

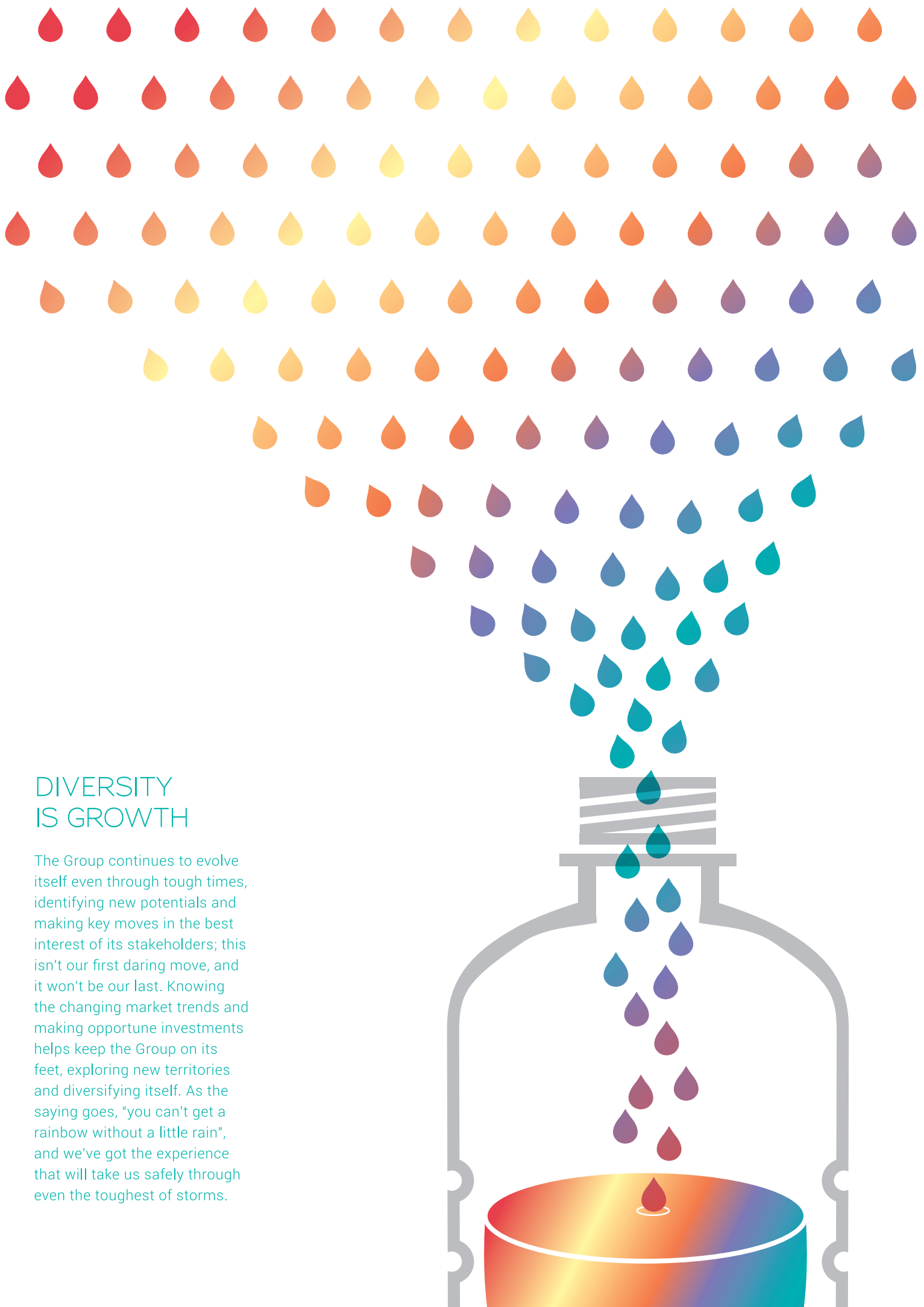
# DIVERSITY IS GROWTH

LAPORAN TAHUNAN 2013 ANNUAL REPORT



C.I. HOLDINGS BERHAD  
37918-A





## DIVERSITY IS GROWTH

The Group continues to evolve itself even through tough times, identifying new potentials and making key moves in the best interest of its stakeholders; this isn't our first daring move, and it won't be our last. Knowing the changing market trends and making opportune investments helps keep the Group on its feet, exploring new territories and diversifying itself. As the saying goes, "you can't get a rainbow without a little rain", and we've got the experience that will take us safely through even the toughest of storms.



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Tan Sri Dato' Seri Abdul Ghani Bin Abdul Aziz**  
*Senior Independent Non-Executive Chairman*

**Datuk Johari Bin Abdul Ghani**  
*Group Managing Director*

**Megat Joha Bin Megat Abdul Rahman**  
*Executive Director*

**Datin Mariam Prudence Binti Yusof**  
*Non-Independent Non-Executive Director*

**Nor Hishammuddin Bin Dato' Mohd Nordin**  
*Independent Non-Executive Director*

**Teh Bee Tein**  
*Independent Non-Executive Director*

**Kasinathan A/L Tulasi**  
*Independent Non-Executive Director*

## AUDIT COMMITTEE

**Teh Bee Tein**  
*Chairman, Independent Non-Executive Director*

**Nor Hishammuddin Bin Dato' Mohd Nordin**  
*Independent Non-Executive Director*

**Kasinathan A/L Tulasi**  
*Independent Non-Executive Director*

## REMUNERATION COMMITTEE

**Nor Hishammuddin Bin Dato' Mohd Nordin**  
*Chairman, Independent Non-Executive Director*

**Datuk Johari Bin Abdul Ghani**  
*Group Managing Director*

**Teh Bee Tein** *Independent Non-Executive Director*

## NOMINATION COMMITTEE

**Tan Sri Dato' Seri Abdul Ghani Bin Abdul Aziz**  
*Chairman, Independent Non-Executive Chairman*

**Nor Hishammuddin Bin Dato' Mohd Nordin**  
*Independent Non-Executive Director*

**Teh Bee Tein** *Independent Non-Executive Director*

## RISK MANAGEMENT COMMITTEE

**Teh Bee Tein**  
*Chairman, Independent Non-Executive Director*

**Datuk Johari Bin Abdul Ghani**  
*Group Managing Director*

**Nor Hishammuddin Bin Dato' Mohd Nordin**  
*Independent Non-Executive Director*

**Megat Joha Bin Megat Abdul Rahman**  
*Member*

**Foo Loke Yean**  
*Member*

**Chaw Pei Yee**  
*Member*

**Teoh Kar Hoe**  
*Risk Manager*

## GROUP MANAGEMENT TEAM

**Datuk Johari Bin Abdul Ghani**  
*Group Managing Director*

**Megat Joha Bin Megat Abdul Rahman**  
*Executive Director*

**Azlan Bin Ahmad** *Company Secretary*

**Chaw Pei Yee** *Senior Manager-Finance & Administration*

**Teoh Kar Hoe** *Internal Audit Manager*

**Foo Loke Yean** *Chief Executive Officer-Doe Group*

**Wong Lip Wai**  
*Group Financial Controller-Doe Group*

**Gina Teoh Guet Beng**  
*General Manager-Marketing-Doe Group*

## COMPANY SECRETARIES

**Azlan Bin Ahmad** (LS 0009209)

**Chin Ngeok Mui** (MAICSA 7003178)

## SHARE REGISTRAR

**Symphony Share Registrars Sdn Bhd**

Level 6, Symphony House  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya  
Selangor Darul Ehsan  
Tel: 03-7841 8000  
Fax: 03-7841 8151

## REGISTERED OFFICE

Suite A-11-1, Level 11,  
Hampshire Place Office, 157 Hampshire  
No. 1, Jalan Mayang Sari  
50450 Kuala Lumpur  
Tel: 03-2182 7333  
Fax: 03-2166 7208

## AUDITORS

**BDO** (AF 0206)  
12<sup>th</sup> Floor, Menara Uni.Asia  
1008, Jalan Sultan Ismail  
50250 Kuala Lumpur  
Tel: 03-2616 2888  
Fax: 03-2616 3190

## PRINCIPAL BANKERS

**Affin Islamic Bank Berhad**

**CIMB Bank Berhad**

**Malayan Banking Berhad**

**RHB Bank Berhad**

**RHB Islamic Bank Berhad**

## LISTING

**Main Market of Bursa Malaysia Securities Berhad**

Stock Name: CIHLDG

Stock Code: 2828



# NOTICE OF THIRTY-FIFTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty-Fifth Annual General Meeting of the Company will be held at Banquet Hall, The Royal Selangor Golf Club, Jalan Kelab Golf, Off Jalan Tun Razak, 55000 Kuala Lumpur on Friday, 15 November 2013 at 9:30 a.m. for the following purposes:

## AGENDA

### AS ORDINARY BUSINESS

- |  |  |
|--|--|
| 1. To receive the Audited Financial Statements for the financial year ended 30 June 2013 together with the Directors' and Auditors' Reports thereon.   | <i>Please refer to Explanatory Note 1</i>              |
| 2. To approve the payment of Directors' fees of RM125,000.00 for the financial year ended 30 June 2013.  | <i>Ordinary Resolution 1</i>                           |
| 3. To re-elect the following Directors, who retire by rotation in accordance with Article 92 of the Company's Articles of Association:<br>(i) Tan Sri Dato' Seri Abdul Ghani Bin Abdul Aziz<br>(ii) Encik Nor Hishammuddin Bin Dato' Mohd Nordin | <i>Ordinary Resolution 2<br/>Ordinary Resolution 3</i> |
| 4. To re-elect Encik Megat Joha Bin Megat Abdul Rahman, who was appointed during the year and retires in accordance with Article 98 of the Company's Articles of Association.  | <i>Ordinary Resolution 4</i>                           |
| 5. To re-appoint Messrs BDO as auditors of the Company and to authorise the Directors to fix their remuneration for the ensuing year.  | <i>Ordinary Resolution 5</i>                           |

### AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012:

- |   |                              |
|---|------------------------------|
| <b>6. Continuing in Office as Independent Non-Executive Directors</b>   |                              |
| 6.1 "THAT subject to the passing of Ordinary Resolution 2, approval be and is hereby given to Tan Sri Dato' Seri Abdul Ghani Bin Abdul Aziz, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company." | <i>Ordinary Resolution 6</i> |
| 6.2 "THAT subject to the passing of Ordinary Resolution 3, approval be and is hereby given to Encik Nor Hishammuddin Bin Dato' Mohd Nordin, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company."  | <i>Ordinary Resolution 7</i> |

### ANY OTHER BUSINESS

- |  |  |
|--|--|
| 7. To transact any other business for which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965. |  |
|--|--|

BY ORDER OF THE BOARD  
C.I. HOLDINGS BERHAD

AZLAN BIN AHMAD (LS 0009209)  
CHIN NGEOK MUI (MAICSA 7003178)  
Company Secretaries

Kuala Lumpur  
Date: 17 October 2013



# NOTICE OF THIRTY-FIFTH ANNUAL GENERAL MEETING (cont'd)

## NOTES

1. For the purpose of determining a member who shall be entitled to attend the Meeting, the Company will be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Article 57(2) of the Company's Articles of Association to issue a General Meeting Record of Depositors as at 11 November 2013. Only a member whose name appears in the Record of Depositors as at 11 November 2013 shall be entitled to attend the Meeting and to speak and vote thereat.
2. A member of the Company who is entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote in his(her) stead. Where a member appoints two or more proxies, he(she) shall specify the proportion of his(her) shareholdings to be represented by each proxy.
3. A proxy need not be a member of the Company and the provisions of Section 149(1)(a) and (b) of the Companies Act, 1965 shall not apply to the Company. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.
4. The instrument appointing a proxy shall be in writing under the hands of the appointor or of his(her) attorney duly authorised in writing or if the appointor is a corporation, either under its common seal or under the hand of its officer or its duly authorised attorney.
5. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
6. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. The appointment of multiple proxies shall not be valid unless the proportion of its shareholdings represented by each proxy is specified.
7. To be valid, the Form of Proxy must be completed, signed and deposited at the Company's registered office at Suite A-11-1, Level 11, Hampshire Place Office, 157 Hampshire, No. 1, Jalan Mayang Sari, 50450 Kuala Lumpur not less than forty-eight (48) hours before the time set for holding the meeting or adjourned meeting.



# NOTICE OF THIRTY-FIFTH ANNUAL GENERAL MEETING (cont'd)

## EXPLANATORY NOTES TO THE AGENDA

### Item 1 of the Agenda

This item of the Agenda is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this item of the Agenda is not put forward for voting.

### Item 6.1 of the Agenda

The Nomination Committee has assessed the independence of Tan Sri Dato' Seri Abdul Ghani Bin Abdul Aziz, who served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, and the Board, upon the Nomination Committee's recommendation, had recommended for shareholders' approval for him to continue to act as an Independent Non-Executive Director of the Company based on the following justifications:

- (a) He fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and therefore would be able to function as a check and balance and bring an element of objectivity to the Board of Directors.
- (b) He understands the main drivers of the business in a detailed manner.
- (c) He consistently challenged management in an effective and constructive manner.
- (d) He actively participated in board discussion and provided an independent voice on the board.

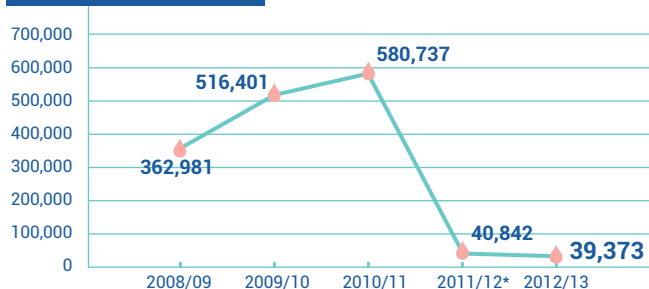
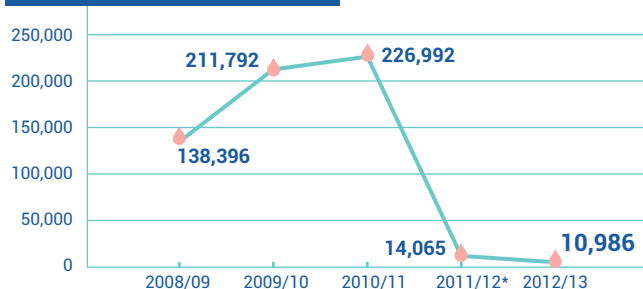
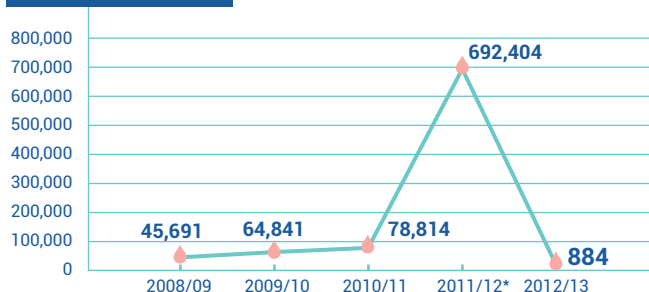
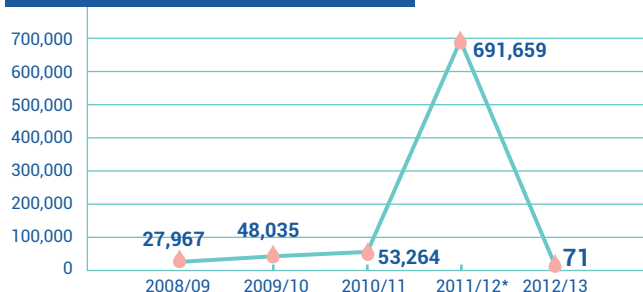
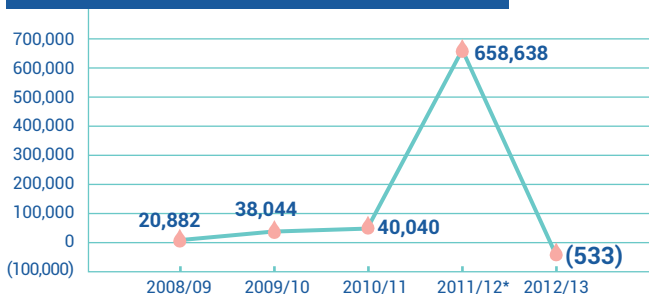
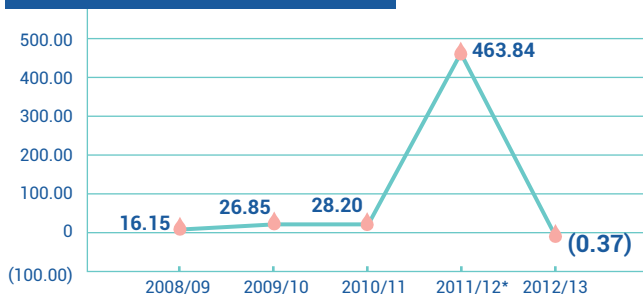
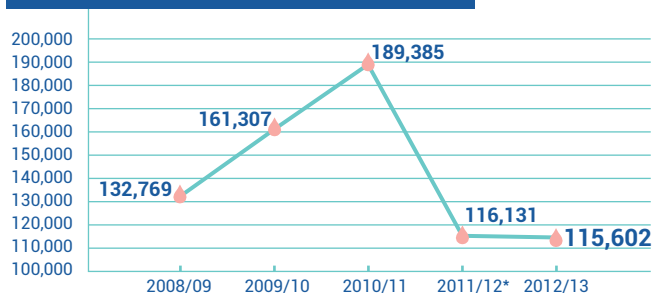
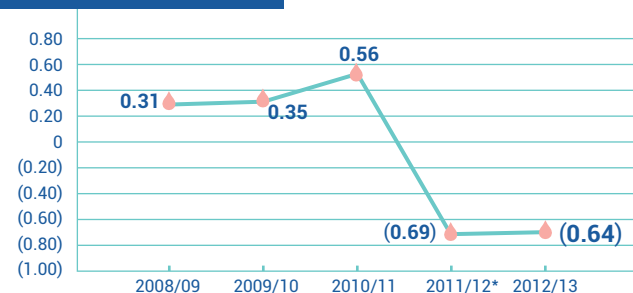
### Item 6.2 of the Agenda

The Nomination Committee has assessed the independence of Encik Nor Hishammuddin Bin Dato' Mohd Nordin, who served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, and the Board, upon the Nomination Committee's recommendation, had recommended for shareholders' approval for him to continue to act as an Independent Non-Executive Director of the Company based on the following justifications:

- (a) He fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and therefore would be able to function as a check and balance and bring an element of objectivity to the Board of Directors.
- (b) He has vast experience in the legal field and was able to provide constructive and independent judgment from the legal perspective of the business.
- (c) He consistently challenged management in an effective and constructive manner.
- (d) He actively participated in board discussion and provided an independent voice on the board.



# 5-YEAR GROUP'S FINANCIAL HIGHLIGHTS

**REVENUE (RM'000)**

**GROSS PROFIT (RM'000)**

**EBITDA (RM'000)**

**PROFIT BEFORE TAX (RM'000)**

**PROFIT/(LOSS) AFTER TAX (RM'000)**

**EARNINGS PER SHARE (SEN)**

**SHAREHOLDERS' FUNDS (RM'000)**

**NET GEARING (RATIO)**




# 5-YEAR GROUP'S FINANCIAL HIGHLIGHTS (cont'd)

YEAR ENDED 30 JUNE	2008/09	2009/10	2010/11	2011/12*	2012/13
<b>Revenue (RM'000)</b>	<b>362,981</b>	<b>516,401</b>	<b>580,737</b>	<b>40,842</b>	<b>39,373</b>
<b>Gross Profit (RM'000)</b>	<b>138,396</b>	<b>211,792</b>	<b>226,992</b>	<b>14,065</b>	<b>10,986</b>
Gross Profit (%)	38%	41%	39%	34%	28%
<b>EBITDA (RM'000)</b>	<b>45,691</b>	<b>64,841</b>	<b>78,814</b>	<b>692,404</b>	<b>884</b>
EBITDA (%)	13%	13%	14%	1695%	2%
<b>Profit Before Tax (RM'000)</b>	<b>27,967</b>	<b>48,035</b>	<b>53,264</b>	<b>691,659</b>	<b>71</b>
Profit Before Tax (%)	8%	9%	9%	1693%	0%
<b>Profit/(Loss) After Tax (RM'000)</b>	<b>20,882</b>	<b>38,044</b>	<b>40,040</b>	<b>658,638</b>	<b>(533)</b>
Profit/(Loss) After Tax (%)	6%	7%	7%	1613%	-1%
No. of Ordinary Share In Issue (000s)	142,000	142,000	142,000	142,000	142,000
<b>Earnings Per Share (sen)</b>	<b>16.15</b>	<b>26.85</b>	<b>28.20</b>	<b>463.84</b>	<b>(0.37)</b>
Shareholders' Funds (RM'000)	132,769	161,307	189,385	116,131	115,602
<b>Net Gearing (Ratio)</b>	<b>0.31</b>	<b>0.35</b>	<b>0.56</b>	<b>(0.69)</b>	<b>(0.64)</b>

\* Results driven largely by the RM688.43 million accounting gain from the disposal of Permanis Sdn Bhd.



# DIRECTORS' PROFILE



## YBhg Tan Sri Dato' Seri Abdul Ghani Bin Abdul Aziz

*Senior Independent  
Non-Executive Chairman*

YBhg Tan Sri Dato' Seri Abdul Ghani Bin Abdul Aziz, aged 69, a Malaysian, was appointed to the Board as an Executive Director on 25 November 1999. On 12 July 2001, he was re-designated as a Non-Independent Non-Executive Chairman of the Company. On 1 November 2003, he qualified as an Independent Non-Executive Chairman. Subsequently, he was appointed as Senior Independent Non-Executive Chairman on 25 August 2010. He is also the Chairman of the Nomination Committee.

YBhg Tan Sri Dato' Seri Abdul Ghani holds a Master of Arts Degree in International Relations and Strategic Studies from the University of Lancaster, England, and a Master of Human Sciences (History and Civilization) from the International Islamic University, Malaysia. He served in the Royal Malaysian Air Force (RMAF) for 32 years and attained the position of the Chief of the Air Force in 1993 before retiring in November 1996. Presently, he is the Chief Executive of a joint-venture private limited company.

YBhg Tan Sri Dato' Seri Abdul Ghani is currently a Board member of Deleum Berhad. He does not have any family relationship with any Director and/or major shareholder of the Company and there is no business arrangement with the Company in which he has personal interest. He does not have any convictions for offences within the past 10 years other than traffic offences, if any.



## DIRECTORS' PROFILE (cont'd)

### YB Datuk Johari Bin Abdul Ghani *Group Managing Director*

YB Datuk Johari Bin Abdul Ghani, aged 49, a Malaysian, was appointed to the Board on 29 November 2002 as Managing Director. His initial entry into the Company was mainly to undertake and oversee a massive internal corporate restructuring of the Company which was successfully completed in 2004. He is a substantial shareholder of the Company since 2005.

He is a Fellow member of the Chartered Association of Certified Accountants in England. He started his career as an Auditor with KPMG, an international accounting firm and has held senior management positions in various listed and unlisted companies; notably, in the fast food, power plant, fast moving consumer goods, power cable and other manufacturing industries. Currently, YB Datuk Johari is also the Non-Executive Chairman of Uda Holdings Berhad.

As the Group Managing Director of the Company, YB Datuk Johari formulates, implements and monitors the Company's overall corporate strategy. Apart from discharging his duties as the Managing Director, he is also a member of the Remuneration Committee and the Risk Management Committee of the Company.

He does not have any family relationship with any Director and/or major shareholder of the Company and there is no business arrangement with the Company in which he has personal interest. He does not have any convictions for offences within the past 10 years other than traffic offences, if any.





## DIRECTORS' PROFILE (cont'd)



Encik Megat Joha Bin  
Megat Abdul Rahman  
*Executive Director*

Encik Megat Joha Bin Megat Abdul Rahman, aged 50, a Malaysian, was appointed to the Board on 18 April 2013 as an Executive Director. Currently, he is also a member of the Risk Management Committee.

He is a United States Certified Public Accountant ("CPA") who graduated from Boston University, Massachusetts with a degree in Accounting & Finance in 1986 and started his career as an auditor with Peat Marwick Mitchell, Chicago, USA. Having passed the Uniform CPA Examination in 1987 in Chicago he returned to join the KPMG Kuala Lumpur office in 1988.

In 1991, he joined Kumpulan FIMA Berhad where he served in various capacities as Vice President for the Agro-based group and Business development and finally as Executive Director and Chief Executive Officer ("CEO") for Percetakan Keselamatan Nasional and Security Printers, of FIMA Berhad.

In 1998, Encik Megat Joha joined the Kuala Lumpur Stock Exchange ("KLSE") (now known as Bursa Malaysia Securities Berhad) as Investigations Senior Manager for Market Supervision. In 1999, he was primarily responsible in the setting up of the Labuan International Financial Exchange ("LFX") the very first web based financial exchange in an offshore financial centre.

He left the KLSE in early 2002 to assume the post of Chief Operating Officer cum Executive Director (Operations) at Mayban Securities Sdn Bhd until late 2005.

His various other stints included project sales at Sigma AIT Sdn Bhd, business development and project management at Scomi Engineering Berhad, Group CEO at Majuperak Holdings Berhad and lastly General Manager at Boustead Sissons Paints Sdn Bhd.

He has no directorships in other public companies. He does not have any family relationship with any Director and/or major shareholder of the Company and there is no business arrangement with the Company in which he has personal interest. He does not have any convictions for offences within the past 10 years other than traffic offences, if any.



## DIRECTORS' PROFILE (cont'd)



YBhg Datin Mariam  
Prudence Binti Yusof  
*Non-Independent Non-Executive  
Director*

YBhg Datin Mariam Prudence Binti Yusof, aged 60, a Malaysian was appointed to the Board on 27 July 2005 as Non-Independent Non-Executive Director.

She graduated with BA (Honours), University of Malaya in 1974. She started her career in the field of human resource and organizational development with multinational companies, namely Motorola (M) Sdn. Bhd., Intel (M) Sdn. Bhd., Shell Malaysia Sdn. Bhd. and Nestle (M) Sdn. Bhd. In 1984, she entered the field of stockbroking and was the Executive Director of Equity Market of MIDF Amanah Investment Bank Bhd, until her retirement.

Her other previous appointments include being a Member of the Kuala Lumpur Stock Exchange Committee (KLSE), a Director of Labuan International Financial Exchange Inc. (LFX), a Director of Securities Clearing Automated Network Services Sdn. Bhd. (SCANS) and a Director of Research Institute & Investment Analyst Malaysia (RIIAM) and Trustee of the Bumiputera Training Fund of the Securities Commission (SC). She was also the Chairman of the Membership Committee of the KLSE. She has retired from the Board of KLSE and its subsidiaries on 10 April 2004.

In year 2002, she was elected as Chairman of the Association of Stockbroking Companies of Malaysia (ASCM) with the primary role of spearheading the demutualization of KLSE to its new entity, Bursa Malaysia Berhad.

On 26 August 2002, she was appointed as a member of the National Economic Action Council (NEAC) by the Prime Minister of Malaysia, and served until recently with the election of the new Prime Minister.

She is also the Chairman of The Ayer Molek Rubber Company Berhad. She does have family relationship with a major shareholder of the Company. She does not have any convictions for offences within the past 10 years other than traffic offences, if any.



Ms. Teh Bee Tein  
*Independent Non-Executive  
Director*

Ms. Teh Bee Tein, aged 57, a Malaysian, was appointed to the Board on 15 April 2009 as an Independent Non-Executive Director. Currently, she is the Chairman of the Audit Committee and Risk Management Committee, and also a member of the Nomination Committee and Remuneration Committee.

Ms. Teh is a member of the Malaysian Institute of Accountants (MIA) and also a Fellow of the Association of Chartered Certified Accountants-United Kingdom. She spent 16 years in public accounting firms which broadened her accountancy, taxation and financial consultancy experience, both in Malaysia and the United Kingdom. She is currently the Managing Partner of B.T. Teh, Thieng & Co.-Chartered Accountants (Petaling Jaya), a partner of Thieng & Co.-Chartered Accountants (Klang) and the Managing Director of B.T. Teh Tax Services Sdn Bhd.

She is currently a Board member of LCTH Corporation Berhad. She does not have any family relationship with any Director and/or major shareholder of the Company and there is no business arrangement with the Company in which she has personal interest. She does not have any convictions for offences within the past 10 years other than traffic offences, if any.



## DIRECTORS' PROFILE (cont'd)

### Encik Nor Hishammuddin Bin Dato' Mohd Nordin *Independent Non-Executive Director*



Encik Nor Hishammuddin Bin Dato' Mohd Nordin, aged 47, a Malaysian, was appointed to the Board as an Independent Non-Executive Director and a member of the Audit Committee on 30 May 2001. Currently, he is also the Chairman of the Remuneration Committee and a member of the Nomination Committee and Risk Management Committee.

He holds a Bachelor of Law (LLB) degree with honours and was called to the Malaysian Bar as an Advocate and Solicitor of the High Court of Malaya in 1994. He is presently the Managing Partner of Messrs Hisham Yoong - K.C. Lim, a legal firm.

He has no directorships in other public companies. He does not have any family relationship with any Director and/or major shareholder of the Company and there is no business arrangement with the Company in which he has personal interest. He does not have any convictions for offences within the past 10 years other than traffic offences, if any.



### Mr. Kasinathan A/L Tulasi *Independent Non-Executive Director*

Mr. Kasinathan A/L Tulasi, aged 55, a Malaysian, was appointed to the Board on 8 February 2011 as an Independent Non-Executive Director.

He holds a Bachelor of Law (LL.B) degree with honours from the University of London (external), and he is also a Barrister (Lincoln's Inn). He started his career as a Legal Executive in Messrs Shah & Burke and read in the chambers of Mr Philip Waller QC in London. Mr. Kasinathan A/L Tulasi returned to Malaysia and was called to the Malaysian Bar on 27 September 1991. Upon being called to the Bar, he joined the legal firm of Messrs Sajali, Amier & Partners. In December 1992, Mr. Kasinathan A/L Tulasi resigned from Messrs Sajali, Amier & Partners to set up the partnership of Messrs A. Zahari Thulasi now known as Messrs Affendi Zahari.

He does not have any family relationship with any Director and/or major shareholder of the Company and there is no business arrangement with the Company in which he has personal interest. He does not have any convictions for offences within the past 10 years other than traffic offences, if any.



# CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board") of C.I. Holdings Berhad (the "Company"), I am pleased to present the 2013 Annual Report incorporating the Financial Statements of C.I. Holdings Berhad and its subsidiaries (the "Group") and of the Company for the financial year ended 30 June 2013.





# CHAIRMAN'S STATEMENT (cont'd)

## FINANCIAL PERFORMANCE

For the financial year under review, the Group recorded total revenue of RM39.37 million and profit before tax of RM71,000.00; however, due to one-off expenses arising from the tendering of the Prai Combined Cycle Gas Fired Power Plant Project and the Proposed Acquisition of Continental Resources Sdn. Bhd., the Group ended with a net loss after tax amounting of RM0.53 million.

The Group has been working closely with its investment bank and appointed consultants, since its announcement, for the Securities Commission's approval of the Proposed Acquisition of Continental Resources Sdn. Bhd.

## REVIEW OF CONTINUING OPERATION

### Tap And Sanitary Ware Division

The Tap and Sanitary Ware Division performed slightly better as compared to the previous year but however still faces a challenging Malaysian construction sector for the period under review. The Division recorded revenue of RM36.78 million, a 2.54% increase from RM35.87 million recorded the previous year and recorded profit before tax of RM2.19 million, compared to RM2.21 million the previous year. An encouraging profit after tax of RM1.72 million for the year was recorded against last year's RM1.37 million.

The improvement in turnover came about from increased sales promotion by the tapware division and strong retail sales from sanitary ware, resulting by a higher market penetration rate as more retail outlets (ROs) were opened during the current financial year.

The tapware division managed to break through the Philippines' Hospital market by supplying "Doe Hospital Series - Med lab" to Diliman Medical and Medicus Hospital in Manila. In addition, the "Green Series Tap & Sanitary ware" has successfully made its first supply to Tanzania for the NHC Iconic Building in Dar Es Salaam.

The sanitary ware division has started discussions with the Indonesian Tiles Manufacturer "Centro Ceramic" on the OEM of Decorative and Homogeneous Ceramic Tiles for future supply in the market.

## DIVIDEND

No dividend declared or paid during the financial year.

## CURRENT YEAR AND FUTURE PROSPECT

The Group aims to explore opportunities to replicate its successes through new investments having proven its capability to drive successful transformation and extensive growth of its previous investee companies.

In addition, the Group will also focus on enhancing and strengthening its remaining continuing operations, namely its Tap and Sanitary Ware Division through more concerted marketing and sales promotion efforts as well as increased market penetration in the dealers segment.

## APPRECIATION

On behalf of the Board of Directors, I would like to express our appreciation and gratitude to the management and staff of the Group for their continued commitment and dedication.

My thanks and appreciation also goes to our loyal shareholders, business associates, and bankers for their continued support, confidence and assistance given to us.

Finally, I would like to thank my fellow Board members for their good counsel, contribution and unwavering support throughout the year.

**TAN SRI DATO' SERI ABDUL GHANI BIN ABDUL AZIZ**  
*Chairman*



# CORPORATE RESPONSIBILITY STATEMENT

The Board of Directors (the "Board") of the Company views Corporate Responsibility ("CR") as an integral part of its businesses and the Board places emphasis in this respect on the need to maintain the balance between the Company's economic, social, environmental responsibilities and the interests of the Company's shareholders and various stakeholders. The Company and its subsidiaries (the "Group") tracks its CR activities on a quarterly basis in order to ensure its progress towards the Group's CR goals.

The Group is committed to its CR practices and aim to have a positive impact in the marketplace, workplace, community and environment. The Group's efforts in the areas of Investor Relations and CR continue to be recognised.

The Group's continuation of its CR efforts and activities during the financial year are summarised as follows:

## 1. MARKETPLACE

### 1.1 Product Responsibility

The Group's customers' satisfaction has always been a priority to the Group. As such, the Group continually offers a broad, balanced and compelling portfolio of products and brands tailored to its customer needs.

The Group believes that in order to ensure customers' satisfaction, it should and has been continuously developing many new and compelling products to further enhance its product offering. During the year under review, the Group has been introducing innovative products which include new ranges of clinical taps, low-pressure showers, dezincification resistant taps, Green Building Index (GBI) series tap, sanitary fittings, sensor-based hand dryers and soap dispensers.

Tapwares produced by the Group comply with British Standard BS5412 (also among the highest standard in the world) which means that our products have lower zinc levels making them safer for long-term use than other similar products available in Malaysia. As for the Group's range of sanitary wares products, the same are manufactured to quality standards set out in Malaysia Standards MS795, MS1522 and MS147 and Singapore's Water Efficiency Labelling Scheme (WELS) Index.

Periodic benchmarking are continuously performed to ensure our products are affordable and fairly priced relative to competitors.

### 1.2 Stakeholder Engagement

The Group continues to focus on optimising its business processes, effective management and good corporate governance in order to enhance its stakeholder value. Great importance is placed on engaging and building strong relationship with its various stakeholders and the Group believes in an active two-way communication between the Group and its stakeholders, thus ensuring all needs and concerns are addressed in a timely and efficient manner.

Each customer of the Group is allocated a sales representative. This is done to manage the customer's various expectations. The Group and its operating divisions have dedicated websites, which allows for communication of all matters relating to the company with its customers and the general public, as well as receiving questions and feedback. Any questions or feedback received is forwarded to the relevant head of department for further action and are promptly addressed.

Annual customer satisfaction survey is conducted so that the Group can gather customer feedback via questionnaire with all its major customers. The areas covered in the survey include products/services, sales personnel, delivery, and documents (technical and commercial).

The Group also practices "Local Suppliers First Policy" in its daily operations.

The Group is a proud member of the following organisations:- the Federation of Public Listed Companies Berhad, Malaysian Employers Federation, Federation of Malaysian Manufacturers, Master Builders Association Malaysia, Quality Restroom Association of Malaysia, and Industry Confederation Partner of Malaysian Green Building Council and many other esteemed organisation in order to maintain abreast of latest developments and best practice of the industry.



# CORPORATE RESPONSIBILITY STATEMENT (cont'd)

## 2. WORKPLACE

The Group is committed to ensure that its employees' welfare and personal development are taken care of by providing them with a rewarding, healthy, safe and fair workplace.

The Health and Safety Committee is responsible to ensure a safe and healthy working environment, as far as practicable, by preparing safety policies and ensuring effective implementation of the said policies. Our health and safety officer is certified by the National Institute of Occupational Safety and Health (NIOSH), as required. All Group employees are trained on the necessary safety procedures and provided with all necessary safety and protective equipment. Regular safety checks of the equipments are also conducted.

To the best of the Group's knowledge, there has been no report on injury or accident at the work place during the year under review.

The Group also cooperates closely with both the in-house and national union to ensure fair labour practices are in place. The union helps to ensure the employee's welfare is taken care of, including issues relating to labour rates, safety, medical benefits and leave entitlement. The Group's labour rates are regularly benchmarked to the industry according to position and grade to ensure our employees receive a fair days pay for a fair days work. A subsidised canteen and free uniforms for factory employees are also being provided.

The Group's Human Resource departments conduct extensive training and development courses for its employees to further enhance their skills and knowledge towards achieving the employees' personal development goals. Group-wide performance appraisals are done annually where performance is measured against targets and Key Result Areas.

The Group prides itself on its equal opportunity employment practices, with all ethnic groups fairly represented. As at 30 June 2013, the Group's staff ethnic composition is 39% Malay, 29% Chinese, 12% Indian and 20% other.

To further boost staff morale, encourage interaction amongst staff and enhance a sense of belonging, a treasure hunt event for staff and an annual dinner was held during the year under review.

## 3. COMMUNITY

The Group is also committed to contributing positively to the community with a specific focus on promoting water conservation.

In March 2013 to May 2013, DOE worked closely with Quality Restroom Association Malaysia (QRAM) to promote awareness and good hygiene under the campaign of "Budaya Tandas Bersih" (BTB) among 1,580 primary students of four (4) primary schools in Klang Valley on the proper toilet usage and self-hygiene.

## 4. ENVIRONMENT

The Group is committed to ensure that it actively minimises the impact its business operations have on the environment. The Group manages environmental impact in the following areas; raw material and energy utilisation, waste management and supply chain optimisation.

The Group aims to reduce raw material wastage and/or utilisation through its ongoing product wastage elimination programme; and product and packaging design optimisation. Where possible, it also specifies recycled packaging products. The Group aims to conserve/reduce energy and production inputs through optimisation of its production processes.

The Group actively promotes its extensive range of water conservation products to help its customers conserve water and energy, which conform to Malaysia's GBI and Singapore's WELS. It also offers a range of showers specially designed to work in low water pressure areas preventing the need for using a pump. The redesigned of its range of manual self-closing taps for public washrooms to close after only 3 seconds unlike previous models that closed after 6 seconds and the utilisation of only high quality closure mechanisms help to minimise leaking and water wastage during the products' life.

Our staff have attended training sessions by the Malaysia Green Building Confederation (MGBC), thereby improving their knowledge regarding water efficiency and the GBI.

The Group's waste management programmes ensure that all wastes are treated in accordance with the regulations of the Department of Environment; in addition to its other waste generation reduction projects.

The Group also sources from local suppliers, where available, to reduce the inbound raw materials' carbon footprint.



# STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors (the "Board") considers that the Company and its subsidiaries (the "Group") have applied the principles and recommendations of the Malaysian Code on Corporate Governance 2012 (the "Code") and will continue to review the existing corporate governance practices and policies throughout the Group.

This statement, which is made pursuant to paragraph 15.25 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), sets out the manner in which the Group has adopted the Code and the extent to which it has applied the principles and the recommendations of the Code.

## 1. BOARD OF DIRECTORS

### 1.1 Board Composition and Balance

The Board, with its collective and overall responsibility in leading and directing the Group's strategic affairs, has the ultimate responsibility for corporate governance and plays a key role in charting the vision, strategic direction, development and control of the Group as well as overseeing the investment of the Company.

The Company is led and managed by an experienced Board comprising of members with a range of experience in relevant fields such as beverages, business administration, public service, legal, accountancy, corporate financing and organisational development.

The Board as at the date of this Statement, comprises seven (7) members, out of which four (4) are independent non-executive Directors and their respective number of other Directorships held are appended below. The Company has thus complied with Paragraph 15.02 of the MMLR of Bursa Securities which requires that at least two (2) Directors or one third (1/3) of the Board of Directors, whichever is higher to be independent. Profiles of the Directors are set out on pages 10 to 14 of this Annual Report. The Company also meets the recommendation of the Code by having a majority of independent board members.

Directors	Designation	No. of other Directorships in Listed Companies
Tan Sri Dato' Seri Abdul Ghani Bin Abdul Aziz	Chairman, Senior Independent Non-Executive Director	1
Datuk Johari Bin Abdul Ghani	Group Managing Director	-
Megat Joha Bin Megat Abdul Rahman	Executive Director	-
Datin Mariam Prudence Binti Yusof	Non-Independent Non-Executive Director	1
Nor Hishammuddin Bin Dato' Mohd Nordin	Independent Non-Executive Director	-
Teh Bee Tein	Independent Non-Executive Director	1
Kasinathan A/L Tulasi	Independent Non-Executive Director	-

Non-Independent Directors represent major shareholders on the Board of the Company. Datuk Johari Bin Abdul Ghani represents the shares held by JAG Capital Holdings Sdn Bhd, while Datin Mariam Prudence Binti Yusof represents the shares held by Duclos Sdn Bhd, Leasing Corporation Sdn Bhd, Syed Ibrahim Sdn Bhd, Du Ain Sdn Bhd, Sisma Water Technology Sdn Bhd and Continental Theme Sdn Bhd.

Minority interests of the Company are represented by the Independent Directors by virtue of their independence. They play a vital role in protecting the rights of the minority shareholders and as such, none of the Independent Directors participate in the day-to-day management of the Company. This ensures that they are able to provide unbiased and independent views and judgements during evaluations of management's proposals and strategies.

### 1.2 Roles and Responsibilities of the Chairman and the Group Managing Director

The roles of the Chairman and the Group Managing Director are separated with a clear division of responsibilities between them to ensure balance of power and authority. The Chairman leads the strategic planning at the Board level, whilst the Group Managing Director, assisted by the Executive Director, is responsible for the implementation of the policies laid down by the Board and executive decision-making.

All Board members bring an independent judgement to bear on issues of strategy, performance, risk management, resources and standards of conduct.

In adherence with Code, the Chairman is an unrelated non-executive independent director.



# STATEMENT ON CORPORATE GOVERNANCE (cont'd)

## 1. BOARD OF DIRECTORS (cont'd)

### 1.3 Duties and Responsibilities of the Board

There is a schedule of matters reserved specifically for the Board's decision, including reviewing and approving the Group's quarterly and annual results, the business plan, the direction of the Group, new investment and business proposals, the management/performance of the business of subsidiaries, corporate plans and annual budgets, acquisitions and disposals as well as material agreements, major capital expenditures and long term plans.

Additionally, the Board will assume, amongst others, the following duties and responsibilities:

- (i) Overseeing and evaluating the conduct and performance of the Company and the Group;
- (ii) Identifying principal risks and ensuring implementation of a proper risk management system;
- (iii) Establishing a succession plan;
- (iv) Overseeing the development and implementation of a shareholder communication policy for the Company; and
- (v) Reviewing the adequacy and the integrity of management information and internal controls system of the Company.

### 1.4 Board Meetings and Attendance

Board meetings are scheduled in advance at the end of the previous financial year prior to the commencement of the new financial year to enable Directors to plan ahead and fit the year's meetings into their own schedules. To ensure effective management of the Group, the Board meets at least five (5) times a year with additional meetings taking place when necessary.

During the financial year ended 30 June 2013, six (6) Board meetings were held to review the Group's operations, to approve the quarterly financial results, year-end financial statements and other matters such as the business plan, the direction of the Group, new investment and business proposals. A summary of the attendance of each Director at the Board meetings held during the financial year under review is as follows:

Directors	No. of Board Meetings Attended	Percentage (%)
Tan Sri Dato' Seri Abdul Ghani Bin Abdul Aziz	5/6	83.3
Datuk Johari Bin Abdul Ghani	5/6	83.3
Megat Joha Bin Megat Abdul Rahman (Appointed on 18 April 2013)	1/1	100.0
Datin Mariam Prudence Binti Yusof	5/6	83.3
Nor Hishammuddin Bin Dato' Mohd Nordin	6/6	100.0
Teh Bee Tein	6/6	100.0
Kasinathan A/L Tulasi	6/6	100.0
Maj. Gen. (R) Dato' Mohamed Isa Bin Che Kak (Vacated office on 31 October 2012)	2/2	100.0
Dato' Azmeer Bin Rashid (Vacated office on 31 October 2012)	2/2	100.0
Datuk Seri Syed Ali Bin Tan Sri Syed Abbas Alhabshee (Resigned on 17 June 2013)	5/6	83.3

All the Directors have complied with the minimum 50% attendance requirement in respect of Board meetings as stipulated in the MMLR of Bursa Securities. In the intervals between Board meetings, for any matter which require the Board's decisions, approval would be obtained through Directors' circular resolution. The resolutions passed by way of such circular resolutions would be noted by the Board in the next Board meetings.