FACB Industries Incorporated Berhad 48850-K

ANNUAL REPORT 2012

FACB Industries Incorporated Berhad 48850-K

discovering
new opportunities

annual report
2012

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Dato' Sulaiman bin Sujak
Chairman

Tan Sri Dr. Chen Lip Keong

Puan Sri Lee Chou Sarn

Dato' Dr. Abdul Razak bin Abdul

Datuk Wan Kassim bin Ahmed

Mr Chen Yiy Hwuan

Mr Chen Yiy Fon

Mr Lim Mun Kee

ACTING CHIEF EXECUTIVE OFFICER

Mr Teo Hock Kee

GROUP COMPANY SECRETARY

Mr Lee Boo Tian
LS 0007987

AUDIT COMMITTEE

Datuk Wan Kassim bin Ahmed
Chairman, Independent Non-Executive Director

Dato' Dr. Abdul Razak bin Abdul
Independent Non-Executive Director

Mr Lim Mun Kee
Independent Non-Executive Director

NOMINATION COMMITTEE

Tan Sri Dato' Sulaiman bin Sujak
Chairman, Non-Independent Non-Executive Director

Datuk Wan Kassim bin Ahmed
Independent Non-Executive Director

Mr Lim Mun Kee
Independent Non-Executive Director

REMUNERATION COMMITTEE

Datuk Wan Kassim bin Ahmed
Chairman, Independent Non-Executive Director

Dato' Dr. Abdul Razak bin Abdul
Independent Non-Executive Director

Mr Lim Mun Kee
Independent Non-Executive Director

REGISTERED OFFICE

Etiqa Twins, Tower 1
Level 13, 11 Jalan Pinang
50450 Kuala Lumpur
Tel : 603 2162 0060
Fax : 603 2162 0062
Website : www.facbi.com

SHARE REGISTRAR

Semangat Corporate Resources Sdn. Bhd.
Ground Floor, 118 Jalan Semangat
46300 Petaling Jaya
Selangor Darul Ehsan
Tel : 603 7968 1001
Fax : 603 7958 8013

AUDITORS

Moore Stephens AC
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur

PRINCIPAL BANKERS

Malayan Banking Berhad
Standard Chartered Bank Malaysia Berhad

STOCK EXCHANGE LISTING

Main Market, Bursa Malaysia Securities Berhad

RECOGNITION OF QUALITY

1 2 3

1 TUV Certificate, awarded in 1995, certifies our stainless steel products according to DIN Standard. It serves as a competitive advantage for marketing our products internationally.

2 Kanzen Tetsu Sdn. Bhd. (“KTSB”)’s Quality System Registration Certificate awarded by Sirim QAS International Sdn. Bhd. for compliance with the requirements of MS ISO 9001 : 2000 Quality Management Systems.

3 Pressure Equipment Directive Certification by TUV in 2002 for compliance with the directive requirements on stainless steel products, especially for the European Union market.

4 Suruhanjaya Perkhidmatan Air Negara (SPAN) Product Registration Approval Certificate 2008 - Testimony of our high quality stainless steel pipes and fittings for water related industries such as water piping distribution system, water treatment plants, wastewater & sewerage treatment projects.

5 KTSB’s Certificate of Appreciation under Large Employers – Manufacturing Sector category awarded by Ministry of Human Resources in October 2008.

4 5

6 7

6 Product Excellence Award 2001 by Ministry of International Trade and Industry in recognition of KTSB’s excellent product range with superior international quality.

7 NPC Productivity Award 2001 awarded by National Productivity Corporation for KTSB’s outstanding productivity achievement, high efficiency, well trained human resource and management dedication.

8 Selangor Product Excellence Award 2002 by Selangor State Government in recognition of Kanzen Kagu Sdn. Bhd. (“KKSB”)’s quality products in Selangor State Industries.

9 Human Resource Minister Award 2003 by Pembangunan Sumber Manusia Berhad in recognition of KKSB’s significant contributions in human resource development throughout the year 2002.

8 9

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Thirty Third Annual General Meeting of the Company will be held at Dewan Seri Pinang, Etiqa Twins, Level 3, 11 Jalan Pinang, 50450 Kuala Lumpur on Wednesday, 5 December 2012 at 10.30 a.m. for the following purposes:

AGENDA

As Ordinary Business:

1. To receive and adopt the Audited Financial Statements for the year ended 30 June 2012 together with the Reports of Directors and Auditors thereon.
   Resolution 1

2. To approve Directors' fees of RM284,400/- for the year ended 30 June 2012.
   Resolution 2

3. To consider and, if thought fit, pass a resolution that pursuant to Section 129(6) of the Companies Act, 1965, Tan Sri Dato' Sulaiman bin Sujak be re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company.
   Resolution 3

4. To re-elect the following Directors who are retiring pursuant to Article 80 of the Company's Articles of Association:

   (i) Mr Chen Yiy Fon
   Resolution 4

   (ii) Mr Lim Mun Kee
   Resolution 5

5. To appoint Auditors and to authorise the Directors to fix their remuneration:
   Resolution 6

   "THAT UHY be and are hereby appointed Auditors of the Company in place of the retiring Auditors, Moore Stephens AC, to hold office until the conclusion of the next Annual General Meeting and that the Directors be authorised to determine their remuneration."

As Special Business:

6. To consider and, if thought fit, pass the following Ordinary Resolutions:

   a. Authority to Allot and Issue Shares pursuant to Section 132D of the Companies Act, 1965
   Resolution 7

   "THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed 10 per centum of the Issued Share Capital of the Company for the time being."

   b. Proposed Renewal of Authority for Share Buy-Back
   Resolution 8

   (The text of the resolution and the details of the proposal are set out in the Circular to Shareholders dated 12 November 2012 which is enclosed with this Annual Report.)

7. To consider and, if thought fit, pass the following Special Resolution:

   Proposed Amendments to the Articles of Association of the Company
   Resolution 9

   "THAT the Articles of Association of the Company be and are hereby amended in the manner as set out in Appendix A at page 104 of the Company's 2012 Annual Report."

8. To transact any other ordinary business of which due notice shall have been given.

By Order of the Board

Lee Boo Tian, LS 0007987
Group Company Secretary

Kuala Lumpur
12 November 2012

NOTES

Proxy

(i) A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.
(ii) Subject to the Companies Act, 1965, where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportions of his holding to be represented by each proxy.
(iii) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or if such appointer is a corporation, either under its common seal or the hand of an officer or attorney duly authorised.
(iv) The Form of Proxy must be completed, signed and deposited at the Company's Registered Office not less than 48 hours before the time set for the Meeting or adjourned meeting.
(v) Only members whose names appear in the Record of Depositors on 26 November 2012 shall be eligible to attend the Meeting.
(vi) Shareholders' attention is hereby drawn to the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad, which allows a member of the Company which is an exempt authorised nominee, as defined under the Securities Industry (Central Depositories) Act, 1991, who holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") to appoint multiple proxies in respect of each omnibus account it holds.

Explanatory Notes on Special Business

1. Resolution pursuant to Section 132D of the Companies Act, 1965
   The Ordinary Resolution 7 proposed under Agenda 6(a) above if passed will empower the Directors to issue shares up to 10% of the issued capital of the Company for the time being for such purposes as the Directors consider would be in the interest of the Company. This authority unless revoked or varied by the Company in general meeting, shall expire at the next Annual General Meeting of the Company.

   No proceeds were raised from the previous mandate.

   The renewed mandate will provide flexibility to the Company for the purpose of funding further investment project(s), working capital and/or acquisitions.

2. Resolution pursuant to Proposed Renewal of Authority for Share Buy-Back
   The Ordinary Resolution 8 proposed under Agenda 6(b) above if passed is to give authority to the Directors to purchase the Company's own shares. This authority will expire at the next Annual General Meeting of the Company unless earlier revoked or varied by an ordinary resolution of the Company at a general meeting. Further information is set out in the Circular to Shareholders which is despatched together with this Annual Report.

3. Resolution pursuant to Proposed Amendments to the Articles of Association
   The Special Resolution 9 proposed under Agenda 7 above if passed will bring the Articles of Association of the Company in line with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Directors standing for re-appointment / re-election

The Directors who are standing for re-appointment / re-election at the Annual General Meeting of the Company are as follows:

Tan Sri Dato' Sulaiman bin Sujak	-	Resolution 3
Mr Chen Yiy Fon	-	Resolution 4
Mr Lim Mun Kee	-	Resolution 5

Information on the above Directors is set out under Directors/ CEO's Profiles of this Annual Report.

Details of attendance of Board Meetings held during the financial year ended 30 June 2012 for the above Directors are as set out under Other Compliance Statements of this Annual Report.

A copy of the notice of Nomination of UHY as Auditors of the Company dated 2 October 2012 is set out in Appendix B at page 106 of the Annual Report 2012.

DIRECTORS/CEO'S PROFILES

TAN SRI DATO' SULAIMAN BIN SUJAK
Chairman, Non-Independent Non-Executive Director, Malaysian, aged 78

Tan Sri Dato' Sulaiman bin Sujak was appointed to the Board on 1 October 1988. On 26 September 2008, Tan Sri Dato' Sulaiman was appointed as Chairman. He also serves as Chairman of the Nomination Committee.

Tan Sri Dato' Sulaiman is a graduate of Royal Air Force College, Cranwell, England and Royal College of Defence Studies, London. He has served the Royal Air Force and the Royal Malaysian Air Force and is the first Malaysian Air Force Chief.

He was an Advisor (now known as Assistant Governor) to Bank Negara Malaysia and was a Director, Commercial Division of Kumpulan Guthrie. He was also the Deputy Chairman of Malaysian Airlines System Berhad.

Tan Sri Dato' Sulaiman is currently a Director of HSBC Bank Malaysia Berhad. He is also a Director of Nationwide Express Courier Services Berhad and Cycle & Carriage Bintang Berhad.

TAN SRI DR. CHEN LIP KEONG
Executive Director, Malaysian, aged 65

Tan Sri Dr. Chen Lip Keong was appointed to the Board and as President and Chief Executive Officer on 3 August 1994. On 1 August 2007, Tan Sri Dr. Chen stepped down as Chief Executive Officer and assumed the position of President and Chairman. On 26 September 2008, Tan Sri Dr. Chen Lip Keong stepped down as President and Chairman.

Tan Sri Dr. Chen graduated with Bachelor of Medicine and Surgery in 1973 from University of Malaya. He has extensive corporate, managerial and business experience since 1976.

Currently, Tan Sri Dr. Chen is also Director/President of Karambunai Corp Bhd. and Petaling Tin Berhad.

PUAN SRI LEE CHOU SARN
Executive Director, Malaysian, aged 65

Puan Sri Lee Chou Sarn was appointed to the Board on 17 March 1997 and as Acting Chief Executive Officer on 1 August 2007. On 15 December 2008, Puan Sri Lee Chou Sarn stepped down as Acting Chief Executive Officer.

After graduating from the University of Malaya with Bachelor of Economics in 1971, Puan Sri Lee worked for 13 years in the Statistics Department for the Government of Malaysia before she ventured into business. She has been a shareholder and a Director of Lipkland Holdings Sdn. Bhd., an investment holding company since December 1982. She was also a Director of Karambunai Corp Bhd. from 1994 to 2001.

DATO' DR. ABDUL RAZAK BIN ABDUL
Independent Non-Executive Director, Malaysian, aged 62

Dato' Dr. Abdul Razak bin Abdul was appointed to the Board on 12 April 1994. Dato' Dr. Abdul Razak also serves as a member of Audit and Remuneration Committees.

After graduating with Master of Business Administration (Finance) in 1973, Dato' Dr. Abdul Razak obtained his Ph.D (International Business) in 1979. He commenced his career as a lecturer in Institut Teknologi MARA ("ITM") in 1973 and became the Head of ITM's School of Business in 1981. He has been actively involved in the insurance industry since 1983 and has vast experience in managing insurance companies. He was a Director of Petaling Tin Berhad from 1991 to 1992 and 1997 to 2000.

Currently, Dato' Dr. Abdul Razak is also a Director of TAP Resources Berhad.

DATUK WAN KASSIM BIN AHMED
Independent Non-Executive Director, Malaysian, aged 63

Datuk Wan Kassim bin Ahmed was appointed to the Board on 29 March 2002. Datuk Wan Kassim also serves as Chairman of both Audit and Remuneration Committees and as a member of the Nomination Committee.

Datuk Wan Kassim graduated with Bachelor of Economics from University of Malaya in 1973. He began his career with Messrs Kassim Chan, an audit firm in 1973 before joining Bank Bumiputra Malaysia Berhad. He then joined Shamelin Berhad for 10 years before starting his own management consultancy firm, United Kadila Sdn. Bhd. in 1984. He served as a Councilor for the Petaling Jaya Town Council between 1987 and 1991 and as a Board member of the Malaysian Tourist Development Board from 1992 to 1996.

Currently, Datuk Wan Kassim is also a Director of Karambunai Corp Bhd., Petaling Tin Berhad and Octagon Consolidated Berhad.

CHEN YIY HWUAN

Executive Director, Malaysian, aged 33

Mr Chen Yiy Hwuan was appointed to the Board on 1 August 2007.

Mr Chen graduated with Bachelor of Arts (Honours) in Accounting with Business Economics from Middlesex University, United Kingdom in 2002. He joined Petaling Tin Berhad in 2003 and subsequently moved to Alliance Merchant Bank in 2004 specialising in corporate finance. He then returned to Petaling Tin Berhad and involved in corporate finance and management of the company.

Currently, Mr Chen is also a Director of Karambunai Corp Bhd. and Petaling Tin Berhad.

CHEN YIY FON

Executive Director, Malaysian, aged 31

Mr Chen Yiy Fon was appointed to the Board on 1 August 2007.

Mr Chen graduated from the University of Southern California, Los Angeles with B.A. (Hons) in Economics. He has previously worked in Morgan Stanley, Los Angeles, California as a Financial Advisor Assistant and in Credit Suisse First Boston as an intern. Currently, he serves as a director for several subsidiaries of Karambunai Corp Bhd. and Petaling Tin Berhad.

Currently, Mr Chen is also a Director/Chief Executive Officer of Karambunai Corp Bhd. and a Director of Petaling Tin Berhad.

LIM MUN KEE

Independent Non-Executive Director, Malaysian, aged 45

Mr Lim Mun Kee was appointed to the Board on 1 August 2007. Mr Lim also serves as a member of Audit, Remuneration and Nomination Committees.

Mr Lim is a qualified accountant registered with the Malaysian Institute of Accountants (“MIA”) and the Malaysian Institute of Certified Public Accountants (“MICPA”) since 1995. He started his career in KPMG Peat Marwick in 1989. He has over 15 years of experience in auditing, finance and accountancy field where he worked in several listed companies as Accountant, Group Financial Controller and Head of Internal Audit.

Currently, Mr Lim is also a Director of Petaling Tin Berhad and Karambunai Corp Bhd.

TEO HOCK KEE

Acting Chief Executive Officer, Malaysian, aged 45

Mr Teo Hock Kee was appointed as Acting Chief Executive Officer on 16 November 2011.

Mr Teo graduated with Bachelor of Engineering (Hons) in Mechanical Engineering, United Kingdom. He has been with FACB Industries Incorporated Berhad’s steel operations for more than 20 years. He serves as Senior General Manager overseeing the Group’s steel operation, the major flagship of the Group’s business operations. Kanzen Tetsu Sdn Bhd is one of the largest ISO 9001:2008 certified integrated stainless steel pipe and butt-weld fittings manufacturers in South East Asia, exporting its products worldwide.

Other Information

a. Family Relationship
   Puan Sri Lee Chou Sarn is the spouse of Tan Sri Dr. Chen Lip Keong. Mr Chen Yiy Hwuan and Mr Chen Yiy Fon are the sons of Tan Sri Dr. Chen Lip Keong and Puan Sri Lee Chou Sarn.

   Save as disclosed above, none of the Directors have any family relationship with any Director of the Company.

b. Conflict of Interest
   Save as disclosed in item 12 under Other Compliance Statements in this Annual Report, none of the Directors have any conflict of interest with the Company.

c. Conviction of offences
   None of the Directors have any conviction for offences within the past 10 years other than traffic offences, if any.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report of FACB Industries Incorporated Berhad ("Company" or "Group") for the financial year ended 30 June 2012 (FY2012).

FINANCIAL REVIEW

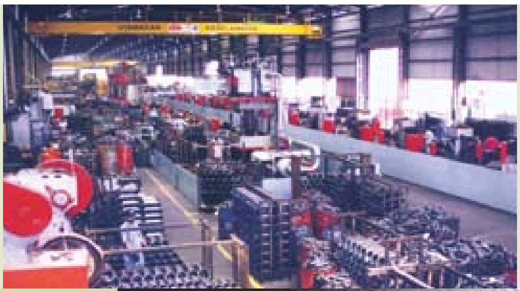
For the year under review, the Group recorded a loss before tax of RM2.97 million, and total revenue of RM244.57 million which was a decrease of 3% as compared to the previous year. The lower revenue compared to the previous year was mainly due to discontinuation of carbon steel operation in the fourth quarter of the year. Group loss net of tax amounted to RM12.74 million due to deferred tax assets not recognised during the year and reversal of deferred tax assets.

The Group's steel division recorded a loss before tax for the year amid a challenging business environment. The downward price trend of nickel dampened the stainless steel market as stockists and end users deferred purchasing decision and maintained low inventory level. The weak market sentiment was further aggravated by aggressive pricing initiated by competitors and new market entrants. Gross profit margin was squeezed due to weak selling price as a result of extremely keen market competition. During such challenging time, we continued to receive orders for our quality products from loyal stockists and end users.

During the year, investment projects that used our steel products had been moving at a slower than expected pace. In Klang Valley, the water wastage reduction program had yet to pick up due to the ongoing water assets consolidation exercise. More consistent orders had been received from ongoing hospital and housing projects. In the export market, business environments in our traditional markets remained challenging.

The Group's bedding operation recorded an improved performance in line with revenue growth. The bedding operation in Malaysia recorded 11% growth in revenue and 20% growth in profit before tax.

The bedding division recorded both higher revenue and profit before tax for the year due to successful implementation of a series of strategies. These include optimal utilization of advertising and promotional expenditure and expansion of distribution network to improve sales. Aggressive promotional activities and introduction of new promotional models had attracted higher sales whereas re-designing, repackaging of product specifications and more efficient manufacturing processes had resulted in more efficient use of raw materials. Dreamland, again as a brand, was awarded Gold Medal for four consecutive years in the prestigious Reader Digest's "Trusted Brand - Malaysia".



The Group's investments in power plant, bedding and wire manufacturing in China have performed well and contributed significantly to the Group's results.

DIVIDEND

The Board of Directors does not recommend any dividend for the year under review.

SHARE BUY BACK

The Company did not execute any share buyback during the year under review.

CORPORATE DEVELOPMENT

There were no major corporate proposals during the year.

CORPORATE SOCIAL RESPONSIBILITY

The Group is committed towards its social responsibility. In that respect, safety, health and environment are of paramount important to our business operations.

The steel division implements a recycling policy where steel scrap from production processes is accumulated, weighed and quarantined at designated locations and subsequently turned into recyclable scrap. The bedding division implements a manufacturing practice which optimises its usage of residual materials generated from manufacturing processes. These initiatives reduce consumption of new raw materials which in turn reduce solid waste disposal to the environment.

CHAIRMAN'S STATEMENT

Under the supervision of Safety & Health Committee led by a senior management team, various safety and health activities are organised periodically with active participation from our employees. Industrial hygiene and safety measures are also put in place via preventative maintenance programs to ensure plant and machinery and ventilation systems are in good and safe condition and where applicable, in compliance with requirements under the Occupational, Health and Safety Act. Chemical risk assessment tests are conducted jointly with the Department of Environment to ensure compliance with relevant regulations too.

We share our technical experience in areas such as hygienic water supply and efficient water piping distribution system with various government agencies & state water authorities. Our steel division provides opportunities for undergraduates from local colleges and universities to undergo their practical training at our manufacturing plants.

FUTURE OUTLOOK

The world economies are expected to grow marginally next year. As the Group's business performance is closely related to the prevailing economic conditions, the Group may experience a similarly challenging environment in the forthcoming year.

We will continue to look for new business opportunities.

On our existing steel business, we will be prudent on inventory management. We will work closely with existing customers with consistent demand and tap into infrastructure projects under Economic Transformation Programs. The export market is expected to be challenging in view of the projected flat/marginal growth for the developed and the developing economies. Focus would be on maintaining close ties with key stockists on niche products.

For the bedding operations in Malaysia and China, a series of strategies had been initiated to drive sales and profitability. Good customer service, effective advertising and promotional activities, and business process simplification will be emphasized to enhance revenue growth and profitability. Planned advertising and promotional activities for the forthcoming year is also expected to build a stronger Dreamland brand among intermediaries and end users. We are optimistic on our bedding operations' performance.

Subsequent to the financial year end, the Group entered into an agreement to acquire 30% and 100% of the ordinary and preference shares in Restonic, the bedding operation group in Malaysia, from Pacific Brands Holdings Pty. Ltd. With the acquisition, the Group will own 80% ordinary shares and 100% preference shares in Restonic. The acquisition is expected to contribute positively to earnings of the Group.

Existing operations in China are expected to continue contributing to the Group's profitability. Complying with environmental regulations, rising raw material and other operating costs will be challenges faced by the operations. We will further build on the momentum created from the implemented strategies in driving our investments in China.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to extend our heartfelt thanks to our shareholders, customers, bankers, business associates and regulatory authorities for their continued support, guidance and assistance extended to the Group. The Board would like to express its appreciation to the management and staff of the Group for their hard work and dedication.

TAN SRI DATO' SULAIMAN BIN SUJAK
Chairman

23 October 2012

AUDIT COMMITTEE REPORT

Pursuant to paragraph 15.15 of the Bursa Securities Main Market Listing Requirements, the Board is required to prepare an Audit Committee Report for inclusion in its Annual Report.

COMPOSITION

For the financial year, the members of the Audit Committee, their respective designations and directorships are as follows:

Chairman

Datuk Wan Kassim bin Ahmed	Independent Non-Executive Director

Members

Dato' Dr. Abdul Razak bin Abdul	Independent Non-Executive Director
Mr Lim Mun Kee	Independent Non-Executive Director

TERMS OF REFERENCE

Purpose

The primary objective of the Audit Committee (as a standing committee of the Board) is to assist the Board in the effective discharge of its fiduciary responsibilities for corporate governance, financial reporting and internal control.

Reporting Responsibilities

The Audit Committee will report to the Board on the nature and extent of the functions performed by it and may make such recommendations to the Board on any audit and financial reporting matters as it may think fit.

Attendance at Meetings

The Head of Finance, the Head of Internal Audit and a representative of the External Auditors should normally attend meetings. The Company Secretary shall be the Secretary of the Committee. Other officers may be invited to brief the Committee on issues that are incorporated into the agenda. The Committee should meet with the external auditors, the internal auditors or both without executive board members and employees of the Group present, whenever deemed necessary.

Frequency of Meetings

The Committee will meet as frequently as the Chairman shall decide, with due notice of issues to be discussed and should record its conclusions whilst discharging its duties and responsibilities. The Chairman of the Audit Committee should engage on a continuous basis with senior management, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Group.

Quorum

The quorum for a meeting shall be two (2) members of whom a majority shall be independent Directors.

Authority

The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. The Committee shall have unrestricted access to both the internal and external auditors and to all employees of the Group. The Committee may, with the approval of the Board, consult legal or other professionals where they consider it necessary to discharge their duties.

Duties

The duties of the Audit Committee include the following:

- To consider the appointment of the external auditor, the audit fee and any questions of resignation or dismissal.
- To discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved.
- To review the quarterly and year end financial statements of the Board, focusing on:
  - any changes in accounting policies and practices;
  - major judgmental areas;
  - significant adjustments arising from the audit;
  - the going concern assumption; and
  - compliance with accounting standards and other legal requirements.
- To discuss problems and reservation arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management, where necessary).
- To review the external auditor's management letter and management's response.
- To do the following, in relation to the internal audit function:
  - review the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
  - review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
  - review any appraisal or assessment of the performance of members of the internal audit function;
  - approve any appointment or termination of senior staff members of the internal audit function; and
  - take cognizance of resignations of internal audit staff members and provide the resigning staff members an opportunity to submit his reasons for resigning.
- To consider any related party transactions and conflict of interest situation that may arise within the Group.
- To consider the major findings of internal investigations and management's response.
- To consider other topics as defined by the Board.

DETAILS OF MEETINGS

The Audit Committee met four times during the financial year ended 30 June 2012 and details of attendance are as follows:

Datuk Wan Kassim bin Ahmed	4/4
Dato' Dr. Abdul Razak bin Abdul	4/4
Mr Lim Mun Kee	4/4

AUDIT COMMITTEE REPORT

SUMMARY OF AUDIT COMMITTEE ACTIVITIES

In discharging its responsibilities for the financial year, the Audit Committee, in particular:

- Reviewed the quarterly and year end financial statements and made recommendation to the Board.
- Reviewed the overall coverage of internal audit.
- Deliberated over the internal audit and compliance reports, ensuring recommendations are carried out.
- Reviewed and assisted in the development and implementation of sound and effective internal controls and business systems within the Group.
- Reviewed the Risk Advisory Committee report, ensuring adequacy and effectiveness of the Group's Risk Management Framework.
- Discussed and reviewed with the external auditors the results of their examination, their auditor's report and management letters in relation to the audit and accounting issues arising from the audit.
- Reviewed the Group's compliance with regards to the Bursa Securities Main Market Listing Requirements and compliance with accounting standards issued by the Malaysian Accounting Standards Board.

SUMMARY OF INTERNAL AUDIT ACTIVITIES

The Audit Committee is supported by an Internal Audit Department which reports directly to the Committee and is independent of the activities they audit. The cost incurred on this function which includes risk management and corporate governance was RM149,400/- for the financial year. During the financial year, the Internal Audit Department conducted, inter-alia, the following activities:

- Formulated and agreed with the Audit Committee on the audit plan, strategy and scope of work.
- Reviewed compliance with internal policies, procedures and standards, relevant external rules and regulations, as well as assessed the adequacy and effectiveness of the Group's internal control system.
- Analysed and assessed key business processes, report findings, and made recommendations to improve effectiveness and efficiency.
- Followed up on internal audit recommendations to ensure adequate implementation.
- Advised on the implementation of the Malaysian Code on Corporate Governance, Bursa Securities Main Market Listing Requirements and other regulatory requirements.
- Performed investigations and special review.
- Facilitated and reviewed the Group's risk management framework for adequacy and effectiveness in tandem with the business environment.

This report is made in accordance with resolution(s) of the Board of Directors dated 23 October 2012.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of FACB Industries Incorporated Berhad is committed to its fiduciary responsibility for sound corporate governance in its business management practices. Accordingly, the Board supports the recommendations advocated in the Malaysian Code on Corporate Governance (“the Code”) wherein disclosures pursuant to the Code is mandated under paragraph 15.25 of the Bursa Securities Main Market Listing Requirements.

In particular, the Company has complied with Part 2, “Best Practices in Corporate Governance”, of the Code except for individual disclosure of directors’ remuneration packages (as detailed in Other Compliance Statements of this Annual Report), whereas the ensuing paragraphs narrates how the Company has applied Part I, “Principles of Corporate Governance”, of the Code.

DIRECTORS

The Board

An effective Board leads and controls the Company. Board members’ judgement has a bearing on strategies, performances, resources and standards. Four (4) Board Meetings were held during the financial year ended 30 June 2012 with details of attendance presented under Other Compliance Statements of this Annual Report. In between scheduled meetings and where appropriate, Board decisions may be effected via circular resolutions.

Directors’ Training

Subject to individual circumstances, directors are required to attend the Mandatory Accreditation Programme prescribed by Bursa Malaysia Securities Berhad. With the repeal of the Continuing Education Programme, the directors are now subject to a Group Training Programme inclined towards auditing, accounting, regulatory and industry issues. In particular, an in-house training on Key Amendments To Listing Requirements, Corporate Disclosure Guide, Corporate Governance Blueprint and Overview On Chapter 10 Of Listing Requirements conducted by Tricor Corporate Services Sdn. Bhd. was held during the financial year.

Apart from the above, Board members are regularly updated on global developments and trends in Corporate Governance principles and best practices besides local regulatory and risk management framework.

Board Balance

The Board currently consists of eight (8) members; comprising four (4) Executive Directors and four (4) Non-Executive Directors. Among the Non-Executive Directors three (3) are independent, hence, the Board’s composition meets the Bursa Securities Main Market Listing Requirements. Meanwhile, the Board’s composition reflects a commitment towards achieving a requisite mix of skills and experience in various business and financial competencies. Executive Directors have direct responsibilities for business operations whereas Non-Executive Directors are responsible for bringing independent, objective judgement to bear on Board decisions. The profiles of the Directors are set out under Directors/CEO’s Profiles of this Annual Report.

To ensure a balance of power and authority, the roles of Chairman and Chief Executive Officer are distinct and separate. The Board has also formally identified Datuk Wan Kassim bin Ahmed as the Senior Independent Non-Executive Director, to whom concerns may be conveyed.

Supply of Information

All Directors have full and timely access to information, with Board papers distributed in advance of meetings. These Board papers include the agenda and information covering strategic, operational, financial and compliance matters. The Board has unrestricted access to all staff for any information pertaining to the Group’s affairs.

Furthermore, Directors have access to the advice and the services of the Company Secretary and under appropriate circumstances may seek independent professional advice at the Company’s expense, in furtherance of their duties.

CORPORATE GOVERNANCE STATEMENT

Appointments to the Board

A Nomination Committee with appropriate terms of reference, was established by the Board on 24 June 2002. The Committee, currently comprising wholly of Non-Executive Directors, a majority of whom are independent, are as follows:

1. Tan Sri Dato' Sulaiman bin Sujak, Chairman
2. Datuk Wan Kassim bin Ahmed
3. Mr Lim Mun Kee

During the financial year, the Committee met once on 28 May 2012.

This Committee is responsible, inter-alia, for making recommendations to the Board on new nominees for the Board including Board Committees and for assessing directors on an ongoing basis. The Nomination Committee also reviews the Board's required mix of skills and experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board.

Re-election

In accordance with the Company's Articles of Association, all Directors are subject to retirement from office at least once in each three (3) years, but shall be eligible for re-election. This provision is consistent with the underlying principles of the Code and in line with para 7.26 (2) of the Bursa Securities Main Market Listing Requirements.

Directors over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with Section 129 of the Companies Act, 1965.

DIRECTORS' REMUNERATION

Procedure

A Remuneration Committee with appropriate terms of reference, was established by the Board on 24 June 2002. The Committee, currently comprising wholly Non-Executive Directors, are as follows:

1. Datuk Wan Kassim bin Ahmed, Chairman
2. Dato' Dr. Abdul Razak bin Abdul
3. Mr Lim Mun Kee

During the financial year, the Committee met once on 24 August 2011.

The Level and Make-up of Remuneration

The Committee's duty is to, inter-alia, make recommendations to the Board on the remuneration framework for all Executive Directors with the underlying objective of attracting and retaining directors needed to run the Company successfully. In particular, the remuneration package is structured to commensurate with corporate and individual performance.

In respect of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken and is a matter for consideration by the Board as a whole. The Non-Executive Directors abstain from discussions pertaining to their own remuneration.

Disclosure

The details of Directors' Remuneration for the financial year are summarized under Other Compliance Statements of this Annual Report.

SHAREHOLDERS

Dialogue between Company and Investors

The Company acknowledges the importance of communication with investors. Major corporate developments and events are duly and promptly announced via appropriate communication channels.

In particular, dissemination of information includes the distribution of Annual Reports, announcement of quarterly financial performances, issuance of circulars, press releases and holding of press conferences.

The AGM

The AGM is the principal platform for dialogue with shareholders, wherein, the Board presents the operations and performance of the Group. During the meeting, shareholders are given every opportunity to enquire and comment on matters relating to the Group's business. The Chairman and members of the Board are available to respond to shareholders' queries during this meeting.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is responsible for ensuring a balanced and understandable assessment of the Company's position and prospects in its quarterly and annual reports. The Audit Committee assists the Board by reviewing the disclosure information to ensure completeness, accuracy and validity. A full Directors' Responsibility Statement is set out under Other Compliance Statements of this Annual Report.

Internal Control

The Statement on Internal Control set out in this Annual Report provides an overview of the Company's approach in maintaining a sound system of internal control to safeguard shareholders' investment and the Company's assets.

Relationship with the Auditors

The Board via the establishment of an Audit Committee, maintains a formal and transparent relationship with the Company's auditors. The role of the Audit Committee in relation to the auditors in particular, and corporate governance in general, is detailed in the Audit Committee Report of this Annual Report.

This statement is made in accordance with resolution(s) of the Board of Directors dated 23 October 2012.

STATEMENT ON INTERNAL CONTROL

Pursuant to paragraph 15.26(b) of the Bursa Securities Main Market Listing Requirements, the Board is required to include in its Annual Report, a statement on the state of internal control of the Group. In making this statement on internal control, it is essential to specifically address the Principles and Best Practices in the Malaysian Code on Corporate Governance which relate to internal control.

RESPONSIBILITY

The Board has overall stewardship responsibility for the Group's system of internal control and for reviewing its adequacy and integrity to safeguard shareholders' investment and the Group's assets. However, it should be noted that such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss. The associated companies have not been dealt with as part of the Group for the purpose of this statement.

INTERNAL CONTROL SYSTEM

The embedded control system is designed to facilitate achievement of the Group's business objectives. It comprises the underlying control environment, control procedures, communication and monitoring processes which manifest as follows:

- Organisational structure with well defined lines of responsibility, delegation of authority, segregation of duties and information flow. The Board has delegated to Executive Management the implementation of the systems of internal control but still maintain full control and direction over appropriate strategic, financial, organisational and compliance issues. The Executive Management meeting convenes monthly to discuss the Group's business performance and strategy thus ensuring that the Board, properly apprised, maintains effective supervision over the entire operations.

- Policies and procedures have been established, annually reviewed and updated in accordance with changes in the operating environment.

- Comprehensive budgeting process for major operating units with monthly monitoring of performance so that major variances are followed up and management action taken.

- Functional limits of authority in respect of revenue and capital expenditure for all operating units. These commitment authority thresholds, working in tandem with budgeting and payment controls, serve to facilitate the approval process whilst keeping potential exposure in check.

- Detailed justification and approval process for major expenditures to ensure congruence with the Company's strategic objectives.

- Independent appraisals by internal auditors to ensure ongoing compliance with policies, procedures, standards and legislations whilst assessing the effectiveness of the Group's system of financial, operational and compliance controls.

RISK MANAGEMENT FRAMEWORK

Besides primary ownership over effectiveness of the Group's internal control systems, the Board recognizes its responsibility over the principal risks of various aspects of the Group's business. For long term viability of the Group, it is crucial to achieve a critical balance between risks incurred and potential returns.

In response to the above challenge, the Group has established an in-house structured risk management framework, thereby laying the foundation for an ongoing process for identifying, evaluating, treating, reporting and monitoring the significant risks faced by the Group.

A Risk Advisory Committee ("RAC") comprising senior management personnel responsible, inter-alia, for internal policy communications, acquiring risk management skills, developing skills through education and training, and ensuring adequate scale of recognition, rewards and sanctions was set up on 1 March 2002.

During the financial year, the RAC monitored the Group's significant risks and recommended appropriate treatments. The resultant RAC report is reviewed quarterly by the Audit Committee to ensure the adequacy and effectiveness of the Group's Risk Management Framework.

INTERNAL AUDIT

An in-house Internal Audit function supports the Audit Committee, and by extension, the Board, by providing reasonable independent assurance on the effectiveness of the Group's system of internal control.

In particular, Internal Audit appraise and contribute towards improving the Group's risk management and control systems and reports to the Audit Committee on a quarterly basis. The internal audit work plan which reflects the risk profile of the Group's major business sectors is routinely reviewed and approved by the Audit Committee.

INTERNAL CONTROL ISSUES

Management maintains an ongoing commitment to strengthen the Group's control environment and processes. During the year, there were no material losses caused by breakdown in internal control.

This statement is made in accordance with resolution(s) of the Board of Directors dated 23 October 2012 and has been duly reviewed by the external auditors, pursuant to paragraph 15.23 of the Bursa Securities Main Market Listing Requirements.

OTHER COMPLIANCE STATEMENTS

1. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Paragraph 15.26(a) of Bursa Securities Main Market Listing Requirements

The Directors are required by Malaysian company law to prepare for each accounting period financial statements which give a true and fair view of the state of affairs of the Group and the Company as at the end of the accounting period and of the results of their operations and cashflows for that period.

In preparing the financial statements the Directors are required to select and apply consistently suitable accounting policies and make reasonable and prudent judgements and estimates. Applicable accounting standards also have to be followed and a statement made to that effect in the financial statements, subject to any material departures being disclosed and explained in the notes to the financial statements. The Directors are required to prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business. The Directors are responsible for ensuring proper accounting records are kept which discloses with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act, 1965.

They are also responsible for taking reasonable steps to safeguard the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

2. DIRECTORS' ATTENDANCE AT BOARD MEETINGS

During the financial year, the Board held four (4) formal meetings. The attendance of Directors at the Board Meetings is as follows:

	Board Meetings			
Directors	**24.8.2011**	**23.11.2011**	**22.2.2012**	**28.5.2012**
Tan Sri Dato' Sulaiman bin Sujak	√	√	√	√
Tan Sri Dr. Chen Lip Keong	√	√	X	√
Puan Sri Lee Chou Sarn	√	√	√	√
Dato' Dr. Abdul Razak bin Abdul	√	√	√	√
Datuk Wan Kassim bin Ahmed	√	√	√	√
Chen Yiy Hwuan	√	√	X	√
Chen Yiy Fon	√	√	√	√
Lim Mun Kee	√	√	√	√

N/A Not Applicable   √ Attended   X Not attended

3. DIRECTORS' REMUNERATION

The aggregate remuneration of Directors for the financial year is categorized as follows:

In RM	Executive	Non-Executive
Fees	-	284,400
Salaries & Other Emoluments	933,864	-
Benefits In Kind	44,616	-
Total	**978,480**	**284,400**

The number of Directors whose remuneration fall within the following bands are as follows:

Range of remuneration (In RM)	No. of Directors	
	Executive	Non-Executive
Below 50,000	-	-
50,001 to 100,000	-	4
100,001 to 150,000	2	-
150,001 to 300,000	-	-
300,001 to 350,000	1	-
350,001 to 450,000	-	-
450,001 to 500,000	1	-
Total	**4**	**4**

The above disclosure is in compliance with the Bursa Securities Main Market Listing Requirements. Nevertheless, it represents a departure from the Principles of Corporate Governance of the Code, which prescribes individual disclosure of directors' remuneration packages. The Board is of the opinion that individual disclosure would impinge upon the directors' reasonable right to privacy and would not significantly enhance shareholders' understanding.

4. UTILISATION OF PROCEEDS

During the financial year, the Company did not raise funds from any corporate exercise.

5. SHARE BUY-BACK

During the financial year, the Company did not exercise any share buy-back.

As at 23 October 2012, the Company has bought back a total of 1,279,700 shares and these are presently held as treasury shares. The Company did not sell or cancel any of its treasury shares during the financial year.

6. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

During the financial year, the Company did not issue any options, warrants or convertible securities.

OTHER COMPLIANCE STATEMENTS

7. AMERICAN DEPOSITORY RECEIPT ("ADR") OR GLOBAL DEPOSITORY RECEIPT ("GDR")

During the financial year, the Company did not sponsor any ADR or GDR programme.

8. SANCTIONS AND/OR PENALTIES

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies.

9. NON-AUDIT FEES

The non-audit fees payable to the external auditors for the financial year amounts to RM23,000/-.

10. VARIATION IN RESULTS

There was no material variance between the results for the financial year and the unaudited results previously announced.

11. PROFIT GUARANTEE

During the year, there was no profit guarantee given by the Company.

12. MATERIAL CONTRACTS INVOLVING DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

A. On 7 August 2008, the Company entered into the following proposals:

(i) Proposed Disposal of 600,000 ordinary shares of RM1.00 each representing 60% equity interest in Beribu Ukiran Sdn. Bhd. ("BUSB") to Karambunai Corp Bhd. ("KCB") for a total cash consideration of RM3,160,934 ("Proposed Disposal");

(ii) Proposed Novation to Dapan Holdings Sdn. Bhd. ("DHSB"), a wholly owned subsidiary of KCB, of RM33,373,382 being the amount due and owing by BUSB to the Company and to be paid by DHSB to the Company and the repayment thereto to be guaranteed by KCB ("Proposed Novation"); and

(iii) Proposed Termination of the Shareholders Agreement dated 31 March 1997 made between KCB and the Company in relation to BUSB ("Proposed Termination")

(Collectively the "Proposals")

via the following agreements:

(i) a Settlement Agreement with KCB, DHSB and BUSB in respect of the Proposals;

(ii) a Share Sale and Purchase Agreement with KCB in respect of the Proposed Disposal;

(iii) a Novation Agreement with DHSB and BUSB in respect of the Proposed Novation;

(iv) a Corporate Guarantee with KCB whereby KCB guaranteed and secured the payment by DHSB to the Company under the Proposed Novation; and

(v) a Termination Deed with KCB in respect of the Proposed Termination.

With the completion of the Proposed Disposal, BUSB ceased to be a subsidiary of FACBII effective 7 October 2008.

B. Tan Sri Dr. Chen Lip Keong, Datuk Wan Kassim bin Ahmed, Mr Chen Yiy Hwuan, Mr Chen Yiy Fon and Mr Lim Mun Kee are directors of KCB whereas Puan Sri Lee Chou Sarn is the spouse of Tan Sri Dr. Chen Lip Keong. Mr Chen Yiy Hwuan and Mr Chen Yiy Fon are the sons of Tan Sri Dr. Chen Lip Keong and Puan Sri Lee Chou Sarn. Accordingly, these directors who are Directors of the Company are deemed interested in item (A) above.

There were no other material contracts entered into by the Company and its subsidiaries involving Directors' and substantial shareholders' interests other than as disclosed above.

13. REVALUATION POLICY

The Company does not have a policy of regular revaluation of its landed properties.

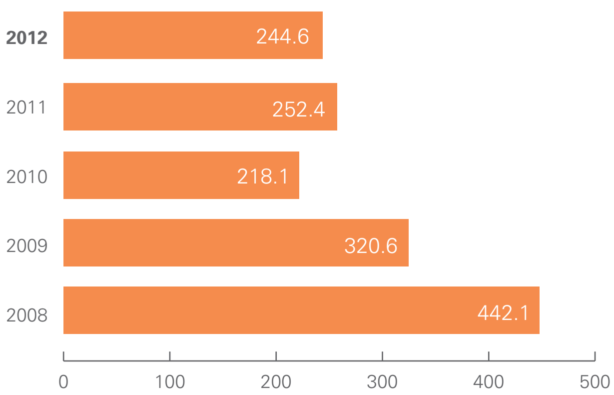
14. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE NATURE

There were no material recurrent related party transactions of a revenue nature during the year.

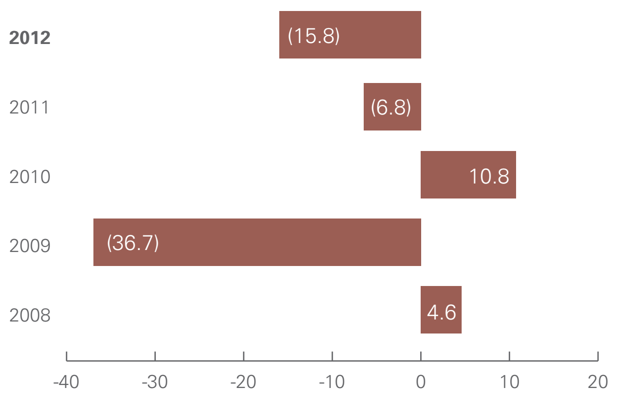
5 YEARS GROUP FINANCIAL HIGHLIGHTS

In RM'000	2008	2009	2010	2011	2012
Revenue from continuing operations	442,078	320,552	218,094	252,398	244,571
(Loss)/Profit from continuing operations before tax	3,433	(53,815)	16,748	(4,654)	(2,969)
Profit from discontinued operations before tax	2,005	201	-	-	-
(Loss)/Profit attributable to owners of the parent	4,647	(36,723)	10,764	(6,791)	(15,845)
Total assets	439,535	258,814	275,255	264,272	232,517
Equity attributable to owners of the parent	208,203	169,802	181,416	172,431	158,050
In RM					
Net assets per share	2.48	2.02	2.16	2.06	1.88
In Sen					
(Loss)/Earnings per share	5.54	(43.78)	12.83	(8.10)	(18.89)

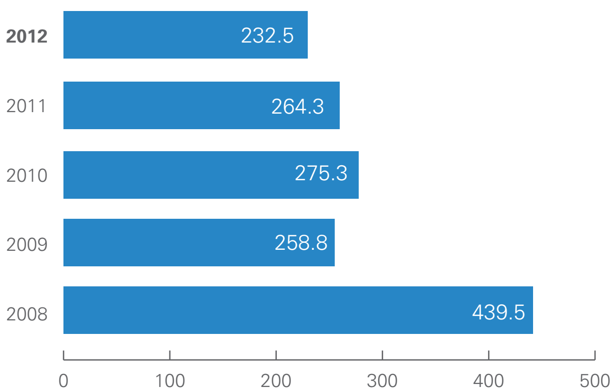
REVENUE FROM CONTINUING OPERATIONS
(RM'Million)



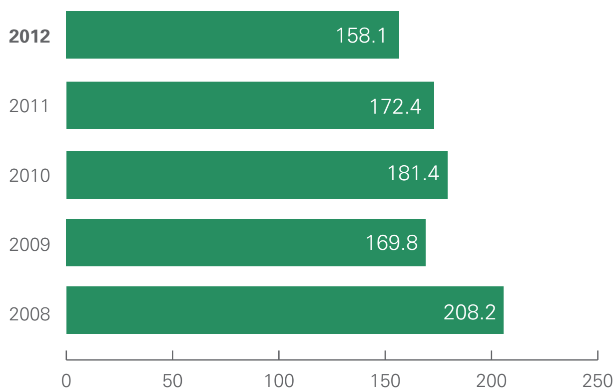
(LOSS)/PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT
(RM'Million)



TOTAL ASSETS
(RM'Million)



EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT
(RM'Million)



FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2012.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding and provision of management services. The principal activities of the subsidiaries are set out in Note 11 to the financial statements.

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

RESULTS

	Group RM	Company RM
Loss net of tax	**(12,739,354)**	**(3,586,816)**
Attributable to:-		
Owners of the parent	**(15,844,741)**	**(3,586,816)**
Non-controlling interests	**3,105,387**	**-**
	(12,739,354)	**(3,586,816)**

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The Directors do not recommend any dividend payment for the current financial year.

RESERVES AND PROVISIONS

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

BAD AND DOUBTFUL DEBTS

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that all known bad debts have been written off and that adequate provision had been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances which would render the amount written off as bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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 in respect of the Group or of the Company which has arisen since the end of the financial year.

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors:-

(i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

DIRECTORS' REPORT

ISSUE OF SHARES

During the financial year, no new issue of shares was made by the Company.

TREASURY SHARES

During the financial year, the Company did not repurchase any of its issued and fully paid ordinary shares.

As at 30 June 2012, the Company held as treasury shares a total of 1,279,700 of its 85,162,500 issued ordinary shares. Such treasury shares are held at a carrying amount of RM1,225,544 and are disclosed in Note 23 to the financial statements.

DIRECTORS OF THE COMPANY

The Directors in office since the date of the last report are:-

TAN SRI DATO' SULAIMAN BIN SUJAK
TAN SRI DR. CHEN LIP KEONG
PUAN SRI LEE CHOU SARN
DATO' DR. ABDUL RAZAK BIN ABDUL
DATUK WAN KASSIM BIN AHMED
CHEN YIY HWUAN
CHEN YIY FON
LIM MUN KEE

DIRECTORS' INTERESTS

According to the register of Directors' shareholding, the interests of the Directors in office as at the end of the financial year in the shares of the Company during the financial year were as follows:-

	Number of Ordinary Shares of RM1 Each			
	At 1.7.2011	Bought	Sold	**At 30.6.2012**
Direct Interest				
Tan Sri Dr. Chen Lip Keong	16,925,000	-	-	**16,925,000**
Puan Sri Lee Chou Sarn	505,493	-	-	**505,493**
Indirect Interest				
Tan Sri Dr. Chen Lip Keong*	505,493	-	-	**505,493**
Puan Sri Lee Chou Sarn*	16,925,000	-	-	**16,925,000**
Chen Yiy Hwuan**	17,430,493	-	-	**17,430,493**
Chen Yiy Fon**	17,430,493	-	-	**17,430,493**

* Deemed interested by virtue of the shares held by his/her spouse.

** Deemed interested by virtue of the shares held by their parents, i.e. Tan Sri Dr. Chen Lip Keong and Puan Sri Lee Chou Sarn.

DIRECTORS' INTERESTS (cont'd)

By virtue of their interests in the shares of the Company, the Directors as disclosed above are also deemed to have an interest in the shares of the subsidiaries to the extent of the shareholdings of the Company.

None of the other Directors held any shares whether directly or indirectly in the Company or its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than those disclosed as Directors' remuneration and benefits-in-kind in Note 6(a) to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has interest except as disclosed in Note 33 to the financial statements.

Neither during nor at the end of the financial year, was the Company a party to any arrangement whose object is to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSEQUENT EVENT

Details of significant events subsequent to the financial year end are disclosed in Note 39 to the financial statements.

AUDITORS

The auditors, Messrs. Moore Stephens AC, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 23 October 2012.

PUAN SRI LEE CHOU SARN **DATO' DR. ABDUL RAZAK BIN ABDUL**

STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Board, the accompanying financial statements as set out on pages 33 to 98, are drawn up in accordance with the 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 30 June 2012 and of their financial performance and cash flows for the financial year then ended.

The supplemental information set out on page 99 has been prepared 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 Malaysia Institute of Accountants and presented based on the format as prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with their resolution dated 23 October 2012.

PUAN SRI LEE CHOU SARN

DATO' DR. ABDUL RAZAK BIN ABDUL

STATUTORY DECLARATION

Pursuant to Section 169(16) of the Companies Act, 1965

I, Bong Shee Cheng, being the officer primarily responsible for the financial management of the Company, do solemnly and sincerely declare that the financial statements as set out on pages 33 to 98 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared at
Kuala Lumpur in the Federal Territory
on 23 October 2012

BONG SHEE CHENG

Before me

TENGKU FARIDDUDIN BIN TENGKU SULAIMAN (W533)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

to the members of FACB INDUSTRIES INCORPORATED BERHAD (Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of FACB Industries Incorporated Berhad, which comprise the statements of financial position as at 30 June 2012 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 33 to 98.

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 the Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal controls 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 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 controls relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the 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 30 June 2012 and of their financial performance and cash flows for the financial year then ended.

INDEPENDENT AUDITORS' REPORT

Report on Other Legal and Regulatory Requirements

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

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

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 11 to the financial statements.

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

(d) The auditors' reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

The supplementary information set out on page 99 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad ("Bursa Securities") and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information 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 Securities. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Securities.

Other Matters

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

MOORE STEPHENS AC
Chartered Accountants
AF 001826

LEE KONG WENG
2967/07/13 (J)
Chartered Accountant

Kuala Lumpur
23 October 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 30 June 2012

	Note	2012 RM	2011 RM
Revenue	4	**244,570,993**	252,397,926
Direct operating costs	5	**(228,951,956)**	(232,610,421)
Gross profit		**15,619,037**	19,787,505
Other operating income		**7,678,457**	4,314,936
Selling and distribution costs		**(8,931,208)**	(8,554,825)
Administrative costs		**(15,682,509)**	(14,611,789)
Other operating costs		**(626,226)**	(4,127,443)
Loss from operations		**(1,942,449)**	(3,191,616)
Finance costs		**(2,645,008)**	(2,520,121)
Share of results of associates		**1,618,613**	1,057,326
Loss before tax	6	**(2,968,844)**	(4,654,411)
Income tax (expense)/credit	7	**(9,770,510)**	540,889
Loss net of tax		**(12,739,354)**	(4,113,522)
Other comprehensive income:-			
Exchange differences on translation of foreign operations		**2,915,497**	(83,528)
Total comprehensive income		**(9,823,857)**	(4,197,050)
(Loss)/Profit attributable to:-			
Owners of the parent		**(15,844,741)**	(6,790,697)
Non-controlling interests		**3,105,387**	2,677,175
		(12,739,354)	(4,113,522)
Total comprehensive income attributable to:-			
Owners of the parent		**(14,380,783)**	(6,479,318)
Non-controlling interests		**4,556,926**	2,282,268
		(9,823,857)	(4,197,050)
Loss per share attributable to owners of the parent (sen per share)			
- Basic	8	**(18.89)**	(8.10)
- Diluted	8	**N/A**	N/A

N/A - Not Applicable

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2012

	Note	**2012** **RM**	2011 RM
ASSETS			
Non-current assets			
Property, plant and equipment	9	**52,190,548**	56,658,349
Capital work-in-progress	10	**-**	1,019,641
Associates	12	**17,696,310**	14,779,902
Other investments	13	**41,010**	41,010
Deferred tax assets	14	**395,000**	9,254,000
		70,322,868	81,752,902
Current assets			
Inventories	15	**60,429,535**	81,734,355
Trade receivables	16	**32,904,296**	44,871,424
Other receivables, deposits and prepayments	17	**2,838,184**	3,130,233
Tax assets	18	**1,131,354**	1,545,878
Amount owing by a related party	19	**34,516,451**	31,961,242
Amounts owing by associates	21	**5,261,817**	4,588,012
Deposits with licensed financial institutions	22	**17,850,333**	10,524,063
Cash and bank balances		**7,262,308**	4,163,926
		162,194,278	182,519,133
TOTAL ASSETS		**232,517,146**	264,272,035

	Note	2012 RM	2011 RM
EQUITY AND LIABILITIES			
Equity			
Share capital	23	**85,162,500**	85,162,500
Share premium	23	**28,989,335**	28,989,335
Treasury shares	23	**(1,225,544)**	(1,225,544)
Other reserves	24	**4,831,701**	3,337,686
Retained earnings		**40,291,814**	56,166,612
Equity attributable to owners of the parent		**158,049,806**	172,430,589
Non-controlling interests		**22,440,658**	19,325,242
Total equity		**180,490,464**	191,755,831
Liabilities			
Non-current liability			
Deferred tax liabilities	14	**1,672,000**	2,315,000
Current liabilities			
Trade payables	25	**8,039,180**	10,087,249
Other payables and accruals	26	**10,595,835**	10,619,112
Derivative liabilities	27	**98,622**	72,872
Bank borrowings	28	**31,180,149**	48,895,915
Tax liabilities		**440,896**	526,056
		50,354,682	70,201,204
Total liabilities		**52,026,682**	72,516,204
TOTAL EQUITY AND LIABILITIES		**232,517,146**	264,272,035

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2012

	← Non-Distributable			→	Distributable				
	Share Capital RM	Share Premium RM	Reserves of Subsidiaries* RM	Translation Reserve RM	Retained Earnings RM	Treasury Shares RM	Sub Total RM	Non-controlling Interests RM	Total Equity RM
Balance as at 1.7.2010									
As previously stated	85,162,500	28,989,335	272,153	2,740,646	65,477,122	(1,225,544)	181,416,212	18,740,685	200,156,897
Effect of adopting FRS 139	-	-	-	-	10,179	-	10,179	-	10,179
As restated	85,162,500	28,989,335	272,153	2,740,646	65,487,301	(1,225,544)	181,426,391	18,740,685	200,167,076
(Loss)/Profit net of tax	-	-	-	-	(6,790,697)	-	(6,790,697)	2,677,175	(4,113,522)
Other comprehensive income	-	-	-	311,379	-	-	311,379	(394,907)	(83,528)
Total comprehensive income	-	-	-	311,379	(6,790,697)	-	(6,479,318)	2,282,268	(4,197,050)
Transactions with owners									
Transfer	-	-	13,508	-	(13,508)	-	-	-	-
Dividends (Note 29)	-	-	-	-	(2,516,484)	-	(2,516,484)	-	(2,516,484)
Dividends to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	(1,697,711)	(1,697,711)
	-	-	13,508	-	(2,529,992)	-	(2,516,484)	(1,697,711)	(4,214,195)
Balance as at 30.6.2011	**85,162,500**	**28,989,335**	**285,661**	**3,052,025**	**56,166,612**	**(1,225,544)**	**172,430,589**	**19,325,242**	**191,755,831**
(Loss)/Profit net of tax	**-**	**-**	**-**	**-**	**(15,844,741)**	**-**	**(15,844,741)**	**3,105,387**	**(12,739,354)**
Other comprehensive income	**-**	**-**	**-**	**1,463,958**	**-**	**-**	**1,463,958**	**1,451,539**	**2,915,497**
Total comprehensive income	**-**	**-**	**-**	**1,463,958**	**(15,844,741)**	**-**	**(14,380,783)**	**4,556,926**	**(9,823,857)**
Transactions with owners									
Transfer	**-**	**-**	**30,057**	**-**	**(30,057)**	**-**	**-**	**-**	**-**
Dividends to non-controlling interests of subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,441,510)**	**(1,441,510)**
	-	**-**	**30,057**	**-**	**(30,057)**	**-**	**-**	**(1,441,510)**	**(1,441,510)**
Balance as at 30.6.2012	**85,162,500**	**28,989,335**	**315,718**	**4,515,983**	**40,291,814**	**(1,225,544)**	**158,049,806**	**22,440,658**	**180,490,464**

* The reserves of the subsidiaries incorporated in The People's Republic of China are maintained in accordance with the regulatory requirements and are not distributable as cash dividends.

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 30 June 2012

	2012 RM	2011 RM
Cash Flows from Operating Activities		
Loss before tax	**(2,968,844)**	(4,654,411)
Adjustments for:-		
Bad debts written off	**-**	424,327
Depreciation of property, plant and equipment	**4,922,719**	4,965,311
Impairment loss on interest in an associate	**-**	1,888,547
Impairment loss on trade receivables	**110,625**	418,497
Interest expense	**2,346,313**	2,160,244
Interest income	**(3,004,208)**	(2,750,854)
Inventories written off	**57,798**	4,640
Inventories written down	**3,485,012**	1,713,660
Gain on disposal of property, plant and equipment	**(2,513,375)**	(173,521)
Property, plant and equipment written off	**292,885**	578
Share of results of associates	**(1,618,613)**	(1,057,326)
Reversal of impairment loss on trade receivables	**(51,034)**	(212,663)
Reversal of inventories written down	**(33,830)**	(123,929)
Net fair value loss on derivative liabilities	**25,750**	83,051
Unrealised (gain)/loss on foreign exchange	**(585,269)**	1,176,503
Operating profit before working capital changes	**465,929**	3,862,654
Decrease/(Increase) in inventories	**17,991,926**	(10,417,678)
Decrease/(Increase) in receivables	**12,355,682**	(5,456,850)
Decrease in payables	**(2,342,464)**	(2,293,414)
Cash generated from/(used in) operations	**28,471,073**	(14,305,288)
Interest received	**449,062**	595,304
Income tax paid	**(1,497,125)**	(1,869,102)
Income tax refunded	**271,465**	762
Interest paid	**(2,346,313)**	(2,160,244)
Net cash from/(used in) operating activities	**25,348,162**	(17,738,568)

CONSOLIDATED STATEMENT OF CASH FLOWS
for the financial year ended 30 June 2012

	Note	2012 RM	2011 RM
Cash Flows from Investing Activities			
Dividend received from associates		**1,141,528**	552,434
Purchase of property, plant and equipment		**(596,322)**	(1,430,709)
Proceeds from disposal of property, plant and equipment		**3,471,056**	270,910
Capital work-in-progress incurred	10	**-**	(1,019,641)
Net cash from/(used in) investing activities		**4,016,262**	(1,627,006)
Cash Flows from Financing Activities			
Drawdown of trade financing facilities		**57,420,213**	60,331,074
Dividend paid	29	**-**	(2,516,484)
Payments of finance lease		**(18,332)**	(21,126)
Repayments of term loan		**(1,045,463)**	(1,984,587)
Repayments of trade financing facilities		**(74,072,184)**	(57,517,994)
Dividend paid to non-controlling interests by subsidiaries		**(1,530,162)**	(1,672,650)
Net cash used in financing activities		**(19,245,928)**	(3,381,767)
Net increase/(decrease) in cash and cash equivalents		**10,118,496**	(22,747,341)
Effect of exchange rate changes		**306,156**	(479,042)
Cash and cash equivalents at beginning of the financial year		**14,687,989**	37,914,372
Cash and cash equivalents at end of the financial year	30	**25,112,641**	14,687,989

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 30 June 2012

	Note	**2012** **RM**	2011 RM
Revenue	4	**714,000**	929,250
Other operating income		**2,568,087**	2,341,256
Administrative costs		**(685,683)**	(621,909)
Other operating costs		**(6,131,220)**	(2,293)
(Loss)/Profit before tax	6	**(3,534,816)**	2,646,304
Income tax expense	7	**(52,000)**	(503,141)
(Loss)/Profit net of tax, representing total comprehensive income		**(3,586,816)**	2,143,163

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

STATEMENT OF FINANCIAL POSITION

as at 30 June 2012

	Note	2012 RM	2011 RM
ASSETS			
Non-current assets			
Property, plant and equipment	9	**230**	2,467
Subsidiaries	11	**92,612,797**	29,070,022
Other investments	13	**41,010**	41,010
		92,654,037	29,113,499
Current assets			
Other receivables, deposits and prepayments	17	**169,391**	115,068
Tax assets	18	**93,659**	-
Amount owing by a related party	19	**34,516,451**	31,961,242
Amounts owing by subsidiaries	20	**3,579,035**	76,663,626
Deposits with licensed financial institutions	22	**7,683,964**	902,408
Cash and bank balances		**116,535**	49,584
		46,159,035	109,691,928
TOTAL ASSETS		**138,813,072**	138,805,427
EQUITY AND LIABILITIES			
Equity			
Share capital	23	**85,162,500**	85,162,500
Share premium	23	**28,989,335**	28,989,335
Treasury shares	23	**(1,225,544)**	(1,225,544)
Retained earnings		**17,276,615**	20,863,431
Total equity		**130,202,906**	133,789,722
Liabilities			
Current liabilities			
Other payables and accruals	26	**259,475**	254,592
Amounts owing to subsidiaries	20	**8,350,691**	4,631,979
Tax liabilities		**-**	129,134
		8,610,166	5,015,705
TOTAL EQUITY AND LIABILITIES		**138,813,072**	138,805,427

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2012

	Share Capital RM	Non-Distributable Share Premium RM	Distributable Retained Earnings RM	Treasury Shares RM	Total Equity RM
Balance as at 1.7.2010	85,162,500	28,989,335	21,236,752	(1,225,544)	134,163,043
Total comprehensive income	-	-	2,143,163	-	2,143,163
Dividends (Note 29)	-	-	(2,516,484)	-	(2,516,484)
Balance as at 30.6.2011	**85,162,500**	**28,989,335**	**20,863,431**	**(1,225,544)**	**133,789,722**
Total comprehensive income	**-**	**-**	**(3,586,816)**	**-**	**(3,586,816)**
Balance as at 30.6.2012	**85,162,500**	**28,989,335**	**17,276,615**	**(1,225,544)**	**130,202,906**

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

STATEMENT OF CASH FLOWS

for the financial year ended 30 June 2012

	Note	2012 RM	2011 RM
Cash Flows from Operating Activities			
(Loss)/Profit before tax		**(3,534,816)**	2,646,304
Adjustments for:-			
Depreciation of property, plant and equipment		**2,205**	5,265
Impairment loss on amount owing by a subsidiary		**6,130,943**	-
Interest income		**(2,556,915)**	(2,334,443)
Property, plant and equipment written off		**32**	-
Unrealised (gain)/loss on foreign exchange		**(2,145)**	611
Operating profit before working capital changes		**39,304**	317,737
Increase in receivables		**(54,634)**	-
Increase/(Decrease) in payables		**4,883**	(326,195)
Cash used in operations		**(10,447)**	(8,458)
Interest received		**2,017**	178,828
Income tax paid		**(274,793)**	(531,507)
Net cash used in operating activities		**(283,223)**	(361,137)
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		**-**	(140)
Repayments from/(Advances to) subsidiaries		**3,410,873**	(13,733,185)
Net cash from/(used in) investing activities		**3,410,873**	(13,733,325)
Cash Flows from Financing Activities			
Advances from subsidiaries		**3,718,712**	515,754
Dividends paid	29	**-**	(2,516,484)
Net cash from/(used in) financing activities		**3,718,712**	(2,000,730)
Net increase/(decrease) in cash and cash equivalents		**6,846,362**	(16,095,192)
Effect of exchange rate changes		**2,145**	(611)
Cash and cash equivalents at beginning of the financial year		**951,992**	17,047,795
Cash and cash equivalents at end of the financial year	30	**7,800,499**	951,992

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012

1. CORPORATE INFORMATION

The Company is a public limited company, incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office and principal place of business is located at Etiqa Twins, Tower 1, Level 13, 11 Jalan Pinang, 50450 Kuala Lumpur.

The Company is principally engaged in investment holding and provision of management services. The principal activities of the subsidiaries are set out in Note 11. There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue in accordance with the Board of Directors' resolution dated 23 October 2012.

2. BASIS OF PREPARATION

(a) Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with the Financial Reporting Standards ("FRSs") issued by the Malaysian Accounting Standards Board ("MASB") and complied with the provisions of the Companies Act, 1965.

New and revised FRSs, Amendments to FRSs, Issues Committee ("IC") Interpretations and Technical Release ("TR") adopted

At the beginning of the current financial year, the Group and the Company adopted new and revised FRSs, Amendments to FRSs, IC Interpretations and TR as follows:-

Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters (Amendment to FRS 1)
Additional Exemptions for First-time Adopters (Amendments to FRS 1)
Group Cash-settled Share-based Payment Transactions (Amendments to FRS 2)
Improving Disclosures about Financial Instruments (Amendments to FRS 7)
Amendments to FRSs contained in the document entitled "Improvements to FRSs (2010)"
IC Interpretation 4 Determining Whether an Arrangement contains a Lease
Prepayments of a Minimum Funding Requirement (Amendments to IC Interpretation 14)
IC Interpretation 18 Transfers of Assets from Customers
IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments
TR i-4 Shariah Compliant Sale Contracts

The adoption of the above FRSs, Amendments to FRSs, IC Interpretations and TR does not have any effect on the financial statements of the Group and of the Company except for those discussed below.

2. BASIS OF PREPARATION (cont'd)

(a) Statement of Compliance (cont'd)

New and revised FRSs, Amendments to FRSs, Issues Committee ("IC") Interpretations and Technical Release ("TR") adopted (cont'd)

Improving Disclosures about Financial Instruments (Amendments to FRS 7)

The amendments to FRS 7 expand the disclosures required in respect of fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. The amendment to FRS 7 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:-

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
(ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
(iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

In addition, reconciliation between the beginning and ending balance for Level 3 fair value measurements is required. Any significant transfers between Level 1 and Level 2 fair value measurements and the reasons for those transfers need to be disclosed. The amendment affects disclosure only and has no impact on the Group's and the Company's financial position or performance. The fair value measurement disclosures are presented in Note 38.

Amendments to FRS 101 [Improvements to FRSs (2010)]

The amendment clarifies that an entity shall present an analysis of other comprehensive income for each components of equity, either in the statement of changes in equity or in the notes to the financial statements. There is no financial impact on the financial statements of the Group and the Company for the current financial year other than the presentation of statement of changes in equity.

MFRS Framework issued but not yet effective

On 19 November 2011, MASB issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS Framework") in conjunction with the MASB's plan to converge with International Financial Reporting Standards ("IFRS") in 2012. The MFRS Framework comprises Standards as issued by the International Accounting Standards Board ("IASB") that are effective on 1 January 2012 and new/revised Standards that will be effective after 1 January 2012.

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

As such, the Group and the Company will present their first financial statements using the MFRS Framework for the financial year ending 30 June 2013. In presenting their first MFRS financial statements, the Group and the Company may be required to restate the comparative financial statements to amounts reflecting the application of the MFRS Framework.

The Group and the Company are currently in the process of determining the financial impact arising from the adoption of the MFRS Framework.

2. BASIS OF PREPARATION (cont'd)

(b) Basis of Measurement

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policy notes.

(c) Functional and Presentation Currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements of the Group and of the Company are presented in Ringgit Malaysia (RM) which is also the Company's functional currency. All financial information presented in RM has been rounded to the nearest RM, unless otherwise stated.

(d) Significant Accounting Estimates and Judgements

The preparation of financial statements of the Group and of the Company requires management to make assumptions, estimates and judgements that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Assumptions and estimates are reviewed on an ongoing basis and are recognised in the period in which the assumption or estimate is revised.

Significant areas of estimation, uncertainty and critical judgements used in applying accounting principles that have significant effect on the amount recognised in the financial statements are as follows:-

(i) Testing for impairment of property, plant and equipment (Note 9) - The measurement of the recoverable amount of cash generating units are determined based on the value in use and resale value;

(ii) Depreciation of property, plant and equipment (Note 9) - The cost of property, plant and equipment is depreciated on a straight line method over the assets useful lives. Management estimates the useful lives of property, plant and equipment to be within 3 to 50 years. These are common life expectancies applied generally. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised;

(iii) Impairment loss on amount owing by a related party (Note 19) - The Company announced on 7 October 2011 that the related party is currently in discussion and joint consultation with the Company to vary the terms of the settlement. The Directors are aware of the corporate restructuring and fund raising exercise to be undertaken by the related party to generate sufficient cash flow to repay its debts. As such, the Directors are of the view that the amount owing is recoverable. When the expectation is different from the original estimate, such difference will impact the carrying value of amount owing by the related party at the reporting date;

(iv) Impairment loss on trade receivables (Note 16) - The Group assesses at each reporting date whether there is any objective evidence that a receivable is impaired. Allowances for impairment are applied where events or changes in circumstances indicate that the balances may not be collectable. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables at the reporting date;

(v) Write down in inventories (Note 15) - Reviews are made periodically by management on sale ability, damaged, obsolete and slow moving inventories. The review involves comparison of the carrying value of the inventory items with their respective net realisable value. Where circumstances previously caused inventories to be written down no longer exist, the amount of write down is reversed. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the carrying value of inventories;

2. BASIS OF PREPARATION (cont'd)

(d) Significant Accounting Estimates and Judgements (cont'd)

(vi) Deferred tax assets (Note 14) - It is recognised for all unutilised tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the unutilised tax losses and unabsorbed capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax asset that can be recognised, based on the future financial performance of the Group;

(vii) Income tax expense (Note 7) - Significant judgement is required in determining the deductibility of certain expenses when estimating the provision for income tax expense. There were transactions during the ordinary course of business for which the ultimate income tax determination of whether additional income taxes will be due is uncertain. The Company recognises liabilities for income tax based on estimates of assessment of the income tax liability due. Where the final income tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax in the periods in which the outcome is known, and

(viii) Impairment of subsidiaries (Note 11) - The management determines whether the carrying amounts of its subsidiaries are impaired at reporting date. This involves measuring the recoverable amounts which includes fair value less costs to sell or/and value in use, which require judgement and estimate.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries which are disclosed in Note 11 made up to the end of the financial year.

All intra-group balances, transactions and resulting unrealised profits or losses are eliminated on consolidation and the consolidated financial statements reflect external transactions only.

The results of the subsidiaries acquired or disposed during the financial year are included in the consolidated financial statements based on the acquisition method from the effective date of acquisition or up to the effective date of disposal respectively. The assets, liabilities and contingent liabilities assumed from a subsidiary are measured at their fair values at the date of acquisition and these values are reflected in the consolidated financial statements. Any cost directly attributable to the acquisition is recognised immediately to profit or loss.

Where the present ownership interests in the acquiree entitles the holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects for each individual business combination, whether non-controlling interest in the acquisition is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any cost directly attributable to the business combination. Any excess of the cost of the acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in the profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Transaction with Non-controlling Interest

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributable to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

The Group has applied the revised FRS127 prospectively on 1 July 2010 in accordance with the transitional provisions. Accordingly, transactions with non-controlling interests prior to the respective effective date have not been restated to comply with the Standard.

(c) Subsidiary

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

Investment in subsidiaries, which are eliminated on consolidation, are stated at cost less accumulated impairment losses, if any, in the Company's financial statements. An impairment loss is recognised when there is impairment in the value of the investments determined on an individual basis and is charged to the profit or loss as an expense. The difference between net disposal proceeds and its carrying amount is charged or credited to profit or loss upon disposal of the investment.

(d) Associate

An associate is defined as a company, not being a subsidiary, in which the Group has a long term equity interest and where it exercises significant influence over the financial and operating policies of the associate.

Investment in associates are stated at cost less accumulated impairment losses, if any, in the Group's financial statements.

The Group's investment in associates are stated at cost plus adjustments for post-acquisition changes in the Group's share of net assets of the associates. The Group's share of post-acquisition results of the associates is accounted for using the equity method of accounting.

The Group's share of post-acquisition losses is restricted to the carrying value of the investment in associates. Should the associates subsequently reports profits, the Group will only resume to recognise its share of profits after its share of profits equals to its share of losses previously not recognised.

On disposal of such investment, the difference between net disposal proceeds and its carrying amount is included in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Foreign Currencies

i. Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing on the reporting date. Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period in which they arise. Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date on which the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operation, at which time they are recognised in profit or loss.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

ii. Foreign Operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:-

(i) Assets and liabilities for each reporting date presented are translated at the closing rate prevailing at the reporting date;
(ii) Income and expenses are translated at average exchange rates for the financial year, which approximates the exchange rates at the dates of the transactions; and
(iii) All resulting exchange differences are taken to other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition.

(f) Income Tax Expense

Income tax expense in the profit or loss represents the aggregate amount of current and deferred tax. Current income tax is the expected amount payable in respect of taxable income for the financial year, using income tax rates enacted or substantially enacted by the reporting date, and any adjustments recognised in the financial year for prior financial year's income tax. When an item is recognised outside profit or loss, the related income tax effect is recognised either in other comprehensive income or directly in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Income Tax Expense (cont'd)

Deferred tax is recognised, using the liability method, on all temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognised if the temporary difference arises from goodwill or from the initial recognition of an asset or liability in a transaction, which is not a business combination and at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is measured at the income tax rates that are expected to apply in the period in which the assets are realised or the liabilities are settled, based on income tax rates and tax laws that have been enacted or substantially enacted by the reporting date.

Deferred tax assets are recognised only to the extent that there are sufficient taxable temporary differences relating to the same taxable entity and the same taxation authority to offset or when it is probable that future taxable profits will be available against which the assets can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related income tax benefits will be realised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will be available for the assets to be utilised.

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

(g) Employee Benefits

i. Short Term Benefits

Wages, salaries and bonuses are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group and of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

ii. Defined Contribution Plan

As required by law, companies in Malaysia and The People's Republic of China make contribution to the state pension scheme. Such contribution is recognised as an expense in the statement of comprehensive income when incurred.

iii. Termination Benefits

Termination benefits are recognised as a liability and an expense when the Group is committed to terminate the employment of current employees without possibility of withdrawal.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Revenue Recognition

i. Goods Sold

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

ii. Rental Income

Rental income is recognised on accrual basis.

iii. Services

Revenue from services is recognised as and when services are performed.

iv. Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

v. Dividend Revenue

Dividend revenue is recognised when the rights to receive payment is established.

(i) Borrowing Costs

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

(j) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost or at valuation less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that are directly attributable to the acquisition of the asset. Subsequent costs are included in the assets' carrying amount or recognised as separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

Depreciation on property, plant and equipment is calculated on the straight line method to write off the cost or revalued amount of the property, plant and equipment over their estimated useful lives.

The principal annual rates used for this purpose are:-

Leasehold land	Over lease periods ranging from 50 - 99 years
Buildings	2%
Plant and machinery	9% - 20%
Office equipment, furniture, fittings, renovations and motor vehicles	9% - 33⅓%

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Property, Plant and Equipment and Depreciation (cont'd)

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the profit or loss.

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

Leasehold land and buildings stated at valuation are based on a valuation by professional valuers on an open market basis. The Directors do not adopt a policy of regular revaluation of such properties.

The valuations of the leasehold land and buildings have not been updated and continue to be stated at their last revalued amount less accumulated depreciation and accumulated impairment losses, if any. This is in accordance with the transitional provisions issued by MASB on adoption of International Accounting Standard No. 16 (Revised) on Property, Plant and Equipment.

(k) Financial Assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

i. Financial Assets at Fair Value through Profit or Loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Financial Assets (cont'd)

ii. Loans and Receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

The Group and the Company classify the following financial assets as loans and receivables:-

- Cash and cash equivalents; and
- Trade and other receivables include deposits, amounts owing by a related party, subsidiaries and associates.

iii. Available-for-sale Financial Assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in financial assets at fair value through profit or loss or loans and receivables.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

The Group and the Company classify its investment in unquoted shares as available-for-sale financial assets.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases and sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group and the Company commit to purchase or sell the asset.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Fair Value Estimation of Unquoted Equity Securities

The fair value of unquoted equity securities that are not traded in an active market are determined by using variety of methods and makes assumptions based on market conditions existing at each reporting date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analysis, are also used to determine the fair value of securities. However, if the probabilities of various estimates cannot be reasonably measured, the Company is precluded from measuring the instruments at fair value, and the financial instruments are measured at cost.

(m) Capital Work-In-Progress

Capital work-in-progress consists of expenditure incurred on construction of property, plant and equipment which take a substantial period of time to be ready for their intended use.

This expenditure is stated at cost and no depreciation is provided. Upon completion of construction, the cost will be transferred to property, plant and equipment.

(n) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of raw materials, spare parts and consumables are determined on the weighted average basis. Cost of finished goods and work-in-progress include the cost of raw materials, direct labour and appropriate production overheads, determined on first-in first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

(o) Impairment of Non-Financial Assets

The carrying amounts of non-financial assets other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of fair value less cost to sell and the value in use, which is measured by reference to the discounted future cash flows and is determined on an individual asset basis, unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash generating unit to which the asset belongs to. An impairment loss is recognised whenever the carrying amount of an item of asset exceeds its recoverable amount.

An impairment loss is recognised as an expense in the profit or loss. However, an impairment loss on a revalued asset will be treated as a revaluation deficit to the extent that the loss does not exceed the amount held in revaluation reserve in respect of the same asset.

Any subsequent increase in recoverable amount of an asset, other than goodwill, due to a reversal of impairment loss is restricted to the carrying amount that would have been determined (net of accumulated depreciation, where applicable) had no impairment loss been recognised in prior financial years. The reversal of impairment loss is recognised as income in the profit or loss. However, the reversal of impairment loss on a revalued asset will be treated as revaluation surplus to the extent that the reversal does not exceed the amount previously held in revaluation reserve of the same asset.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) Impairment of Financial Assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

i. Trade and Other Receivables and Other Financial Assets Carried at Amortised Cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

ii. Unquoted Equity Securities Carried at Cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

iii. Available-for-sale Financial Assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(q) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

(r) Share Capital

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(s) Leases

i. Finance Lease

Assets acquired by way of hire purchase or finance lease where the Group assumes substantially all the benefits and risks of ownership are classified as property, plant and equipment.

Finance lease is capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a periodic constant rate of interest on the remaining balance. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to the profit or loss over the lease period.

Property, plant and equipment acquired under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

ii. Operating Leases

Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the term of the relevant lease.

(t) Financial Liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

i. Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(t) Financial Liabilities (cont'd)

ii. Other Financial Liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(u) Treasury Shares

When issued shares of the Company are repurchased, the consideration paid, including any attributable transaction costs is presented as a change in equity. Repurchased shares that have not been cancelled are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in the profit or loss on the sale, re-issuance or cancellation of treasury shares. When treasury shares are re-issued by resale, the difference between the sales consideration and the carrying amount of the treasury shares is shown as a movement in equity.

(v) Segment Reporting

An operating segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker and Group's board of directors who are responsible for allocating resources and assessing performance of the operating segments.

(w) Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(x) Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Company, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimated of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

4. REVENUE

	Group		Company	
	2012	2011	**2012**	2011
	RM	RM	**RM**	RM
Sale of goods	**244,570,993**	252,397,926	**-**	-
Dividend revenue from a subsidiary	**-**	-	**714,000**	929,250
	244,570,993	252,397,926	**714,000**	929,250

5. DIRECT OPERATING COSTS

	Group	
	2012	2011
	RM	RM
Costs of goods sold	**228,868,067**	232,530,754
Others	**83,889**	79,667
	228,951,956	232,610,421

Included in costs of goods sold of the Group is write down of inventories to net realisable value amounting to RM3,485,012 (2011: RM1,713,660) and reversal of write down of inventories of RM33,830 (2011: RM123,929).

6. (LOSS)/PROFIT BEFORE TAX

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

(a) Directors' remuneration

Executive Directors

Tan Sri Dr. Chen Lip Keong
Puan Sri Lee Chou Sarn
Chen Yiy Hwuan
Chen Yiy Fon

Non-Executive Directors

Tan Sri Dato' Sulaiman bin Sujak
Dato' Dr. Abdul Razak bin Abdul
Datuk Wan Kassim bin Ahmed
Lim Mun Kee

	Group		Company	
	2012	2011	**2012**	2011
	RM	RM	**RM**	RM
Directors' fees				
- Non-Executive Directors	**284,400**	284,400	**284,400**	284,400
Other emoluments consist of salary, bonus, employees provident fund and allowances				
- Executive Directors	**933,864**	1,003,960	**-**	-

The estimated monetary value of benefits-in-kind of the Group received by Directors of the Company are RM44,616 (2011: RM43,077).

6. (LOSS)/PROFIT BEFORE TAX (cont'd)

(Loss)/Profit before tax is arrived at after charging/(crediting):- (cont'd)

(b) Other items

	Group		Company	
	2012	2011	**2012**	2011
	RM	RM	**RM**	RM
Auditors' remuneration	**184,838**	192,108	**18,000**	16,500
Bad debts written off	**-**	424,327	**-**	-
Depreciation of property, plant and equipment	**4,922,719**	4,965,311	**2,205**	5,265
Impairment loss on interest in an associate	**-**	1,888,547	**-**	-
Impairment loss on amount owing by a subsidiary	**-**	-	**6,130,943**	-
Impairment loss on trade receivables	**110,625**	418,497	**-**	-
Interest expense	**2,346,313**	2,160,244	**-**	-
Inventories written off	**57,798**	4,640	**-**	-
Inventories written down	**3,485,012**	1,713,660	**-**	-
Net (gain)/loss on foreign exchange				
- realised	**(225,869)**	43,891	**-**	-
- unrealised	**(585,269)**	1,176,503	**(2,145)**	611
Property, plant and equipment written off	**292,885**	578	**32**	-
Net fair value loss on derivative liabilities	**25,750**	83,051	**-**	-
Rental expenses				
- equipment	**21,600**	22,300	**-**	-
- premises	**1,122,477**	1,104,990	**16,825**	15,900
Personnel expenses (include key management personnel)				
- Defined contribution plan	**2,042,261**	2,053,364	**4,869**	4,833
- Wages, salaries and others	**24,096,239**	22,938,369	**43,247**	38,765
- Compensation for loss of employment	**849,792**	-	**-**	-
Gain on disposal of property, plant and equipment	**(2,513,375)**	(173,521)	**-**	-
Reversal of impairment loss on trade receivables	**(51,034)**	(212,663)	**-**	-
Interest income				
- related party	**(2,555,209)**	(2,175,804)	**(2,555,209)**	(2,175,804)
- others	**(448,999)**	(575,050)	**(1,706)**	(158,639)
Bad debts recovered	**(49,469)**	-	**-**	-
Settlement of infringement of trademark	**(75,000)**	-	**-**	-
Reversal of inventories written down	**(33,830)**	(123,929)	**-**	-

7. INCOME TAX (EXPENSE)/CREDIT

	Group		Company	
	2012	2011	**2012**	2011
	RM	RM	**RM**	RM
Current tax :				
Current financial year				
- Malaysia	**1,806,933**	1,192,216	**566,000**	514,000
- Foreign	**278,698**	218,526	**-**	-
(Over)/Underprovision in prior financial year				
- Malaysia	**(564,480)**	(111,652)	**(514,000)**	(10,859)
- Foreign	**33,359**	2,021	**-**	-
	1,554,510	1,301,111	**52,000**	503,141
Deferred tax (Note 14) :				
Origination and reversal of temporary differences	**7,864,606**	(1,844,302)	**-**	-
Underprovision in prior financial year	**351,394**	2,302	**-**	-
	8,216,000	(1,842,000)	**-**	-
Income tax expense/(credit)	**9,770,510**	(540,889)	**52,000**	503,141

The reconciliation from the tax amount at statutory income tax rate to the Group's and the Company's income tax expense/(credit) are as follows:-

	Group		Company	
	2012	2011	**2012**	2011
	RM	RM	**RM**	RM
(Loss)/Profit before tax	**(2,968,844)**	(4,654,411)	**(3,534,816)**	2,646,304
Tax at the Malaysian statutory income tax rate at 25%	**(742,200)**	(1,163,600)	**(883,700)**	661,600
Effect of different income tax rate in foreign jurisdiction	**900**	2,300	**-**	-
Tax effect of non-taxable income	**(502,900)**	(61,700)	**(179,000)**	(232,300)
Tax effect of non-deductible expenses	**374,323**	1,186,265	**1,628,700**	84,700
Share of results of associates	**(404,600)**	(264,300)	**-**	-
Double deduction incentives	**(30,600)**	(29,200)	**-**	-
Balance carried down	**(1,305,077)**	(330,235)	**566,000**	514,000

7. INCOME TAX (EXPENSE)/CREDIT (cont'd)

The reconciliation from the tax amount at statutory income tax rate to the Group's and the Company's income tax expense/(credit) are as follows:- (cont'd)

	Group		Company	
	2012	2011	**2012**	2011
	RM	RM	**RM**	RM
Balance brought down	**(1,305,077)**	(330,235)	**566,000**	514,000
Deferred tax assets not recognised during the financial year	**2,586,000**	-	**-**	-
Utilisation of deferred tax assets previously not recognised	**(17,900)**	(106,100)	**-**	-
Withholding tax in a foreign jurisdiction	**133,268**	2,556	**-**	-
Reversal of deferred tax assets	**8,554,000**	-	**-**	-
Underprovision of deferred tax in prior financial year	**351,394**	2,302	**-**	-
Overprovision of current tax expense in prior financial year	**(531,121)**	(109,631)	**(514,000)**	(10,859)
Others	**(54)**	219	**-**	-
Income tax expense/(credit)	**9,770,510**	(540,889)	**52,000**	503,141

The Company had a tax saving of RM517,000 against the income tax expense in the previous financial year arising from the utilisation of income tax losses under group relief.

The Company has tax exempt income available for distribution by way of tax exempt dividend of approximately RM10,254,000 (2011: RM10,254,000).

The Company has estimated unabsorbed capital allowances of approximately RM205,600 (2011: RM205,600) available to be carried forward to set-off against future taxable profits.

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct income tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from income tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance as at 30 June 2012 and 2011 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 30 June 2012, the Company has sufficient credit in the 108 balance to pay franked dividends amounting to RM11,364,000 (2011: RM11,364,000) out of its retained earnings. If the balance of the retained earnings of RM5,912,000 (2011: RM9,499,000) were to be distributed as dividends, the Company may distribute such dividend under the single tier system or out of tax exempt income.

8. LOSS PER SHARE

Basic loss per share

Loss per share is calculated based on the Group's loss net of tax attributable to owners of the parent of RM15,844,741 (2011: RM6,790,697) and on the number of ordinary shares in issue during the financial year of 83,882,800 (2011: 83,882,800).

Diluted loss per share

As at 30 June 2012, the Group has no dilutive potential ordinary shares. As such, there is no dilutive effect on the loss per share of the Group for the current financial year.

9. PROPERTY, PLANT AND EQUIPMENT

	Long term Leasehold Land	Short term Leasehold Land	Buildings	Plant & Machinery	Office Equipment, Furniture, Fittings, Renovations & Motor Vehicles	Total
	RM	RM	RM	RM	RM	RM
Group						
Cost/Valuation						
At 1.7.2011	**18,110,267**	**1,300,000**	**38,871,164**	**97,692,849**	**9,075,812**	**165,050,092**
Additions	**-**	**-**	**-**	**497,042**	**99,280**	**596,322**
Disposals	**-**	**-**	**-**	**(21,003,951)**	**(241,246)**	**(21,245,197)**
Transfer from capital work-in-progress (Note 10)	**-**	**-**	**-**	**1,019,641**	**-**	**1,019,641**
Written off	**-**	**-**	**-**	**(159,557)**	**(1,612,522)**	**(1,772,079)**
Exchange differences	**-**	**-**	**-**	**186,391**	**35,903**	**222,294**
At 30.6.2012	**18,110,267**	**1,300,000**	**38,871,164**	**78,232,415**	**7,357,227**	**143,871,073**

9. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Long term Leasehold Land RM	Short term Leasehold Land RM	Buildings RM	Plant & Machinery RM	Office Equipment, Furniture, Fittings, Renovations & Motor Vehicles RM	Total RM
Group						
Accumulated Depreciation						
At 1.7.2011	**3,522,417**	**503,990**	**14,870,827**	**82,100,827**	**7,393,682**	**108,391,743**
Charge for the financial year	**182,932**	**25,771**	**777,424**	**3,420,089**	**516,503**	**4,922,719**
Disposals	**-**	**-**	**-**	**(20,132,643)**	**(154,873)**	**(20,287,516)**
Written off	**-**	**-**	**-**	**(100,246)**	**(1,378,948)**	**(1,479,194)**
Exchange differences	**-**	**-**	**-**	**103,603**	**29,170**	**132,773**
At 30.6.2012	**3,705,349**	**529,761**	**15,648,251**	**65,391,630**	**6,405,534**	**91,680,525**
Net Carrying Amount						
At 30.6.2012	**14,404,918**	**770,239**	**23,222,913**	**12,840,785**	**951,693**	**52,190,548**
Cost/Valuation						
At 1.7.2010 (previously stated)	-	-	38,871,164	99,727,664	9,024,222	147,623,050
Effects of adopting Amendments to FRS 117	18,110,267	1,300,000	-	-	-	19,410,267
At 1.7.2010 (restated)	18,110,267	1,300,000	38,871,164	99,727,664	9,024,222	167,033,317
Additions	-	-	-	957,809	472,900	1,430,709
Disposals	-	-	-	(2,425,356)	(201,768)	(2,627,124)
Transfer from capital work-in-progress (Note 10)	-	-	-	14,250	-	14,250
Written off	-	-	-	(47,385)	(112,430)	(159,815)
Exchange differences	-	-	-	(534,133)	(107,112)	(641,245)
At 30.6.2011	18,110,267	1,300,000	38,871,164	97,692,849	9,075,812	165,050,092

9. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Long term Leasehold Land RM	Short term Leasehold Land RM	Buildings RM	Plant & Machinery RM	Office Equipment, Furniture, Fittings, Renovations & Motor Vehicles RM	Total RM
Group						
Accumulated Depreciation						
At 1.7.2010 (previously stated)	-	-	14,093,404	80,918,409	7,125,448	102,137,261
Effects of adopting Amendments to FRS 117	3,339,485	478,220	-	-	-	3,817,705
At 1.7.2010 (restated)	3,339,485	478,220	14,093,404	80,918,409	7,125,448	105,954,966
Charge for the financial year	182,932	25,770	777,423	3,410,908	568,278	4,965,311
Disposals	-	-	-	(1,883,965)	(116,586)	(2,000,551)
Written off	-	-	-	(47,337)	(111,900)	(159,237)
Exchange differences	-	-	-	(297,188)	(71,558)	(368,746)
At 30.6.2011	3,522,417	503,990	14,870,827	82,100,827	7,393,682	108,391,743
Accumulated Impairment Losses						
At 1.7.2010	-	-	-	529,184	-	529,184
Disposal	-	-	-	(529,184)	-	(529,184)
At 30.6.2011	-	-	-	-	-	-
Net Carrying Amount						
At 30.6.2011	14,587,850	796,010	24,000,337	15,592,022	1,682,130	56,658,349

The short term leasehold land of the Group has an unexpired lease period of less than 50 years whereas the long term leasehold land of the Group has an unexpired lease period of more than 50 years. The leasehold land of the Group were revalued in 1991 and 1992 by independent professional valuers to reflect the market value on existing use basis.

9. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Long term Leasehold Land RM	Short term Leasehold Land RM	Buildings RM	Plant & Machinery RM	Office Equipment, Furniture, Fittings, Renovations & Motor Vehicles RM	Total RM
Group						
2012						
Cost/Valuation						
At valuation	**17,550,000**	**1,300,000**	**27,290,000**	**-**	**-**	**46,140,000**
At cost	**560,267**	**-**	**11,581,164**	**78,232,415**	**7,357,227**	**97,731,073**
	18,110,267	**1,300,000**	**38,871,164**	**78,232,415**	**7,357,227**	**143,871,073**
Net Carrying Amount						
At valuation	**13,919,411**	**770,239**	**16,016,148**	**-**	**-**	**30,705,798**
At cost	**485,507**	**-**	**7,206,765**	**12,840,785**	**951,693**	**21,484,750**
	14,404,918	**770,239**	**23,222,913**	**12,840,785**	**951,693**	**52,190,548**
2011						
Cost/Valuation						
At valuation	17,550,000	1,300,000	27,290,000	-	-	46,140,000
At cost	560,267	-	11,581,164	97,692,849	9,075,812	118,910,092
	18,110,267	1,300,000	38,871,164	97,692,849	9,075,812	165,050,092
Net Carrying Amount						
At valuation	14,096,683	796,010	16,561,949	-	-	31,454,642
At cost	491,167	-	7,438,388	15,592,022	1,682,130	25,203,707
	14,587,850	796,010	24,000,337	15,592,022	1,682,130	56,658,349

9. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Office Equipment RM	Renovation RM	Furniture & Fittings RM	Motor Vehicle RM	Total RM
Company					
Cost					
At 1.7.2011	**71,041**	**190,182**	**141,811**	**588,000**	**991,034**
Written off	**(47,901)**	**-**	**(130)**	**-**	**(48,031)**
At 30.6.2012	**23,140**	**190,182**	**141,681**	**588,000**	**943,003**
Accumulated Depreciation					
At 1.7.2011	**71,020**	**188,407**	**141,141**	**587,999**	**988,567**
Charge for the financial year	**-**	**1,735**	**470**	**-**	**2,205**
Written off	**(47,886)**	**-**	**(113)**	**-**	**(47,999)**
At 30.6.2012	**23,134**	**190,142**	**141,498**	**587,999**	**942,773**
Net Carrying Amount					
At 30.6.2012	**6**	**40**	**183**	**1**	**230**
Cost					
At 1.7.2010	71,041	190,182	141,671	588,000	990,894
Additions	-	-	140	-	140
At 30.6.2011	71,041	190,182	141,811	588,000	991,034
Accumulated Depreciation					
At 1.7.2010	71,020	184,241	140,042	587,999	983,302
Charge for the financial year	-	4,166	1,099	-	5,265
At 30.6.2011	71,020	188,407	141,141	587,999	988,567
Net Carrying Amount					
At 30.6.2011	21	1,775	670	1	2,467

9. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(a) Property, plant and equipment of the Group pledged to licensed banks for banking facilities as disclosed in Note 28 was as follows:-

	Group	
	2012	2011
	RM	RM
Net carrying amount		
Plant and machinery	-	5,368,051

(b) The leasehold land and buildings of the Group were separately revalued by professional valuers on an open market basis in the following years:-

	Valuation Amount RM
Group	
November 1991	4,990,000
March 1992	41,150,000
	46,140,000

The net carrying amount of leasehold land and buildings of the Group had no revaluation been made would be RM22,333,867 (2011: RM22,949,860).

(c) Motor vehicle acquired under finance lease instalment plan was as follows:-

	Group	
	2012	2011
	RM	RM
Cost	-	111,542
Net carrying amount	-	16,731

10. CAPITAL WORK-IN-PROGRESS

	Group	
	2012	2011
	RM	RM
At cost,		
At beginning of the financial year	**1,019,641**	14,250
Additions	**-**	1,019,641
Transfer to property, plant and equipment (Note 9)	**(1,019,641)**	(14,250)
At end of the financial year	**-**	1,019,641

The capital work-in-progress incurred was in respect of acquisition and construction of plant and machinery by a subsidiary.

11. SUBSIDIARIES

	Company	
	2012	2011
	RM	RM
Unquoted shares, at cost	**29,170,022**	29,170,022
Less: Accumulated impairment losses	**(100,000)**	(100,000)
	29,070,022	29,070,022
Amounts owing by subsidiaries	**69,873,718**	-
Less: Allowance for impairment losses	**(6,330,943)**	-
	63,542,775	-
	92,612,797	29,070,022

Amounts owing by the subsidiaries are non-trade in nature, unsecured and interest free. The settlement of the amounts are neither planned nor likely to occur in the foreseeable future. As these amounts are, in substance, a part of the Company's net investment in the subsidiaries, it is stated at cost less accumulated impairment losses.

11. SUBSIDIARIES (cont'd)

The subsidiaries are as follows:-

	Name of Company	Country of Incorporation	Principal Activities	Effective Direct Equity Interest 2012	2011
	Held by the Company				
	Creation Holdings Berhad	Malaysia	Dormant	**100%**	100%
	Dreamland Spring Sdn. Bhd.	Malaysia	Investment holding	**100%**	100%
	Dream Tours Sdn. Bhd.	Malaysia	Dormant	**100%**	100%
	Estasi Stainlessware Sdn. Bhd.	Malaysia	Dormant	**100%**	100%
*	Global Glister Limited	Hong Kong	Dormant	**100%**	100%
	Kanzen Chuzoo Sdn. Bhd.	Malaysia	Dormant	**100%**	100%
	Kanzen Hartanah Sdn. Bhd.	Malaysia	Dormant	**100%**	100%
	Kanzen Land Sdn. Bhd.	Malaysia	Dormant	**100%**	100%
	Kanzen Management Sdn. Bhd.	Malaysia	Providing management and secretarial services	**100%**	100%
	Kanzen Properties Sdn. Bhd.	Malaysia	Dormant	**100%**	100%
	Kanzen Shindo Sdn. Bhd.	Malaysia	Dormant	**70%**	70%
	Kanzen Tetsu Sdn. Bhd.	Malaysia	Manufacture and sale of stainless steel welded pipes and butt-weld fittings	**100%**	100%
	Kanzen Kagu Sdn. Bhd.	Malaysia	Ceased operation during the financial year	**100%**	100%
	Kanzen Ventures Sdn. Bhd.	Malaysia	Investment holding	**100%**	100%
*	Restonic (M) Sdn. Bhd.	Malaysia	Investment holding	****50%+1**	**50%+1

11. SUBSIDIARIES (cont'd)

The subsidiaries are as follows:- (cont'd)

Name of Company	Country of Incorporation	Principal Activities	Effective Indirect Equity Interest 2012	Effective Indirect Equity Interest 2011
Held through Dreamland Spring Sdn. Bhd.				
* Dreamland Qingdao Pte. Ltd.	The People's Republic of China	Manufacture and marketing of the Dreamland range of mattresses and sofa	**51%**	51%
* Dreamland Xian Pte. Ltd.	The People's Republic of China	Dormant	**52%**	52%
* Nantong Dreamland Steel Products Co. Ltd.	The People's Republic of China	Manufacture and sale of steel wire products	**55%**	55%
Held through Kanzen Tetsu Sdn. Bhd.				
Kanzen Marketing Sdn. Bhd.	Malaysia	Dormant	**100%**	100%
KT Fittings Sdn. Bhd. (formerly known as Kanzen Stainless Processors Sdn. Bhd.)	Malaysia	Temporary ceased operation during the financial year	**100%**	100%
Held through Kanzen Ventures Sdn. Bhd.				
Kanzen Energy Ventures Sdn. Bhd.	Malaysia	Investment holding	**55%**	55%
Held through Restonic (M) Sdn. Bhd.				
* Dreamland Corporation (Malaysia) Sdn. Bhd.	Malaysia	Wholesale dealership of mattresses, furniture and related accessories	****50%+1**	**50%+1
* Dreamland Spring Manufacturing Sdn. Bhd.	Malaysia	Manufacture and wholesale dealership of mattresses	****50%+1**	**50%+1

11. SUBSIDIARIES (cont'd)

The subsidiaries are as follows:- (cont'd)

	Name of Company	Country of Incorporation	Principal Activities	Effective Indirect Equity Interest 2012	2011
	Held through Restonic (M) Sdn. Bhd. (cont'd)				
*	Eurocoir Products Sdn. Bhd.	Malaysia	Manufacture and sale of polyester pillows and bolsters	****50%+1**	**50%+1
*	Dream Products Sdn. Bhd.	Malaysia	Manufacture and sale of synthetic foam, bedding coordinates, cushion seats, polyester, sponge pillows and bolsters	****50%+1**	**50%+1
*	Dream Crafts Sdn. Bhd.	Malaysia	Marketing and sales promotion of furniture, mattresses and related accessories	****50%+1**	**50%+1
*	Sleepmaker Sdn. Bhd.	Malaysia	Dormant	****50%+1**	**50%+1

* Audited by firms of auditors other than Moore Stephens AC.
** The equity interests of the Company is 50% plus 1 share.

(a) The financial statements of a subsidiary namely Dreamland Xian Pte. Ltd. is consolidated based on management financial statements for the financial year ended 30 June 2012 as the company had ceased operation and remained dormant since its financial year ended 31 December 2002.

(b) The paid-up capital of Restonic (M) Sdn. Bhd. comprises:-

	RM
Ordinary "A" shares	12,250,000
Ordinary "B" shares	5,249,999
Preference shares	7,000,000
	24,499,999

The ordinary "A" shares and ordinary "B" shares carry the same rights with respect to each other in the equity share capital of the company.

The preference shares at a fixed non-cumulative dividend rate of 0.001% per annum are irredeemable and rank for preferential dividend in priority to all other classes of shares in the capital of the company and can participate in any distribution of dividends by the company and in the event of the company being wound-up, participate in the distribution of capital. The preference shares do not entitle the holders to vote at any general meeting of the company.

12. ASSOCIATES

	Group 2012 RM	Group 2011 RM
Unquoted shares, at cost	**13,880,195**	14,604,419
Group's share of post-acquisition reserves	**2,806,340**	2,064,030
Exchange differences	**2,898,322**	-
Less: Accumulated impairment losses	**(1,888,547)**	(1,888,547)
	17,696,310	14,779,902

The associates are as follows:-

Name of Company	Country of Incorporation	Principal Activities	Effective Indirect Equity Interest 2012	Effective Indirect Equity Interest 2011
Held through Dreamland Spring Sdn. Bhd.				
Dreamland Dalian Pte. Ltd.	The People's Republic of China	Manufacture and marketing of spring mattresses	**40%**	40%
Dreamland Jiujiang Pte. Ltd.	The People's Republic of China	Dormant	**41.6%**	41.6%
* Dreamland Lianyungang Pte. Ltd.	The People's Republic of China	Dormant	**-**	40%
Dreamland Shanghai Pte. Ltd.	The People's Republic of China	Manufacture and marketing of spring mattresses	**40%**	40%
Dreamland Tianjin Pte. Ltd.	The People's Republic of China	Manufacture and marketing of spring mattresses, metal furniture and leather furniture	**40%**	40%
Held through Kanzen Energy Ventures Sdn. Bhd.				
Jiangyin Binjiang Power Supply Co. Ltd.	The People's Republic of China	Supply of electricity and steam	**16.5%**	16.5%
Jiangyin Chengdong Power Supply Co. Ltd.	The People's Republic of China	Supply of electricity and steam	**16.5%**	16.5%

* This Company had declared bankruptcy and had been written off during the financial year.

12. ASSOCIATES (cont'd)

(a) The Group equity accounts for its share of post-acquisition reserves of the associates based on the audited financial statements for the financial period ended 30 June 2012.

(b) In the current financial year, the Group has ceased to equity account for its share of losses of an associate, Dreamland Jiujiang Pte. Ltd. as the carrying amount of this investment has reached nil. The Group had written off the investment in Dreamland Lianyungang Pte. Ltd. of RM724,224 during the financial year of which losses was equity accounted for to the extent of the investment cost.

In previous financial year, the Group has ceased to equity account for its share of losses of the associates, Dreamland Jiujiang Pte. Ltd. and Dreamland Lianyungang Pte. Ltd., from the financial statements as the carrying amount of these investments have reached nil. The results not recognised are as follows:-

	Group	
	2012	2011
	RM	RM
Loss for the financial year	**356**	161
Accumulated losses	**232,490**	232,134

(c) The summarised financial information of the associates not adjusted for the proportion of ownership interest held by the Group, are as follows:-

	Group	
	2012	2011
	RM	RM
Total assets	**137,912,505**	128,104,567
Total liabilities	**74,562,788**	67,222,155
Revenue	**135,364,189**	128,331,856
Profit for the financial year	**5,495,077**	3,820,015

13. OTHER INVESTMENTS

	Group/Company	
	2012	2011
	RM	RM
Available-for-sale financial asset		
- Unquoted shares in Malaysia		
At cost	**60,200**	60,200
Less: Accumulated impairment losses	**(19,190)**	(19,190)
Net carrying amount	**41,010**	41,010

14. DEFERRED TAX ASSETS/(LIABILITIES)

	Group	
	2012	2011
	RM	RM
Deferred tax assets		
At beginning of the financial year	**9,254,000**	7,719,000
Recognised in profit or loss (Note 7)	**(8,859,000)**	1,535,000
At end of the financial year	**395,000**	9,254,000
Deferred tax liabilities		
At beginning of the financial year	**(2,315,000)**	(2,622,000)
Recognised in profit or loss (Note 7)	**643,000**	307,000
At end of the financial year	**(1,672,000)**	(2,315,000)

The deferred tax assets and liabilities are not available for set-off as they arise from different taxable entities within the Group.

14. DEFERRED TAX ASSETS/(LIABILITIES) (cont'd)

This is in respect of estimated deferred tax assets/(liabilities) arising from the following temporary differences:-

	Group	
	2012	2011
	RM	RM
Deferred tax assets		
Difference between the carrying amounts of property, plant and equipment and their income tax base	**(2,299,083)**	(2,887,800)
Unabsorbed capital allowances	**2,299,505**	2,707,800
Unutilised income tax losses	**1,808**	9,064,000
Deductible temporary differences arising from expenses	**392,770**	370,000
	395,000	9,254,000
Deferred tax liabilities		
Difference between the carrying amounts of property, plant and equipment and their income tax base	**(363,270)**	(328,685)
Difference between the carrying amounts of industrial building and their income tax base	**(1,409,300)**	(1,481,200)
Unabsorbed capital allowances	**97,300**	267,400
Unutilised income tax losses	**3,574,100**	2,901,500
Deductible temporary differences arising from expenses	**166,378**	147,817
Surplus arising from revaluation of leasehold land and buildings	**(3,737,208)**	(3,821,832)
	(1,672,000)	(2,315,000)

The deferred tax assets recognised in the financial statements is in respect of unutilised income tax losses and unabsorbed capital allowances which can be utilised to set-off against probable future taxable income based on profit forecast and projection for the next five financial years.

14. DEFERRED TAX ASSETS/(LIABILITIES) (cont'd)

The estimated amount of temporary differences for which no deferred tax assets is recognised in the financial statements are as follows:-

	Group		Company	
	2012	2011	**2012**	2011
	RM	RM	**RM**	RM
Difference between the carrying amounts of property, plant and equipment and their income tax base	**180**	100	**180**	100
Unutilised income tax losses	**46,087,900**	5,414,400	**-**	-
Unabsorbed capital allowances	**5,172,600**	1,331,600	**205,600**	205,600
Unutilised reinvestment allowances	**1,129,000**	1,152,000	**-**	-
	52,389,680	7,898,100	**205,780**	205,700

15. INVENTORIES

	Group	
	2012	2011
	RM	RM
At cost,		
Finished goods	**4,641,507**	15,354,259
Raw materials	**20,990,119**	12,048,100
Work-in-progress	**4,077,402**	4,232,555
Goods-in-transit	**2,916,135**	-
Spare parts and consumables	**322,575**	445,715
	32,947,738	32,080,629
At net realisable value,		
Finished goods	**21,365,359**	16,352,743
Raw materials	**673,051**	16,979,303
Work-in-progress	**5,443,387**	13,603,429
Goods-in-transit	**-**	2,718,251
	27,481,797	49,653,726
	60,429,535	81,734,355

16. TRADE RECEIVABLES

	Group 2012 RM	2011 RM
Trade receivables	**34,358,170**	46,463,847
Less: Allowance for impairment losses	**(1,453,874)**	(1,592,423)
	32,904,296	44,871,424

During the financial year, the Group had written off bad debts of RM198,140 (2011: RM740,290) against allowance for impairment losses.

(a) Credit term of trade receivables

The Group's normal trade credit term ranges from 30 to 120 days.

(b) Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:-

	Group 2012 RM	2011 RM
Neither past due nor impaired	**30,337,925**	41,833,312
1 to 30 days past due not impaired	**2,154,306**	2,734,202
31 to 60 days past due not impaired	**161,494**	155,730
61 to 90 days past due not impaired	**207,605**	112,080
91 to 120 days past due not impaired	**-**	36,100
More than 121 days past due not impaired	**42,966**	-
	2,566,371	3,038,112
Impaired	**1,453,874**	1,592,423
	34,358,170	46,463,847

<u>Receivables that are neither past due nor impaired</u>
Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records and mostly are regular customers that have been transacting with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

<u>Receivables that are past due but not impaired</u>
Trade receivables of the Group amounting to RM2,566,371 (2011: RM3,038,112) that are past due at the reporting date but not impaired because there have been no significant changes in credit quality of the receivables and the amounts are still considered recoverable.

16. TRADE RECEIVABLES (cont'd)

(b) Ageing analysis of trade receivables (cont'd)

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date amounted to RM1,453,874 (2011: RM1,592,423). Trade receivables are individually determined to be impaired and relate to receivables that are in significant financial difficulties and have defaulted on payments. These receivables are unsecured. The movement of allowance accounts used to record the impairment are as follows:-

	Group	
	2012	2011
	RM	RM
At beginning of the financial year	**1,592,423**	2,126,879
Addition	**110,625**	418,497
Written off	**(198,140)**	(740,290)
Reversal	**(51,034)**	(212,663)
At end of the financial year	**1,453,874**	1,592,423

(c) The foreign currency exposure profile is as follow:-

	← Functional Currencies of Group →		
	Ringgit Malaysia	Chinese Renminbi	Total
	RM	RM	RM
2012			
Singapore Dollar	**1,904,323**	**-**	**1,904,323**
United States Dollar	**7,378,312**	**330,924**	**7,709,236**
	9,282,635	**330,924**	**9,613,559**
2011			
Singapore Dollar	4,065,524	-	4,065,524
United States Dollar	7,897,661	367,884	8,265,545
	11,963,185	367,884	12,331,069

17. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2012	2011	**2012**	2011
	RM	RM	**RM**	RM
Other receivables	**856,059**	905,894	**8,646**	311
Sundry deposits	**577,418**	805,872	**116,386**	74,222
Prepayments	**1,404,707**	1,418,467	**44,359**	40,535
	2,838,184	3,130,233	**169,391**	115,068

Included in other receivables of the Group is a foreign currency exposure to United States Dollar amounting to RM3,794 (2011: RM3,452).

18. TAX ASSETS

This is in respect of tax instalments paid in advance and tax recoverable from the Inland Revenue Board.

19. AMOUNT OWING BY A RELATED PARTY

This relates to an amount owing by a corporation in which certain Directors have interest in relation to the disposal of a former subsidiary. This amount is unsecured, repayable on agreed terms and bears effective interest at a rate of 8.25% (2011: 8.25%) per annum.

On 7 October 2011, the Company announced that in relation to the payment by the related party, Dapan Holdings Sdn. Bhd. ("DHSB"), a subsidiary of Karambunai Corp Bhd ("KCB"), of the outstanding amount, KCB and DHSB are currently in discussion and joint consultation with the Company to vary the terms of the settlement. Further details will be announced once the terms of the settlement proposal have been finalised and the relevant approvals (including shareholders' approval) will be sought in due course.

20. AMOUNTS OWING BY/(TO) SUBSIDIARIES

	Company	
	2012	2011
	RM	RM
Amounts owing by subsidiaries	**3,632,118**	87,996,395
Less: Allowance for impairment losses	**(53,083)**	(11,332,769)
	3,579,035	76,663,626

20. AMOUNTS OWING BY/(TO) SUBSIDIARIES (cont'd)

The movements of allowance account are as follows:-

	Company	
	2012	2011
	RM	RM
At beginning of the financial year	**11,332,769**	11,332,769
Written off	**(11,079,686)**	-
Transfer to amounts owing by subsidiaries (non-current)	**(200,000)**	-
At end of the financial year	**53,083**	11,332,769

These amounts owing by/(to) subsidiaries are non-trade in nature, unsecured, interest free and repayable on demand by cash.

21. AMOUNTS OWING BY ASSOCIATES

	Group	
	2012	2011
	RM	RM
Amounts owing by associates	**5,298,822**	4,640,989
Less: Allowance for impairment losses	**(37,005)**	(52,977)
	5,261,817	4,588,012

These amounts are non-trade in nature, unsecured, interest free and repayable on demand by cash.

During the financial year, the Group had written off as bad debts of RM15,972 (2011: Nil) against allowance for impairment losses.

In the previous financial year, amounts owing by associates of RM424,327 was written off.

The foreign currency exposure profile is as follows:-

	Group	
	2012	2011
	RM	RM
United States Dollar	**3,038**	2,876
Chinese Renminbi	**5,258,779**	4,585,136
	5,261,817	4,588,012

22. DEPOSITS WITH LICENSED FINANCIAL INSTITUTIONS

Included in deposits with licensed financial institutions of the Group is an amount of RM1,535,000 (2011: RM1,535,000) pledged to a licensed bank as securities for banking facilities granted to certain subsidiaries.

The deposits of the Group and of the Company bear effective interest at rates ranging from 2.00% to 4.00% (2011: 1.80% to 4.00%) and at rates ranging from 3.00% to 3.20% (2011: at a rate of 3.15%) per annum respectively and mature within one year.

Included in deposits of the Group is a foreign currency exposure to United States Dollar amounting to RM5,261,369 (2011: RM4,786,655).

23. SHARE CAPITAL

	Group/Company	
	2012	2011
	RM	RM
Authorised:		
200,000,000 ordinary shares of RM1 each	**200,000,000**	200,000,000
Issued and fully paid:		
85,162,500 ordinary shares of RM1 each	**85,162,500**	85,162,500

(a) Share capital

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company residual assets.

The number of issued and fully paid ordinary shares with voting rights as at the end of the financial year are as follows:-

	Group/Company	
	2012	2011
	Number of Shares	
Issued and fully paid ordinary shares of RM1 each		
Total number of issued and fully paid ordinary shares	**85,162,500**	85,162,500
Less: Ordinary shares held as treasury shares	**(1,279,700)**	(1,279,700)
	83,882,800	83,882,800

(b) Share premium

Share premium arose from the issue of ordinary shares and can be utilised for distribution to the members of the Company by way of bonus share issue.

23. SHARE CAPITAL (cont'd)

(c) Treasury shares

Treasury shares relate to ordinary shares of the Company that are held by the Company.

	Group/ Company			
	Number of Shares	**2012 RM**	Number of Shares	2011 RM
Shares repurchased				
At beginning and end of the financial year	**1,279,700**	**1,225,544**	1,279,700	1,225,544

There was no share repurchased during the financial year.

No resale, cancellation or distribution of treasury shares were made during the financial year.

24. OTHER RESERVES

	Group	
	2012 RM	2011 RM
Non-distributable		
Translation reserve	**4,515,983**	3,052,025
Reserves of subsidiaries	**315,718**	285,661
	4,831,701	3,337,686

(a) Translation reserve

The currency translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(b) Reserves of subsidiaries

The reserves relate to the subsidiaries incorporated in The People's Republic of China maintained in accordance with the regulatory requirements and are not distributable as cash dividends.

25. TRADE PAYABLES

The normal trade credit term granted by trade payables to the Group ranges from 30 to 180 days.

The foreign currency exposure profile is as follows:-

	Group	
	2012	2011
	RM	RM
Japanese Yen	**-**	9,943
United States Dollar	**4,683**	-
	4,683	9,943

26. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2012	2011	**2012**	2011
	RM	RM	**RM**	RM
Other payables	**3,951,197**	4,282,107	**71,413**	67,812
Deposits received	**17,000**	17,000	**-**	-
Accruals	**6,627,638**	6,320,005	**188,062**	186,780
	10,595,835	10,619,112	**259,475**	254,592

Included in other payables of the Group and of the Company are amounts of RM33,242 (2011: RM33,242) and RM17,020 (2011: RM17,020) respectively due to a corporation in which certain directors have interest.

These amounts are unsecured, interest free and repayable on demand by cash.

The foreign currency exposure profile is as follows:-

	← Functional Currencies of Group →		
	Ringgit Malaysia	Chinese Renminbi	Total
	RM	RM	RM
2012			
United States Dollar	**29,915**	**465**	**30,380**
Chinese Renminbi	**9,935**	**-**	**9,935**
	39,850	**465**	**40,315**

26. OTHER PAYABLES AND ACCRUALS (cont'd)

The foreign currency exposure profile is as follows:- (cont'd)

	Functional Currencies of Group		
	Ringgit Malaysia RM	Chinese Renminbi RM	Total RM
2011			
United States Dollar	731,832	456	732,288
Chinese Renminbi	68,113	-	68,113
	799,945	456	800,401

27. DERIVATIVE LIABILITIES

	Group			
	2012		2011	
	Contract Notional Amount RM	**2012 RM**	Contract Notional Amount RM	2011 RM
Non-hedging derivatives:				
Current liabilities				
Forward foreign exchange contracts	**10,467,611**	**98,622**	11,975,285	72,872

The Group uses forward foreign exchange contracts to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting. Forward foreign exchange contracts are entered into to hedge the Group's sales denominated in United States Dollar ("USD") and Singapore Dollar ("SGD") and to limit exposure to potential changes in foreign exchange rate in respect to the foreign currency denominated trade receivables at the reporting date extending to November 2012.

During the financial year, the Group recognised a loss of RM25,750 (2011: RM83,051) arising from fair value changes of derivative liabilities. The method and assumptions applied determining the fair value of derivatives are disclosed in Note 38.

28. BANK BORROWINGS

	Group	
	2012	2011
	RM	RM
Secured		
Finance lease payable	**-**	18,332
Term loan	**-**	1,045,463
	-	1,063,795
Unsecured		
Trade financing facilities	**31,180,149**	47,832,120
	31,180,149	48,895,915

The unsecured trade financing facilities bear interest at rates ranging from 3.97% to 5.05% (2011: 4.05% to 5.08%) per annum and are supported by corporate guarantee from the Company and negative pledge on assets of certain subsidiaries.

In the previous financial year, term loan of the Group bore effective interest at a rate of 7.00% per annum and was secured as follows:-

(a) a fixed charge on plant and machinery as disclosed in Note 9; and

(b) corporate guarantee from the Company.

In addition, finance lease payable of the Group bore effective interest at a rate of 4.64% per annum in the previous financial year.

29. DIVIDENDS

	Company Dividends in respect of financial year		Company Dividends recognised in financial year	
	2011	2010	**2012**	2011
	RM	RM	**RM**	RM
Final dividend of 4% less 25% income tax on 83,882,800 ordinary shares (3.0 sen per ordinary share)	-	2,516,484	**-**	2,516,484

30. CASH AND CASH EQUIVALENTS

	Group		Company	
	2012	2011	**2012**	2011
	RM	RM	**RM**	RM
Cash and bank balances	**7,262,308**	4,163,926	**116,535**	49,584
Deposits with licensed financial institutions	**17,850,333**	10,524,063	**7,683,964**	902,408
	25,112,641	14,687,989	**7,800,499**	951,992

Deposit with a licensed financial institution pledged to a licensed bank which is not freely available for the Group's use is as disclosed in Note 22.

The cash and bank balances of the Group bear effective interest at rates ranging from 0.01% to 0.72% (2011: 0.01% to 0.72%) per annum.

The foreign currency exposure profile is as follows:-

	← Functional Currencies of Group →			
	Ringgit Malaysia	Chinese Renminbi	Hong Kong Dollar	Total
	RM	RM	RM	RM
2012				
Singapore Dollar	**67,138**	**-**	**-**	**67,138**
United States Dollar	**6,474,539**	**48,982**	**117,344**	**6,640,865**
Chinese Renminbi	**5,769**	**-**	**-**	**5,769**
Others	**9,020**	**-**	**-**	**9,020**
	6,556,466	**48,982**	**117,344**	**6,722,792**
2011				
Singapore Dollar	59,565	-	-	59,565
United States Dollar	4,818,112	778	119,478	4,938,368
Chinese Renminbi	11,197	-	-	11,197
Others	9,020	-	-	9,020
	4,897,894	778	119,478	5,018,150

	Company	
	2012	2011
	RM	RM
United States Dollar	**7,341**	6,951
Chinese Renminbi	**5,769**	11,197
	13,110	18,148

31. CONTINGENT LIABILITIES

	Company	
	2012	2011
	RM	RM
Unsecured		
In respect of corporate guarantees for banking facilities granted to subsidiaries	**37,463,000**	64,511,000

32. CAPITAL COMMITMENTS

	Group	
	2012	2011
	RM	RM
Property, plant and equipment		
- Approved but not contracted for	**-**	5,791,000

33. RELATED PARTY DISCLOSURES

(a) Identity of Related Parties

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

The Group has a related party relationship with its subsidiaries, associates, Directors, key management personnel and related party. Related party refers to company in which certain Directors have interest.

(b) Related Party Transactions

	Company	
	2012	2011
	RM	RM
Trade		
Dividend revenue received from a subsidiary	**(714,000)**	(929,250)
Non-Trade		
Secretarial fees paid to a subsidiary	**24,000**	24,000
Interest income receivable from a related party	**(2,555,209)**	(2,175,804)

33. RELATED PARTY DISCLOSURES (cont'd)

(c) Related Party Balances

Information regarding outstanding balances arising from related party transactions as at 30 June 2012 are disclosed in Notes 11, 19, 20, 21 and 26.

(d) Compensation of Key Management Personnel

Key management personnel includes personnel having authority and responsibility for planning, directing and controlling the activities of the entities, directly or indirectly, including any Director of the Group.

The remunerations of the key management personnel are as follows:-

	Group	
	2012	2011
	RM	RM
Directors' fees	**284,400**	284,400
Short-term employees benefits	**882,240**	948,940
Post-employment benefits	**51,624**	55,020
Estimated monetary value of benefits-in-kind	**44,616**	43,077
	1,262,880	1,331,437

34. SEGMENT INFORMATION - GROUP

For management purposes, the Group's business is presented in respect of the Group's business and geographical segments.

Segment revenue, expenses, assets and liabilities are those amounts from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment.

The Directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established under negotiated terms.

Business Segments

The Group comprises the following three reportable operating segments:-

(i) Steel manufacturing - manufacturing of stainless steel welded pipes and butt-weld fittings and carbon steel pipes.

(ii) Bedding - manufacturing and marketing of mattresses, bedding related products and furniture.

(iii) Other operations - investment holding, provision of management and secretarial services, manufacturing and marketing of steel wire and supply of electricity and steam.

34. SEGMENT INFORMATION - GROUP (cont'd)

Geographical Segments

The Group operates in two principal geographical areas of the world:-

(i) Malaysia - manufacturing of stainless steel welded pipes and butt-weld fittings and carbon steel pipes, mattresses, bedding related products and furniture, investment holding, provision of management and secretarial services.

(ii) The People's Republic of China - manufacturing of mattresses, bedding related products, furniture, steel wire and supply of electricity and steam.

	Steel Manufacturing RM	Bedding RM	Other Operations RM	Eliminations RM	Consolidated RM
2012					
Revenue					
External revenue	**178,205,452**	**48,171,364**	**18,194,177**	**-**	**244,570,993**
Inter-segment revenue (Note 34(a))	**-**	**-**	**82,000**	**(82,000)**	**-**
Total revenue	**178,205,452**	**48,171,364**	**18,276,177**	**(82,000)**	**244,570,993**
Result					
Interest income	**117,700**	**61,413**	**2,825,095**	**-**	**3,004,208**
Interest expense	**(2,270,212)**	**-**	**(76,101)**	**-**	**(2,346,313)**
Depreciation of property, plant and equipment	**(4,327,596)**	**(532,944)**	**(62,179)**	**-**	**(4,922,719)**
Share of results of associates	**-**	**(105,438)**	**1,724,051**	**-**	**1,618,613**
Other non-cash expenses (Note 34(b))	**(3,855,119)**	**(116,833)**	**(118)**	**-**	**(3,972,070)**
Segment (loss)/profit before tax	**(12,365,978)**	**4,361,641**	**5,035,493**	**-**	**(2,968,844)**
Income tax expense	**(8,231,703)**	**(1,211,458)**	**(327,349)**	**-**	**(9,770,510)**
Assets					
Associates	**-**	**1,498,584**	**16,197,726**	**-**	**17,696,310**
Addition to non-current assets (Note 34(c))	**495,115**	**101,207**	**-**	**-**	**596,322**
Segment assets	**126,728,745**	**29,017,419**	**76,770,982**	**-**	**232,517,146**
Segment liabilities	**36,947,426**	**10,099,979**	**4,979,277**	**-**	**52,026,682**

34. SEGMENT INFORMATION - GROUP (cont'd)

	Steel Manufacturing RM	Bedding RM	Other Operations RM	Eliminations RM	Consolidated RM
2011					
Revenue					
External revenue	189,094,864	44,710,363	18,592,699	-	252,397,926
Inter-segment revenue (Note 34(a))	-	-	82,000	(82,000)	-
Total revenue	189,094,864	44,710,363	18,674,699	(82,000)	252,397,926
Result					
Interest income	92,431	72,958	2,585,465	-	2,750,854
Interest expense	(2,096,256)	-	(63,988)	-	(2,160,244)
Depreciation of property, plant and equipment	(4,397,290)	(508,583)	(59,438)	-	(4,965,311)
Share of results of associates	-	(355,179)	1,412,505	-	1,057,326
Other non-cash expenses (Note 34(b))	(2,176,131)	(44,295)	(2,312,874)	-	(4,533,300)
Segment (loss)/profit before tax	(8,467,570)	3,994,040	(180,881)	-	(4,654,411)
Income tax credit/ (expense)	2,106,058	(909,577)	(655,592)	-	540,889
Assets					
Associates	-	1,814,107	12,965,795	-	14,779,902
Addition to non-current assets (Note 34(c))	1,754,614	583,595	112,141	-	2,450,350
Segment assets	175,092,169	24,935,106	64,244,760	-	264,272,035
Segment liabilities	58,611,849	8,703,507	5,200,848	-	72,516,204

34. SEGMENT INFORMATION - GROUP (cont'd)

(a) Inter-segment revenues are eliminated on consolidation.

(b) Other material non-cash expenses consist of the following items as presented in the respective notes to the financial statements:-

	2012 RM	2011 RM
Bad debts written off	-	424,327
Impairment loss on interest in an associate	-	1,888,547
Impairment loss on trade receivables	110,625	418,497
Inventories written off	57,798	4,640
Net fair value loss on derivative liabilities	25,750	83,051
Property, plant and equipment written off	292,885	578
Inventories written down	3,485,012	1,713,660
	3,972,070	4,533,300

(c) Additions to non-current assets consist of:-

	2012 RM	2011 RM
Property, plant and equipment	596,322	1,430,709
Capital work-in-progress	-	1,019,641
	596,322	2,450,350

Geographical Information

Revenue information based on geographical location of its customers:-

	2012 RM	2011 RM
Malaysia	121,191,105	129,579,899
Africa	1,797,553	2,070,867
Asia (excluding Malaysia)	50,463,545	50,789,264
Australia & New Zealand	6,307,399	5,722,557
Europe	4,720,365	12,586,114
North America	58,145,399	50,716,115
South America	1,945,627	933,110
	244,570,993	252,397,926

34. SEGMENT INFORMATION - GROUP (cont'd)

Geographical Information (cont'd)

Non-current assets information based on geographical location:-

	2012	2011
	RM	RM
Malaysia	**50,149,196**	55,603,960
Asia (excluding Malaysia)	**2,041,352**	2,074,030
	52,190,548	57,677,990

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position.

	2012	2011
	RM	RM
Property, plant and equipment	**52,190,548**	56,658,349
Capital work-in-progress	**-**	1,019,641
	52,190,548	57,677,990

Information About A Major Customer

Revenue from one major customer amount to RM25,247,010 (2011: RM28,858,082) arising from sales by the steel manufacturing segment.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial risk management objectives are to seek sufficient financial resources for business developments and to minimise the potential adverse impact arising from the unpredictability of the financial markets. The Group's policy is not to engage in speculative transactions. The Group uses derivative financial instruments such as forward foreign exchange contract to hedge certain financial risk exposures.

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The Board of Directors regularly reviews and agrees the financial risk management policies and procedures.

The Group's and the Company's exposure to the financial risks and the objectives, policies and processes put in place to manage these risks are discussed below.

(a) Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets, the Group and the Company minimise credit risk by dealing with high credit rating counterparties.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(a) Credit Risk (cont'd)

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group's maximum exposure to credit risk arises from receivables presented in the statements of financial position.

The Group determines concentrations of credit risk by monitoring its trade receivables profile on an ongoing basis based on the geographic location and the business segment. The credit risk concentration profile of the Group's trade receivables at the reporting date are as follows:-

	Group			
	2012		2011	
	RM	**% of total**	RM	% of total
By country:				
Malaysia	**19,925,165**	**61%**	29,091,717	65%
Asia (excluding Malaysia)	**5,363,366**	**16%**	7,814,988	17%
North America	**3,210,478**	**10%**	3,004,520	7%
Europe	**636,936**	**2%**	1,980,380	4%
Australia	**1,323,240**	**4%**	1,335,230	3%
Others	**2,445,111**	**7%**	1,644,589	4%
	32,904,296	**100%**	44,871,424	100%
By industry sectors:				
Steel manufacturing	**19,950,272**	**61%**	33,148,725	74%
Bedding	**9,953,491**	**30%**	8,530,376	19%
Other operations	**3,000,533**	**9%**	3,192,323	7%
	32,904,296	**100%**	44,871,424	100%

At the reporting date, 46% (2011: 38%) of the Group's and 34% (2011: 29%) of the Company's total receivables was due from a related party.

Financial assets that are neither past due nor impaired
Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 16. Cash deposits with licensed banks and investments that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings with no history of default.

Financial assets that are either past due or impaired
Information regarding trade receivables that are either past due or impaired is disclosed in Note 16.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(a) Credit Risk (cont'd)

Financial Guarantees
The Company provides corporate guarantees to banks in respect of banking facilities granted to certain subsidiaries.

The maximum exposure to credit risk amounts to RM37,463,000 (2011: RM64,511,000) representing the outstanding banking facilities of the subsidiaries as at the end of the financial year.

As at the end of the financial year, there was no indication that the subsidiaries would default on their repayment. The financial guarantees had not been recognised since the fair value on initial recognition was not material since it is unlikely the subsidiaries will default within the guarantee period.

(b) Liquidity Risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through use of the available banking facilities.

The Group actively manages its operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position.

The Group's and the Company's financial liabilities at the reporting date are either repayable on demand or mature within one year. The Group's derivative liabilities mature within one to three months.

(c) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk relate to interest bearing financial liabilities and financial assets. Interest bearing financial liabilities comprise finance lease payable, term loan and trade financing facilities. Interest bearing financial assets include deposits which are short term in nature, placed with licensed financial institutions for better yield returns than cash at banks and as securities for banking facilities granted to certain subsidiaries.

Borrowings at floating rate amounting to RM31,180,149 (2011: RM47,832,120) expose the Group to cash flow interest rate risk whilst borrowings at fixed rate amounting to RMNil (2011: RM1,063,795), expose the Group to fair value interest rate risk. The Group manages its interest rate risk exposure by reviewing its debts portfolio to ensure favourable rates are obtained, taking into account the investment holding period and nature of assets.

Sensitivity analysis for interest rate risk
If the interest rate had been 50 basis points higher/lower and all other variables were held constant, the Group's loss net of tax would increase/decrease by RM117,000 (2011: RM179,000) as a result of exposure to floating rate borrowings.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(d) Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, which are primarily RM and Chinese Renminbi ("RMB"). The foreign currency in which these transactions are denominated is mainly USD.

Approximately 43% (2011: 40%) of the Group's sales are denominated in foreign currencies while almost 50% (2011: 47%) of costs are denominated in the respective functional currencies of the Group entities. The Group's trade receivable and trade payable balances at the reporting date have similar exposures. In addition, the Group has foreign currency exposure arising from deposit with licensed financial institution as disclosed in Note 22.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations. The Group's net investment in Hong Kong and China are not hedged as currency positions in Hong Kong Dollar ("HKD") and RMB are considered to be long-term in nature.

Forward foreign exchange contracts are used by certain subsidiaries to reduce exposure to fluctuation in foreign currency risk on sale and purchase transactions.

<u>Sensitivity analysis for foreign currency risk</u>
The following table demonstrates the sensitivity of the Group's loss net of tax to a reasonably possible change in the USD, HKD, SGD and RMB exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

		Group	
		2012	2011
		RM	RM
		(Increase)/ Decrease in loss net of tax	(Increase)/ Decrease in loss net of tax
USD/RM	- strengthened 5%	**518,051**	448,696
	- weakened 5%	**(518,051)**	(448,696)
SGD/RM	- strengthened 2% (2011: 5%)	**29,571**	153,905
	- weakened 2% (2011: 5%)	**(29,571)**	(153,905)
RMB/RM	- strengthened 2% (2011: 5%)	**78,733**	169,388
	- weakened 2% (2011: 5%)	**(78,733)**	(169,388)
USD/RMB	- strengthened 5%	**14,264**	13,813
	- weakened 5%	**(14,264)**	(13,813)
USD/HKD	- strengthened 5%	**4,899**	38,762
	- weakened 5%	**(4,899)**	(38,762)

36. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and maintain an optima capital structure to reduce cost of capital in order to maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in business and economic conditions. To maintain or adjust structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares, redeem debts or sell assets to reduce debts, where necessary. No changes were made in the objectives, policies and processes during the financial year ended 30 June 2012 and 2011.

The Group is not subject to any externally imposed capital requirements except for the requirements on reserves for subsidiaries which are incorporated in The People's Republic of China as disclosed in Note 24. Those subsidiaries have complied with such requirements as at the financial year end.

The Group monitors capital using a gearing ratio which is calculated as net debts divided by total equity plus net debts of the Group. Net debts comprise bank borrowings less cash and cash equivalents. The gearing ratios as at 30 June 2012 and 2011, which are within the Group's objectives of capital management are as follows:-

	Group	
	2012	2011
	RM	RM
Total interest-bearing borrowings (RM)	**31,180,149**	48,895,915
Less: Cash and cash equivalents (RM)	**(25,112,641)**	(14,687,989)
Total net debts (RM)	**6,067,508**	34,207,926
Total net debts (RM)	**6,067,508**	34,207,926
Total equity (RM)	**180,490,464**	191,755,831
Equity and net debts (RM)	**186,557,972**	225,963,757
Gearing ratio (%)	**3%**	15%

37. FAIR VALUE OF FINANCIAL INSTRUMENTS

The methods and assumptions used to estimate the fair value of the following classes of financial assets and liabilities are as follows:-

(a) Cash and Cash Equivalents, Amount Owing By A Related Party, Trade and Other Receivables and Payables

The carrying amounts approximate their fair values due to the relatively short term maturities and insignificant impact of discounting of these financial assets and liabilities.

(b) Borrowings

The carrying amounts of short term bank borrowings approximate fair values due to the relatively short term maturities of these financial liabilities.

(c) Derivatives Liabilities

Forward foreign exchange contracts are valued using a valuation technique with market observation inputs. The fair values of forward foreign exchange contracts are determined by reference to discounting the difference between the contracted rates and the current forward price as at the reporting date applied to a contract of similar quantum and maturity profile using risk-free interest rate (based on government bonds).

38. FAIR VALUE HIERARCHY

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

(i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

(ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

(iii) Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

38. FAIR VALUE HIERARCHY (cont'd)

As at 30 June 2012 and 2011, the Group held the following financial instruments carried at fair values on the statements of financial position:-

Liabilities measured at fair value

		Level 1	Level 2	Level 3
	RM	RM	RM	RM
2012				
Derivative liabilities				
- forward foreign exchange contracts	**98,622**	**-**	**98,622**	**-**
2011				
Derivative liabilities				
- forward foreign exchange contracts	72,872	-	72,872	-

During the financial years ended 30 June 2012 and 2011, there was no transfer between fair value measurement hierarchy.

39. SUBSEQUENT EVENT

On 22 October 2012, the Company entered into a share sale agreement for the acquisition of 5,249,999 ordinary shares of RM1 each and 7,000,000 preference shares of RM1 each in Restonic (M) Sdn. Bhd. ("Restonic") representing 30% and 100% of the ordinary shares and preference shares respectively in Restonic from Pacific Brands Holdings Pty. Ltd., a wholly-owned subsidiary of Pacific Brands Limited which is a publicly listed company incorporated in Victoria, Australia, for a total purchase consideration of RM6,709,955 to be fully satisfied via cash ("Acquisition"). As at the financial year end, the Company owned 50% plus 1 ordinary share in Restonic. Upon completion of the Acquisition, the Company will own 80% of ordinary shares and 100% preference shares in Restonic. The Acquisition is expected to be completed in the fourth quarter of calendar year 2012.

SUPPLEMENTARY INFORMATION ON THE DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

The following analysis of realised and unrealised retained earnings of the Group and of the Company at 30 June 2012 and 30 June 2011 is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad ("Bursa Securities") dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants.

On 20 December 2010, Bursa Securities further issued guidance on the disclosure and the format required.

The retained earnings of the Group and of the Company is analysed as follows:-

	Group		Company	
	2012	2011	**2012**	2011
	RM	RM	**RM**	RM
Total retained earnings of the Company and its subsidiaries				
- realised	**40,427,603**	52,222,264	**17,275,126**	20,864,086
- unrealised	**(1,494,869)**	4,701,177	**1,489**	(655)
	38,932,734	56,923,441	**17,276,615**	20,863,431
Total share of retained earnings from associates				
- realised	**1,378,760**	1,360,673	**-**	-
	40,311,494	58,284,114	**17,276,615**	20,863,431
Less: Consolidation adjustments	**(19,680)**	(2,117,502)	**-**	-
Total retained earnings	**40,291,814**	56,166,612	**17,276,615**	20,863,431

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purpose.

LIST OF PROPERTIES

as at 30 June 2012

Location / Address	Description	Area M^2 (acres)	Approximate age (year)	Existing use	Tenure	Net carrying amount RM '000	Year of last revaluation
K8 Lot PLO 25 Tanjong Agas Industrial Estate 84000 Muar Johor Darul Takzim	Land & Building	4,047 (1)	34	Factory Premises	Leasehold for 60 years expiring in 2038	754	1991
Lot 22 Tanjong Agas Industrial Estate 84000 Muar Johor Darul Takzim	Land & Building	6,070 (1.5)	32	Factory Premises	Leasehold for 60 years expiring in 2040	967	1991
Lot 24 Tanjong Agas Industrial Estate 84000 Muar Johor Darul Takzim	Land & Building	4,047 (1)	32	Factory Premises	Leasehold for 60 years expiring in 2040	376	1991
PLO 97 Tanjong Agas Industrial Estate 84000 Muar Johor Darul Takzim	Land & Building	6,070 (1.5)	26	Sales Office & Factory Premises	Leasehold for 60 years expiring in 2046	829	1991
Lot 4 Persiaran Perusahaan Seksyen 23 40708 Shah Alam Selangor Darul Ehsan	Land & Building	81,520 (20.144)	22	Factory & Office Premises	Leasehold for 99 years expiring in 2098	35,472	1992

SHAREHOLDING STATISTICS

as at 17 October 2012

ANALYSIS OF SHAREHOLDINGS

Authorised Share Capital	:	RM200,000,000/- divided into 200,000,000 ordinary shares of RM1/- each
Issued & Fully Paid-Up	:	RM85,162,500/- divided into 85,162,500 ordinary shares of RM1/- each
Class of Share	:	Ordinary Shares of RM1/- each
Voting Rights	:	1 vote per share

Size of Holdings	No. of Shareholders	No. of Shares #	% #
1 – 99	95	2,424	0.00
100 – 1,000	1,768	1,681,026	2.00
1,001 – 10,000	2,598	10,856,461	12.94
10,001 – 100,000	560	16,646,307	19.85
100,001 – less than 5%	61	23,756,193	28.32
5% and above	4	30,940,389	36.89
Total	5,086	83,882,800	100.00

After deducting 1,279,700 treasury shares retained by the Company as per Record of Depositors.

LIST OF THIRTY (30) LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	% #
1	HSBC Nominees (Tempatan) Sdn. Bhd. *Exempt An For JPMorgan Chase Bank, National Association (LGT-MSIAN CLTS)*	12,500,000	14.90
2	HSBC Nominees (Asing) Sdn. Bhd. *Exempt An For JPMorgan Chase Bank, National Association (Singapore)*	8,374,389	9.98
3	Permodalan Nasional Berhad	5,641,000	6.72
4	HSBC Nominees (Tempatan) Sdn. Bhd. *Exempt An For JPMorgan Chase Bank, National Association (Tan Sri Dr. Chen Lip Keong)*	4,425,000	5.28
5	HSBC Nominees (Asing) Sdn. Bhd. *HSBC-FS For Asian Emerging Countries Fund*	2,613,000	3.11
6	HDM Nominees (Asing) Sdn. Bhd. *Selvione Limited*	2,525,000	3.01
7	Sumurwang Capital Sdn. Bhd.	1,836,000	2.19
8	Yeoh Kean Hua	1,414,900	1.69
9	RHB Capital Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account For Fong Siling (CEB)*	1,200,000	1.43

SHAREHOLDING STATISTICS

LIST OF THIRTY (30) LARGEST SHAREHOLDERS (cont'd)

No.	Name of Shareholders	No. of Shares	% #
10	Lee Yu Yong @ Lee Yuen Ying	1,029,600	1.23
11	Goh Leong Chuan	768,000	0.92
12	Wong Se-Yuen	636,000	0.76
13	Ooi Ai Eng	617,100	0.74
14	Khoo Wen Huey Michelle	608,000	0.72
15	Mayban Nominees (Tempatan) Sdn. Bhd. *Lee Chee Kong*	607,700	0.72
16	Quantum Symbol Sdn. Bhd.	535,700	0.64
17	Puan Sri Lee Chou Sarn	505,493	0.60
18	Wong Soo Chai @ Wong Chick Wai	410,000	0.49
19	TA Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account For Chai Nam Kiong*	385,000	0.46
20	Maybank Nominees (Tempatan) Sdn. Bhd. *Lee Yu Yong @ Lee Yuen Ying*	360,300	0.43
21	Pacific Strike Sdn. Bhd.	333,000	0.40
22	Sak Moy @ Sak Swee Len	324,000	0.39
23	Hee Lin Ruey Jean	305,500	0.36
24	Oh Sin Yok @ Foo Sin Nyook	300,000	0.36
25	AllianceGroup Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account For Tan Kian Chuan*	300,000	0.36
26	Maybank Nominees (Tempatan) Sdn. Bhd. *Chong Mee Chen*	251,900	0.30
27	HLIB Nominees (Tempatan) Sdn. Bhd. *Hong Leong Bank Bhd. For Chong Mee Chen*	242,400	0.29
28	Tan Pek Leng	237,000	0.28
29	Tan Kai Sum	230,000	0.27
30	Goh Tee Kong	224,000	0.27
	Total	49,739,982	59.30

SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

	Direct No. of Ordinary Shares held	% #	Indirect No. of Ordinary Shares held	% #
Tan Sri Dr. Chen Lip Keong	16,925,000[*a]	20.18	-	-
Blue Velvet Property Corp	8,374,389	9.98	-	-
Permodalan Nasional Berhad	5,641,000	6.72	-	-

Notes:

*a 12,500,000 ordinary shares are held by HSBC Nominees (Tempatan) Sdn. Bhd., Exempt An For JPMorgan Chase Bank National Association (LGT-MSIAN CLTS) and 4,425,000 ordinary shares are held by HSBC Nominees (Tempatan) Sdn. Bhd., Exempt An For JPMorgan Chase Bank, National Association

DIRECTORS' SHAREHOLDINGS

	Direct No. of Ordinary Shares held	%#	Indirect No. of Ordinary Shares held	%#
Directors				
Tan Sri Dato' Sulaiman bin Sujak	-	-	-	-
Tan Sri Dr. Chen Lip Keong[*b]	16,925,000[*a]	20.18	-	-
Puan Sri Lee Chou Sarn[*b]	505,493	0.60	-	-
Dato' Dr. Abdul Razak bin Abdul	-	-	-	-
Datuk Wan Kassim bin Ahmed	-	-	-	-
Chen Yiy Hwuan[*b]	-	-	-	-
Chen Yiy Fon[*b]	-	-	-	-
Lim Mun Kee	-	-	-	-

Notes:

*a The 12,500,000 ordinary shares are held by HSBC Nominees (Tempatan) Sdn. Bhd., Exempt An For JPMorgan Chase Bank National Association (LGT-MSIAN CLTS) and 4,425,000 ordinary shares are held by HSBC Nominees (Tempatan) Sdn. Bhd., Exempt An For JPMorgan Chase Bank, National Association.

*b Puan Sri Lee Chou Sarn is the spouse of Tan Sri Dr. Chen Lip Keong. Mr Chen Yiy Hwuan and Mr Chen Yiy Fon are the sons of Tan Sri Dr. Chen Lip Keong and Puan Sri Lee Chou Sarn.

APPENDIX A

PROPOSED AMENDMENTS TO THE EXISTING ARTICLES OF THE COMPANY

The proposed Amendments of the Articles involved the following amendments:

Article No.	Existing Articles	Amended Articles
Article 1	Interpretation “Auditors” means the auditors for the time being of the Company; “Securities” shall include shares, debentures, stocks, or bonds issued or proposed to be issued and includes any right, option or interest in respect thereof;	Interpretation “Auditor” means an **auditor who is registered under section 310 of the Securities Commission Act 1993**; “Securities” **shall have the same meaning given in Section 2 (1) of the Capital Markets and Services Act 2007**;
Article 8(c)	No Director shall participate in a share scheme for employees unless the Members in General Meeting have approved of the specific allotment to be made to such Director.	No Director shall participate in a **Share Issuance Scheme** unless Members in General Meeting have approved the specific allotment to be made to such Director.
Article 72	Where a Member of the Company is an authorised nominee as defined under the Central Depositories Act, 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.	**(1)** 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. **(2) An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 (“SICDA”) which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.**
Article 72A	New Provision	**(1) A member of a company entitled to attend and vote at a meeting of a company, or at a meeting of any class of members of the company, shall be entitled to appoint any person as his proxy to attend and vote instead of the member at the meeting. There shall be no restriction as to the qualification of the proxy.** **(2) A proxy appointed to attend and vote at a meeting of a company shall have the same rights as the member to speak at the meeting.**

Article No.	Existing Articles	Amended Articles
Article 141	Any dividend, interest or other money payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder as shown in the Register of Members or the Record of Depositors (as the case may be), or persons entitled in death or bankruptcy of holder in writing directs or direct.	Any dividend, interest, or other **monies** payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the **person whose name appear** in the Register of Members or Record of Depositors or **by way of telegraphic transfer or electronic transfer or remittance to such account as designated by such holder or the person entitled to such payment**.
Article 142	Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. The Company shall not be responsible for the loss of any cheque or dividend warrant which shall be sent by post duly addressed to the Member for whom it is intended.	Every such cheque or warrant **or telegraphic transfer or electronic transfer or remittance** shall be made payable to the order of the person to whom it is sent **and the payment of any such cheque or warrant or telegraphic transfer of electronic transfer or remittance shall operate as a good and full discharge to the Company in respect of the payment represented thereby, notwithstanding that in the case of payment by cheque or warrant, it may subsequently appear that the same has been stolen or that the endorsement thereon has been forged. Every such cheque or warrant or telegraphic transfer or electronic transfer or remittance shall be sent at the risk of the person entitled to the money thereby represented**.

APPENDIX B

2 October 2012

FACB Industries Incorporated Bhd
Level 13, Tower 1, Etiqa Twins
11 Jalan Pinang, 50450
Kuala Lumpur

Dear Sirs,

Notice Of Nomination Of UHY Chartered Accountants As Auditors

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I, being a shareholder of FACB Industries Incorporated Bhd ("the Company"), hereby give notice, pursuant to Section 172(11) of the Companies Act, 1965 of my nomination of UHY Chartered Accountants as Auditors of the Company in place of the retiring Auditors, Moore Stephens AC, and of my intention to propose the following resolution at the forthcoming Annual General Meeting of the Company:

> "That UHY Chartered Accountants be and are hereby appointed Auditors of the Company in place of the retiring Auditors, Moore Stephens AC, to hold office until the conclusion of the next Annual General Meeting and that the Directors be authorized to determine their remuneration."

Thank you.

Yours faithfully,

Goh Tee Kong

PROXY FORM

FACB INDUSTRIES INCORPORATED BERHAD (48850-K)
(Incorporated in Malaysia)

Number of Shares	CDS Account No.

I/We, ____

of ____

being a member of **FACB INDUSTRIES INCORPORATED BERHAD** hereby appoint ____________________

____

of ____________________________________ or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Thirty Third Annual General Meeting of the Company to be held at Dewan Seri Pinang, Etiqa Twins, Level 3, 11 Jalan Pinang, 50450 Kuala Lumpur on Wednesday, 5 December 2012 at 10.30 a.m. and at any adjournment thereof.

No.	Resolutions	For	Against
1	Adoption of audited financial statements and reports		
2	Approval of Directors' fees		
3	Re-appointment of Tan Sri Dato' Sulaiman bin Sujak as Director		
4	Re-election of Mr Chen Yiy Fon as Director		
5	Re-election of Mr Lim Mun Kee as Director		
6	Appointment of UHY as Auditors		
7	Authority pursuant to Section 132D of the Companies Act, 1965		
8	Proposed Renewal of Authority for Share Buy-Back		
9	Proposed Amendments to the Articles of Association		

(Please indicate with an "X" in the appropriate box against each Resolution how you wish your vote to be cast. If this proxy form is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.)

Signed this ________________ day of ________________ , 2012

____
Signature/Seal of Shareholder

NOTES:

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.
2. Subject to the Companies Act, 1965, where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportions of his holding to be represented by each proxy.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or if such appointer is a corporation, either under its common seal or the hand of an officer or attorney duly authorised.
4. The Proxy Form must be completed, signed and deposited at the Company's Registered Office not less than 48 hours before the time set for the Meeting or adjourned meeting.
5. Shareholders' attention is hereby drawn to the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad, which allow a member of the Company which is an exempt authorised nominee, as defined under the Securities Industry (Central Depositories) Act, 1991, who holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") to appoint multiple proxies in respect of each omnibus account it holds.
6. In respect of deposited securities, only members whose names appear in the Record of Depositors on 26 November 2012 shall be eligible to attend the meeting.

AFFIX
STAMP

The Company Secretary
FACB Industries Incorporated Berhad (48850-K)
Etiqa Twins, Tower 1
Level 13, 11 Jalan Pinang
50450 Kuala Lumpur