,890,768)	-	-
<b>Closing balance at 31 August 2011</b>		<b>595,678,425</b>	<b>91,363,250</b>	<b>19,654,027</b>	<b>466,513,995</b>	<b>16,762,863</b>	<b>15,888,177</b>

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2012 (CONT'D.)**

2012 Company	Note	Equity attributable to owners of the Company, total RM	<----- Non-distributable ---->		Distributable	<----- Non-distributable ---->	
			Share capital RM	Share premium RM		Asset revaluation reserve – land and biological assets RM	Fair value adjustment reserve RM
<b>Opening balance at 1 September 2011</b>		552,681,784	91,363,250	19,654,027	409,038,723	16,762,863	15,862,921
Total comprehensive income		51,970,782	-	-	50,191,477	-	1,779,305
Revaluation reserve of leasehold land realised		-	-	-	19,347	(19,347)	-
<b>Transactions with owners</b>							
Dividends, representing total transactions with owners	11	(27,408,975)	-	-	(27,408,975)	-	-
<b>Closing balance at 31 August 2012</b>		577,243,591	91,363,250	19,654,027	431,840,572	16,743,516	17,642,226

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2012 (CONT'D.)**

			<----- Non-distributable ---->		Distributable <----- Non-distributable ----->	
2011 Company	Note	Equity attributable to owners of the Company, total RM	Share capital RM	Share premium RM	Retained profits RM	Fair value adjustment reserve RM
<b>Opening balance at 1 September 2010</b>		521,490,034	91,363,250	19,654,027	379,314,247	14,376,300
Total comprehensive income		64,082,518	-	-	62,595,897	1,486,621
Revaluation reserve of leasehold land realised		-	-	-	19,347	-
<b>Transactions with owners</b>						
Dividends, representing total transactions with owners	11	(32,890,768)	-	-	(32,890,768)	-
<b>Closing balance at 31 August 2011</b>		552,681,784	91,363,250	19,654,027	409,038,723	15,862,921
					16,762,863	15,862,921

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

**STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2012**

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Operating activities</b>				
Profit before tax	68,399,504	95,771,897	65,915,365	82,353,765
Adjustments for:				
Depreciation of property, plant and equipment	1,559,699	1,360,073	1,559,699	1,360,073
Gain on sale of property, plant and equipment	(66,795)	(236,741)	(66,795)	(236,741)
Gross dividend income	(2,058,931)	(1,767,515)	(2,058,931)	(1,767,515)
Interest income	(5,356,821)	(4,443,569)	(5,354,790)	(4,441,671)
Net gain on fair value changes of available-for-sale investment securities (transferred from equity upon disposal)	(1,458,127)	-	(1,458,127)	-
Property, plant and equipment written off	158,303	-	158,303	-
Share of results of associates	(3,468,468)	(15,199,697)	-	-
Share of results of a jointly controlled entity	982,451	1,779,988	-	-
Unrealised gain on foreign exchange	(144,909)	(2,214,714)	(144,909)	(2,214,714)
Total adjustments	(9,853,598)	(20,722,175)	(7,365,550)	(7,300,568)
<b>Operating cash flows before changes in working capital</b>	<b>58,545,906</b>	<b>75,049,722</b>	<b>58,549,815</b>	<b>75,053,197</b>
Changes in working capital				
Increase in inventories	(103,922)	(125,928)	(103,922)	(125,928)
(Increase)/decrease in receivables	(187,547)	1,083,344	(187,547)	1,083,344
(Decrease)/increase in payables	(126,876)	106,477	(127,265)	106,476
Total changes in working capital	(418,345)	1,063,893	(418,734)	1,063,892
<b>Cash flows from operations</b>	<b>58,127,561</b>	<b>76,113,615</b>	<b>58,131,081</b>	<b>76,117,089</b>
Tax paid	(18,684,512)	(18,516,602)	(18,684,222)	(18,516,357)
<b>Net cash flows from operating activities</b>	<b>39,443,049</b>	<b>57,597,013</b>	<b>39,446,859</b>	<b>57,600,732</b>
<b>Investing activities</b>				
Interest received	5,371,564	4,302,353	5,369,506	4,300,458
Net dividends received	1,922,226	961,791	1,922,226	961,791
Purchase of property, plant and equipment	(2,921,301)	(2,741,334)	(2,921,301)	(2,741,334)
Purchase of investment securities	(4,128,636)	(4,781,491)	(4,128,636)	(4,781,491)
Proceeds from sale of investment securities	4,623,959	-	4,623,959	-
Proceeds from sale of property, plant and equipment	383,700	363,733	383,700	363,733
Placement of fixed deposits pledged to banks	(30,007)	(26,229)	(30,007)	(26,229)
<b>Net cash flows from/(used in) investing activities</b>	<b>5,221,505</b>	<b>(1,921,177)</b>	<b>5,219,447</b>	<b>(1,923,072)</b>
<b>Financing activities</b>				
Dividends paid to owners of the Company, representing net cash flows used in financing activities	(27,408,975)	(32,890,768)	(27,408,975)	(32,890,768)
<b>Net increase in cash and cash equivalents</b>	<b>17,255,579</b>	<b>22,785,068</b>	<b>17,257,331</b>	<b>22,786,892</b>
Effects of exchange rate changes on cash and cash equivalents	144,909	2,214,714	144,909	2,214,714
<b>Cash and cash equivalents at 1 September 2011/2010</b>	<b>197,141,869</b>	<b>172,142,087</b>	<b>197,062,173</b>	<b>172,060,567</b>
<b>Cash and cash equivalents at 31 August (Note 21)</b>	<b>214,542,357</b>	<b>197,141,869</b>	<b>214,464,413</b>	<b>197,062,173</b>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.



## NOTES TO THE FINANCIAL STATEMENTS

### 31 AUGUST 2012

#### 1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Suite 2B-3A-2, Block 2B, Level 3A, Plaza Sentral, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur, Malaysia.

The principal activities of the Company are the cultivation of oil palms, production and sale of fresh fruit bunches, crude palm oil and palm kernel and investment holding. The principal activity of the subsidiary is that of investment holding. There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 31 October 2012.

#### 2. Summary of significant accounting policies

##### 2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRS which are mandatory for financial periods beginning on or after 1 January 2011 as described fully in Note 2.2.

The financial statements have been prepared on a historical basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM).

##### 2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 September 2011, the Group and the Company adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2011.

Description	Effective for annual periods beginning on or after
<i>Amendments to FRS 1: Limited Exemptions for First-time Adopters</i>	1 January 2011
<i>Amendments to FRS 1: Additional Exemptions for First-time Adopters</i>	1 January 2011
<i>Amendments to FRS 3: Business Combination</i>	1 January 2011
<i>Amendments to FRS 7: Improving Disclosures about Financial Instruments</i>	1 January 2011
<i>Amendments to FRS 7: Financial Instruments: Disclosures</i>	1 January 2011
<i>Amendments to FRS 101: Presentation of Financial Statements</i>	1 January 2011
<i>Amendments to FRS 121: The Effects of Changes in Foreign Exchange Rates</i>	1 January 2011
<i>Amendments to FRS 128: Investments in Associates</i>	1 January 2011
<i>Amendments to FRS 132: Financial Instruments: Presentation</i>	1 January 2011
<i>Amendments to FRS 134: Interim Financial Reporting</i>	1 January 2011
<i>Amendments to FRS 139: Financial Instruments: Recognition and Measurement</i>	1 January 2011
<i>IC Interpretation 4: Determining Whether an Arrangement contains a Lease</i>	1 January 2011
<i>IC Interpretation 18: Transfers of Assets from Customers</i>	1 January 2011
<i>IC Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments</i>	1 July 2011
<i>Amendments to IC Interpretation 13: Customer Loyalty Programmes</i>	1 January 2011
<i>Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirement</i>	1 July 2011

The adoption of the above IC Interpretations and Amendments to FRSs and IC Interpretations did not have any significant financial impact on the Group and on the Company, except for the following:

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 AUGUST 2012**

**2. Summary of significant accounting policies (cont'd.)**

**2.2 Changes in accounting policies (cont'd.)**

**Amendments to FRS 7 Improving Disclosures about Financial Instruments**

The amended standard requires enhanced disclosure about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy (Level 1, Level 2 and Level 3), by class, for all financial instruments recognised at fair value. A reconciliation between the beginning and ending balance for Level 3 fair value measurements is required. Any significant transfers between levels of fair value hierarchy and the reasons for those transfers need to be disclosed. The fair value measurement disclosures are presented in Note 30.

**2.3 Standards and interpretations issued but not yet effective**

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
<i>Amendments to FRS 1: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>	1 January 2012
<i>Amendments to FRS 7: Transfers of Financial Assets</i>	1 January 2012
<i>Amendments to FRS 112: Deferred Tax: Recovery of Underlying Assets</i>	1 January 2012
<i>FRS 124: Related Party Disclosures</i>	1 January 2012
<i>Amendments to FRS 101: Presentation of Items of Other Comprehensive Income</i>	1 July 2012
<i>FRS 9 Financial Instruments</i>	1 January 2013
<i>FRS 10 Consolidated Financial Statements</i>	1 January 2013
<i>FRS 11 Joint Arrangements</i>	1 January 2013
<i>FRS 12 Disclosure of Interests in Other Entities</i>	1 January 2013
<i>FRS 13 Fair Value Measurement</i>	1 January 2013
<i>FRS 119 Employee Benefits</i>	1 January 2013
<i>FRS 127 Separate Financial Statements</i>	1 January 2013
<i>FRS 128 Investment in Associate and Joint Ventures</i>	1 January 2013

The directors expect that the adoption of the standards and interpretations above will have no material impact on the financial statements in the period of initial application, except as disclosed below:

**Amendments to FRS 101: Presentation of Items of Other Comprehensive Income**

The amendments to FRS 101 change the grouping of items presented in Other Comprehensive Income. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's and the Company's financial position or performance.

**FRS 9 Financial Instruments**

FRS 9 reflects the first phase of work on the replacement of FRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in FRS 139. The adoption of this first phase of FRS 9 will have an effect on the classification and measurement of the Group's and the Company's financial assets but will potentially have no impact on classification and measurements of financial liabilities. The Group and the Company are in the process of making an assessment of the impact of adoption of FRS 9.

**FRS 10 Consolidated Financial Statements**

FRS 10 replaces the portion of FRS 127 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. FRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by FRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in FRS 127.