KRETAM HOLDINGS BERHAD

(Company No : 168285-H)

Annual Report 2012

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(Company No : 168285-H)

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Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the **TWENTY-FIFTH ANNUAL GENERAL MEETING** of the Company will be held at the Registered Office of the Company at Lot 6, Block 44, Leboh Tiga, 90000 Sandakan, Sabah on Wednesday, 26 June 2013 at 11.30 a.m. to transact the following businesses:-

AGENDA

1. To receive and adopt the Audited Financial Statements for the year ended 31 December 2012 and the Reports of the Directors and Auditors thereon. ***Ordinary Resolution 1***

2. To re-elect the following Directors retiring by rotation in accordance with Article 80 of the Company's Articles of Association:

   a) Datuk Lim Nyuk Sang @ Freddy Lim ***Ordinary Resolution 2***
   b) Mr Wong Chin Kwong ***Ordinary Resolution 3***

3. To approve Directors' fees of RM70,000.00 for the year ended 31 December 2012. ***Ordinary Resolution 4***

4. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. ***Ordinary Resolution 5***

As Special Business, to consider and if thought fit, to pass the following Resolutions:

5. Authority For Directors To Issue And Allot Shares Pursuant To Section 132D Of The Companies Act, 1965

   "THAT subject always to the Companies Act, 1965 ("Act"), the Articles of Association of the Company and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered, pursuant to section 132D of the Act, to issue shares in the Company from time to time to such parties and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued and paid-up capital of the Company at the time of the passing of this resolution, that the Directors be and are also empowered to obtain approval from Bursa Malaysia Securities Berhad for the listing of and quotation for additional shares so issued and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company". ***Ordinary Resolution 6***

6. Proposed Renewal Of the Existing Shareholders' Mandate And Proposed New Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature

   "THAT subject to compliance with all applicable laws, regulations and guidelines, a mandate be and is hereby given to the Company and its subsidiaries to enter into recurrent transactions of a revenue or trading nature with related parties which are necessary for the day to day operations and not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders as set out in the Circular to Shareholders despatched together with the Annual Report and that authority conferred by this resolution shall commence immediately upon the passing of this resolution;

   AND THAT such mandate shall continue in force until:-

   a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at that meeting, the authority is renewed;

   b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143(1) of the Act, (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

   c) revoked or varied by resolution passed by the shareholders in an AGM or Extraordinary General Meeting;

whichever is the earlier

AND THAT the breakdown of the aggregate value of the recurrent related party transactions made during the financial year will be disclosed in the Company's Annual Report based on the following information:-

a) the type of the recurrent related party transactions made; and

b) the names of the related parties involved in each type of the recurrent related party transactions made and their relationship with the Company." ***Ordinary Resolution 7***

7. Proposed Amendments to the Articles of Association of the Company

"THAT the amendments to the Articles of Association of the Company as set out in Appendix I of the Circular to Shareholders dated 4 June 2013 be and are hereby approved." ***Special Resolution 1***

8. To transact any other business of the Company of which due notice has been given to the Company.

By Order of the Board

Liu Yee Ling @ Annie Liu
(LS0001146)
Secretary

Sandakan
4 June 2013

Notes:

a) A depositor whose name appears in the Record of Depositors as at 19 June 2013 (General Meeting Record of Depositors) shall be regarded as a member entitled to attend, speak and vote at this 25th AGM of the Company or appoint a proxy to attend and vote.

b) A proxy or an attorney need not be a member of the Company and Section 149(1)(b) of the Act shall not apply to the Company.

c) The form of proxy or power of attorney if executed by a corporation must be executed under common seal.

d) The instrument appointing a proxy or a power of attorney must be deposited at the Registered Office of the Company at Lot 6, Block 44, Leboh Tiga, 90000 Sandakan, Sabah not less than 48 hours before the time set for the meeting or any adjournment thereof.

e) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

f) The proposed Ordinary Resolution 6, if passed, will empower the Directors to issue shares up to an aggregate amount not exceeding 10% of the issued share capital of the Company for the time being, for such purposes as the Directors consider would be in the interest of the Company. This mandate is a renewal of the last mandate granted to the Directors at the 24th Annual General Meeting ("AGM") held on 27 June 2012 and, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM.

As at the date of this notice, no new shares in the Company were issued pursuant to the last mandate.

The renewal of this mandate will provide flexibility to the Company for any possible fund-raising activities, including but not limited to further placing of shares, for purpose of funding investment project(s), working capital and/or acquisitions.

g) The proposed Ordinary Resolution 7, if passed, will enable the Company and/or its subsidiary companies to enter into recurrent related party transactions which are of a revenue or trading nature and necessary for the Group's day-to-day operations, subject to the transactions being carried out in the ordinary course of business on terms not more favourable than those generally available to the public and are not detrimental to the minority shareholders of the Company.

Further information on the Proposed Renewal of the Existing Shareholders' Mandate and Proposed New Shareholders' Mandate For Recurrent Related Party Transactions is set out in the Circular to Shareholders which is despatched together with the Company's 2012 Annual Report.

h) The proposed Special Resolution 1, if passed, will enable the Company to align its Articles of Association with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Further information of the Proposed Amendments to the Articles of Association of the Company is set out in the Circular to Shareholders which is despatched together with the Company's 2012 Annual Report.

Statement Accompanying Notice Of Annual General Meeting

Pursuant To Paragraph 8.27(2) Of The Listing Requirements Of Bursa Malaysia Securities Berhad

There is no person standing for election as Director of the Company at this Annual General Meeting.

Corporate Information

BOARD OF DIRECTORS

- **Y. Bhg. Dato' Abd. Aziz Bin Haji Sheikh Fadzir**
  Executive Chairman
- **Datuk Lim Nyuk Sang @ Freddy Lim**
  Chief Executive Officer / Executive Director
- **Wong Len Kee**
  Executive Director
- **Lee Hock Leang**
  Executive Director
- **Wong Chin Kwong**
  Independent Non-Executive Director
- **Tan Kung Ming**
  Independent Non-Executive Director
- **Teo Gim Suan (f)**
  Independent Non-Executive Director

AUDIT COMMITTEE

- **Tan Kung Ming**
  Chairman
- **Wong Chin Kwong**
- **Teo Gim Suan (f)**

SECRETARY

Liu Yee Ling @ Annie Liu
(LS 0001146)

REGISTERED OFFICE

Lot 6, Block 44, Leboh Tiga
90000 Sandakan, Sabah
Tel : 089-218999
Fax : 089-275111
Website : http://www.kretam.com

REGISTRARS

Bina Management (M) Sdn Bhd
Lot 10, The Highway Centre
Jalan 51/205
46050 Petaling Jaya, Selangor
Tel : 03-77843922
Fax : 03-77841988

AUDITORS

Ernst & Young
16th Floor, Wisma Khoo Siak Chiew
Jalan Buli Sim Sim
90000 Sandakan Sabah

SOLICITORS

William Liaw, Chan & Co
Suite No. 801-804, 8th Floor,
Wisma Khoo Siak Chiew
Jalan Buli Sim Sim
90000 Sandakan Sabah

PRINCIPAL BANKERS

- HSBC Bank Malaysia Berhad
- Public Bank Berhad
- RHB Bank Berhad
- Hong Leong Bank Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

Profile Of Directors

The profile of the Directors of KHB, whereby three of the Directors are Independent, are as follows:-

Y. BHG. DATO' ABD. AZIZ BIN HAJI SHEIKH FADZIR

Aged 50, Malaysian, Executive Non-Independent Director and Executive Chairman of KHB. He is also the Chairman of the Executive Committee of KHB. He was appointed to the Board of KHB on 1 July 2002. He holds a Bachelor of Science (Accounting) degree from Purdue University, Indiana, United States of America. He started his career in 1986 as a Project Co-ordinator for Pembangunan Kulim Sdn. Bhd. where he had been actively involved in numerous projects. Prior to joining Gold Bridge Engineering & Construction Berhad where he is the Executive Director and is in charge of the overall management and operations since 1989, he also worked in several construction and property development companies. He also sits on the board of Safeguard Corporation Berhad & Destini Berhad.

He does not have any family relationship with other Directors and/or major shareholders of the Company nor does he have any conflict of interest with the Company. He has not been convicted of any offence within the past ten years.

He attended three of the four Board Meetings held during the financial year ended 31 December 2012.

DATUK LIM NYUK SANG @ FREDDY LIM

Aged 61, Malaysian, Executive Non-Independent Director and Chief Executive Officer of KHB. He is also a member of the Executive Committee, Remuneration Committee and Risk Management Committee as well as the Chairman of the Employees' Share Option Scheme ("ESOS") Committee of KHB. He was appointed to the Board of Directors of KHB on 10 December 1998. He has been involved in the plantation business and the timber industry for more than thirty years. He has interests in private companies which are involved in oil palm plantation and sawmilling operations. He also holds directorships in Sabah Softwoods Bhd and several private companies.

He does not have any family relationship with other Directors and/or major shareholders of the Company. The details of his related party transactions with KHB Group are disclosed in the Circular to shareholders despatched together with the Annual Report. He has not been convicted of any offence within the past ten years.

He attended all the four Board Meetings held during the financial year ended 31 December 2012.

WONG LEN KEE

Aged 64, Malaysian, Executive Non-Independent Director of KHB. He is also a member of the Executive Committee, Risk Management Committee and ESOS Committee of KHB. He is also the Plantations Director of KHB Group. He was appointed to the Board of Directors of KHB on 14 April 2004. He holds a Bachelor of Science (Forestry) degree from The Australian National University Canberra, A.C.T. He was the Project Manager for Sabah Softwoods Sdn Bhd from 1974 to 1984. From 1985 to 1986, he was a director of Sri Brumas Sdn Bhd. He holds directorships in several private companies.

He does not have any family relationship with other Directors and/or major shareholders of the Company. He has not been convicted of any offence within the past ten years.

He attended three of the four Board Meetings held during the financial year ended 31 December 2012.

LEE HOCK LEANG

Aged 48, Malaysian, Executive Non-Independent Director of KHB. He was appointed to the Board of KHB on 16 February 2004 and is currently the Chairman of the Risk Management Committee and a member of ESOS Committee of KHB. He holds a Bachelor of Science (Mechanical Engineering) degree from University of Bradford, Bradford, United Kingdom. He is a certified 1st Class Steam Engineer. He first became involved in the oil palm industry as Management Trainee in 1989 and later as Mill Manager and Group Engineer before setting up his own business in 2006 to provide professional assessment and consultation services in palm oil mill management and engineering.

He does not have any family relationship with other Directors and/or major shareholders of the Company nor does he have any conflict of interest with the Company. He has not been convicted of any offence within the past ten years.

He attended all the four Board Meetings held during the financial year ended 31 December 2012.

WONG CHIN KWONG

Aged 64, Malaysian, Independent Non-Executive Director of KHB. He was appointed to the Board of KHB on 15 November 2007 and is currently a member of the Audit Committee and Nomination Committee of KHB. As an approved tax agent by the Ministry of Finance, he has more than 30 years of tax experience and is currently a Tax and Audit Manager with Messrs Kan & Associates, a Chartered Accountant firm which he joined on 1 January 1980. Prior to joining Messrs Kan & Associates, he was an Audit Assistant with Messrs Yapp, Kan, Tiong & Company from 1974 to 1979. He is an associate member of Malaysian Institute of Taxation and also a member of Malaysian Association of Accounting Administrators and Institute of Approved Company Secretaries.

He does not have any family relationship with other Directors and/or major shareholders of the Company nor does he have any conflict of interest with the Company. He has not been convicted of any offence within the past ten years.

He attended all the four Board Meetings held during the financial year ended 31 December 2012.

TAN KUNG MING

Aged 42, Malaysian, Independent Non-Executive Director of KHB. He was appointed to the Board of KHB on 1 August 2008 and is currently the Chairman of the Audit Committee, Nomination Committee and Remuneration Committee of KHB. He is a Chartered Accountant and a member of both the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants. He began his accountancy career with KPMG in 1991. He joined Zung Zang Holding's Group of Companies as Finance Manager in 1996. He was the Accountant of Priceworth Wood Products Berhad from 2001 to 2003 before starting his own public accounting practice in 2003 under the name of TKM & Co. after obtaining his practising certificate. He also sits on the board of Tekala Corporation Berhad.

He does not have any family relationship with other Directors and/or major shareholders of the Company nor does he have any conflict of interest with the Company. He has not been convicted of any offence within the past ten years.

He attended all the four Board Meetings held during the financial year ended 31 December 2012.

TEO GIM SUAN

Aged 50, Malaysian, Independent Non-Executive Director of KHB. She was appointed to the Board of KHB on 1 January 2011 and is currently a member of the Audit Committee, Nomination Committee and Remuneration Committee of KHB. She is a member of the Malaysian Institute of Accountants and an associate member of Chartered Institute of Management Accountants. She was an Audit Assistant with KPMG from 1990 to 1993. She was a Tax Assistant with KPMG Tax Services Sdn Bhd in 1993 and later held the position of Tax Senior until 2003. Between 2003 and 2005, she was the Manager of M & C Services Sdn Bhd, Sandakan Branch that provided company secretarial and related services. She is a Director and Company Secretary of Moving Swift Corporate Services Sdn Bhd, a company which provides company secretarial and related services, since 2005.

She does not have any family relationship with other Directors and/or major shareholders of the Company nor does she have any conflict of interest with the Company. She has not been convicted of any offence within the past ten years.

She attended all the four Board Meetings held during the financial year ended 31 December 2012.

Corporate Governance Statement

The Board of Directors ("the Board") of Kretam Holdings Berhad ("KHB"/"the Company") is committed to ensuring that high standards of corporate governance are practised by the KHB Group to be in line with the Malaysian Code of Corporate Governance 2012 ("MCCG 2012") to enhance shareholders' value.

The Board is pleased to report on how the Company has applied the principles and recommendations set out in the MCCG 2012 and the extent to which they have been applied by the Board.

BOARD OF DIRECTORS

a) Board Responsibilities

The Board has full and effective control of the Company including the Management, to carry out the following responsibilities to ensure good performance of the Company's business and to enhance long-term shareholder value:-

- Reviewing and adopting strategic plans for the KHB Group;
- Overseeing and evaluating the conduct of the KHB Group's business to ensure proper management thereof;
- Identifying principal risks and instituting risk management;
- Succession planning for senior management;
- Implementing shareholder communications policy; and
- Reviewing adequacy of internal control systems, management information systems and compliance systems.

The Board has established clear functions reserved for the Board and those delegated to the Management in the Board Charter ("the Charter"), a source reference and primary induction literature to provide insights to prospective Board members and Senior Management. The Charter is made available at the Company's website at http://www.kretam.com.

The role of the Executive Chairman is separate from that of the Chief Executive Officer to ensure a balance of power and authority. The Executive Chairman heads the Board and leads the Directors to review and decide on the Management's proposals relating to the Company's financial and corporate matters. The Chief Executive Officer is responsible for the day-to-day management of the Company's operations and the implementation of the Board's policies and decisions.

b) Board Balance

Currently, the Board has 7 members comprising 4 Executive Directors and 3 Independent Non-Executive Directors. The Independent Non-Executive Directors make up at least 1/3 of the Board membership. Collectively, the Board brings a broad range of financial, corporate and operational experience and expertise necessary for the Company's business operations. The MCCG 2012 recommends that the Chairman should be an Independent Non-Executive Director. However, taking into account of the following, the Board is of the opinion that Y. Bhg. Dato' Abd. Aziz Bin Haji Sheikh Fadzir should remain as the Executive Chairman:-

- His professional qualification and leadership would provide invaluable input to the Board;
- His broad network of social and business contacts locally and abroad would bring additional business opportunities to help the KHB Group grow; and
- He has demonstrated care and skill in the best interest of the Company and shareholders since his appointment as the Executive Chairman of the Company.

Furthermore, the Independent Non-Executive Directors provide unbiased views and objective and independent judgment to the decision-making process of the Board and provide a capable check and balance for the Executive Directors.

c) Appointments To The Board

The Nomination Committee is responsible for considering and recommending the right candidate with the necessary skills, knowledge, experience, professionalism and competencies to be recruited to the Board and for assessing Directors' performance on an on-going basis. Details of the Nomination Committee are set out on page 13.

d) Re-election

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board during the year, shall hold office only until the next Annual General Meeting ("AGM") and shall be eligible for re-election. In addition, all the Directors, including the Chief Executive Officer, shall retire from office at the AGM at least once every three years but shall be eligible for re-election.

e) Meetings

At least 4 Board Meetings are held annually. Each meeting is scheduled to coincide with the Company's financial reporting cycle, with additional meetings convened as and when required. Matters considered during the Board Meetings included the Group's financial results, strategic decisions, business plan and direction. 4 Board Meetings were held during the financial year ended 31 December 2012, with the following record of attendance of each Director:-

Directors	Number of Meeting Attended
Y. Bhg. Dato' Abd. Aziz Bin Haji Sheikh Fadzir	3 of 4
Datuk Lim Nyuk Sang @ Freddy Lim	4 of 4
Wong Len Kee	3 of 4
Lee Hock Leang	4 of 4
Wong Chin Kwong	4 of 4
Tan Kung Ming	4 of 4
Teo Gim Suan	4 of 4

f) Supply Of Information

Information including latest statutory and non-statutory regulations and requirements is provided to the Board members on a timely basis. 1 week prior to meetings of the Board and the Board Committees, the Directors are provided with reports and information relating to the business operations and financial affairs of the KHB Group to enable the Directors to be properly briefed and to obtain further information or explanation, where necessary, before the meetings. The Board members have full access to all information within the Company and access to the advice and services of the Company Secretary as a full board or in their individual capacity to enable them to discharge their duties.

The Directors may, as a full Board or in their individual capacity, seek independent professional advice at the Company's expense when necessary. The terms of appointment and removal of the Company Secretary is a matter for the Board as a whole.

g) Directors' Training

All the Directors had successfully completed the Mandatory Accreditation Programme as prescribed by Bursa Malaysia Securities Berhad ("Bursa Securities"). The Directors will continue to attend other relevant training programmes to further enhance their skills and knowledge and to keep abreast with regulatory changes and developments.

All the Directors have attended training during the financial year ended 31 December 2012. Programmes and seminars attended by the Directors, collectively or individually, during the year ended 31 December 2012 were as follows:-

- *Controversies on Financial Reporting Practices in Malaysia – An Educational Perspective and Reviewing the Risk and Control on the Quality of Financial Statement* by Bursatra Sdn Bhd;
- *Corporate Responsibility : A Paradigm Shift for SMEs* and *A New Dimension of Corporate Governance: Human Governance* by Companies Commission of Malaysia;
- *Palm Oil Master Trader Tutorials* by G.M.Teoh;
- *Bursa Malaysia Derivatives Annual Palm & Lauric Oils Conference & Exhibition : Price Outlook 2012/2013 (POC2012)* by Bursa Malaysia Derivatives Berhad ("BMDB");
- *EU-Sabah Biomass Seminar on Renewable Energy Solutions for Sabah* by EU-Malaysia Chamber of Commerce & Industry;
- *The 7th China International Oils and Oilseeds Conference 2012* by Dalian Commodity Exchange and BMDB;
- *2012 National Seminar on Palm Oil Milling, Refining, Environment & Quality (POMREQ)* by Malaysian Palm Oil Board;
- *Power & Liabilities of Directors, Boardroom Issues & Disputes* and *Seminar On "Effective Tax Planning for Employers & Individuals"* by Malaysian Association of Company Secretaries;
- *Seminar on "Introduction to Competition Act 2010 And Managing Human Resources for Company Directors, Company Secretaries and Senior Management"* by Institute of Approved Company Secretaries;
- *Seminar Percukaian Kebangsaan 2012* by Lembaga Hasil Dalam Negeri Malaysia;
- *Mastering Recent Tax Cases – Insights to Tax Litigation & Controversies* and *2012 Convergence – MFRS Changes, Updates & New Developments Beyond 2012* by Malaysian Institute of Accountants; and
- *2012 Sabah Oil & Gas Conference & Exhibition* by IEC – Midas.

h) Directors' Remuneration

A summary of the Directors' remuneration received from the Company and subsidiary companies during the financial year ended 31 December 2012 is as follows:-

1) Aggregate remuneration of Directors who served during the financial year, categorised into appropriate components:

Remuneration	Executive Directors (RM'000)	Non-Executive Directors (RM'000)	Total (RM'000)
Fees	40	40	80
Other Emoluments	-	84	84
Salaries and other Remuneration	3,089	-	3,089
Bonus	1,044	-	1,044
Benefit-in-kind	140	-	140

2) Number of Directors who served during the financial year, whose remuneration fall in the following bands:

Range of Remuneration	Executive Directors	Non-Executive Directors
Below RM50,000	-	3
RM550,001 – RM600,000	1	-
RM650,001 – RM700,000	1	-
RM850,001 – RM900,000	1	-
RM2,250,001 – RM2,300,000	1	-

BOARD COMMITTEES

a) Executive Committee

The members of the Executive Committee are as follows:-

Y. Bhg. Dato' Abd. Aziz Bin Haji Sheikh Fadzir - *Chairman*
Datuk Lim Nyuk Sang @ Freddy Lim
Wong Len Kee

The Terms of Reference of this committee are to undertake tasks specifically assigned to it by the Board of Directors and the Executive Committee shall be vested with the same powers and authority in respect of management, control, and direction of the Company as the Board of Directors save as provided below:-

1) any investment which is in excess of 30% of the total issued and paid up Share Capital or such higher amount as the Board of Directors shall decide from time to time; and
2) any matter which may not by law be delegated by the Board of Directors, or which would cause the Board of Directors to be in breach of any duty.

b) Audit Committee

As at the date of this Statement, the Audit Committee comprises 3 members, all of whom are Independent Non-Executive Directors. Details of the Audit Committee are set out in the Audit Committee Report on page 17.

c) Remuneration Committee

The following Directors, majority of whom are Non-Executive Directors, are the present members of the Remuneration Committee:-

Tan Kung Ming	-	Chairman *(Independent Non-Executive Director)*
Ms. Teo Gim Suan	-	Member *(Independent Non-Executive Director)*
Datuk Lim Nyuk Sang @ Freddy Lim	-	Member (*Non-Independent Executive Director)*

The Remuneration Committee is responsible for:-

- Recommending to the Board the framework for remuneration of the Directors and remuneration packages of Executive Directors so as to attract and retain the Directors needed to run the Company successfully;
- Assisting the Board in assessing the responsibility and commitment undertaken by the Board member; and
- Assisting the Board in ensuring the remuneration of the Directors reflects the responsibility and commitment of the Director concerned.

d) Nomination Committee

The present members of the Nomination Committee are as follows:-

Tan Kung Ming	-	Chairman *(Independent Non-Executive Director)*
Wong Chin Kwong	-	Member *(Independent Non-Executive Director)*
Ms. Teo Gim Suan	-	Member *(Independent Non-Executive Director)*

This Committee comprises exclusively of Independent Non-Executive Directors.

The Nomination Committee is responsible for:-

- Identifying and recommending to the Board of Directors, candidates to the Board and Board Committees;
- Considering, in making its recommendations, candidates for directorships proposed by the Chief Executive Officer and, within the bounds of practicability, by any other senior executive or any Director or shareholder; and
- Reviewing the effectiveness of the Board as a whole, the Board Committees and assessing the contributions of each individual Director.

The Board acknowledges that all Board appointments should be the responsibility of the full Board after considering the recommendations of the Committee.

During the financial year ended 31 December 2012, the Committee held 1 meeting on 20 November 2012 during which the Committee reviewed the effectiveness of the Board as a whole and assessed the contributions of each individual Director.

e) Risk Management Committee

The Risk Management Committee consists of the following Directors:-

Lee Hock Leang	-	Chairman *(Non-Independent Executive Director)*
Datuk Lim Nyuk Sang @ Freddy Lim	-	Member *(Non-Independent Executive Director)*
Wong Len Kee	-	Member *(Non-Independent Executive Director)*

The principal roles and responsibilities of the Risk Management Committee are as follows:-

- Create a high-level risk strategy (policy) aligned with KHB's strategic business objectives;
- Communicate Board vision, strategy, policy, responsibilities, and reporting lines to all employees across the Group;
- Identify and communicate to the Board the critical risks (present or potential) the Group faces, their changes, and the management action plans to manage the risks;
- Perform risk oversight and review risk profiles and organisational performance;
- Set performance measures for the Group (e.g. departments); and
- Provide guidance to the departments on the Group's and departments' risk appetite and capacity, and other criteria, which when exceeded, trigger an obligation to report upward to the Board.

f) Employees' Share Option Scheme ("ESOS") Committee

The ESOS was established with the approval of the shareholders in a general meeting held on 25 June 2009. The ESOS Committee consists of 3 members from the Board and 1 member from the Senior Management. The ESOS Committee is responsible to administer the Company's ESOS in accordance with the Bye-Laws of the ESOS.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Board acknowledges the importance of effective communication with the Company's shareholders and the public and this is conducted through:

1) Despatching the Group's Annual Report and circulars to shareholders;
2) Timely release of the Group's Annual Report, Quarterly results announcement and other announcements to the regulatory authorities namely the Bursa Securities;
3) Accessibility of the Group's Annual Report, Quarterly results announcement and other announcements through the Bursa Securities website at www.bursamalaysia.com;
4) Bursa Securities Link, whereby queries from Bursa Securities are addressed in a timely manner;
5) Notifying shareholders of dates of AGM and other general meetings in the printed media and on the Bursa Securities website to ensure communication with the shareholders;
6) Holding dialogue with shareholders at the AGM and other general meetings; and
7) The Company's website at http://www.kretam.com through which the shareholders and the public can have access to information or to forward their queries pertaining to the Group.

Notices convening meetings are sent to shareholders at least 14 days before a general meeting, or at least 21 days before an AGM or a general meeting where any special resolution is to be proposed, together with related circulars or the Group's Annual Report. At the AGM, the shareholders are given the opportunity to raise questions or seek information on the resolution being proposed and about the Group's operations in general. The Company's Auditors are also present at the AGM.

ACCOUNTABILITY AND AUDIT

a) Financial Reporting

The Board aims to present a balanced and understandable assessment of the Group's position and prospects through its Quarterly results announcement and Annual Report.

b) Directors' Responsibility Statement In Respect Of The Preparation Of The Audited Financial Statements

The Directors' Responsibility Statement in respect of the preparation of the audited financial statements is set out on page 16.

c) Internal Control

The Board recognises its responsibility for the Group's system of internal control covering, in addition to financial controls, operational and compliance controls and risk management.

The Company's Statement on Risk Management and Internal Control is set out on page 21.

d) Relationship With The Auditors

The Board has established a good working relationship with the Group's internal and external auditors through the Audit Committee.

ADDITIONAL INFORMATION

a) Non-audit Fees

Non-audit fees incurred for services rendered by the external auditors and/or their affiliates to the Company and its subsidiary companies for the financial year ended 31 December 2012 amounted to RM48,000.

b) Material Contracts

No material contract which involved the Company's Directors and/or major shareholders was entered into by the Company and/or its subsidiary companies during the financial year ended 31 December 2012.

c) Recurrent Related Party Transactions of a Revenue Nature

Recurrent related party transactions of a revenue nature of the Group for the financial year ended 31 December 2012 were as follows :-

Nature of Transaction	Related Party	Actual Value Transacted During The Year
Purchase of Crude Palm Oil by Green Edible Oil Sdn Bhd ("GEOSB") [1]	Malsa Corporation Sdn Bhd ("MCSB") [2]	RM14,333,061
Purchase of Palm Kernel Shell by GEOSB [1]	MCSB [2]	32,989
Purchase of Waste Wood by GEOSB [1]	Rimbunan Gagah Sdn Bhd [3]	107,115
Purchase of Waste Wood by GEOSB [1]	Priceworth Industries Sdn Bhd ("PISB") [4]	351,371
Purchase of Waste Wood by GEOSB [1]	Innora Sdn Bhd [5]	47,128
Rental of Jetty by GEOSB [1]	PISB [4]	36,000
Purchase of Water by GEOSB [1]	PISB [4]	36,000
Rental of barges, tugboats and other equipment by GEOSB [1]	Maxland Sdn Bhd [6]	35,000
Purchase of Crude Palm Oil by Palm Products International Alliance Sdn Bhd [7]	MCSB [2]	990,000

[1] *A wholly-owned subsidiary of KHB*

[2] *Datuk Lim Nyuk Sang @ Freddy Lim ("FLNS"), a Director and major shareholder of KHB, is a director and major shareholder of MCSB*

[3] *Lim Nyuk Foh ("LNF"), a brother of FLNS, is a director of Rimbunan Gagah Sdn Bhd, a subsidiary of PISB which is a wholly-owned subsidiary of Priceworth International Berhad ("PIB") in which LNF is a director and major shareholder*

[4] *LNF is a director of PISB*

[5] *LNF is a director of Innora Sdn Bhd which is a wholly-owned subsidiary of PIB*

[6] *LNF is a director of Maxland Sdn Bhd which is a wholly-owned subsidiary of PISB*

[7] *A wholly-owned subsidiary of KHB*

Statement Of Directors' Responsibility

For Preparing The Financial Statements

The Directors are required by the provisions of the Companies Act, 1965 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company as at the end of the accounting period and of the results and cash flows for the financial year.

In preparing the financial statements, the Directors have:

- selected and applied appropriate accounting policies on a consistent basis;
- made judgments and accounting estimates that are reasonable in the circumstances; and
- ensured that applicable accounting standards have been followed.

The Directors are responsible for ensuring that proper accounting records are kept and which disclose with reasonable accuracy the financial position of the Group and of the Company and which enable them to ensure that the financial statements are in compliance with the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia. They are responsible for taking reasonable steps to safeguard the assets of the Group and of the Company to prevent and detect fraud and other irregularities.

Audit Committee Report

A. COMPOSITION AND ATTENDANCE OF AUDIT COMMITTEE

The Audit Committee members and record of attendance of each member at the Audit Committee meetings held during the financial year ended 31 December 2012 are as follows:-

Audit Committee Member	Attendance
Tan Kung Ming - Chairman *(Independent, Non-Executive Director, MIA Member)*	4 of 4
Wong Chin Kwong - Member *(Independent, Non-Executive Director)*	4 of 4
Teo Gim Suan - Member *(Independent, Non-Executive Director, MIA Member)*	4 of 4

The General Manager of Finance was present by invitation in all the meetings. Representatives of the external auditors, Messrs Ernst & Young, also attended two meetings upon invitation.

B. TERMS OF REFERENCE

Membership

i) The Audit Committee shall consist not less than three (3) members, all of whom must be non-executive Directors, with a majority being Independent Directors.

ii) At least one member of the Audit Committee must be a member of the Malaysian Institute of Accountants or has the relevant qualifications and experience as prescribed in the Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements ("LR").

iii) The Chairman of the Audit Committee shall be an Independent Director.

iv) Any vacancy in the Audit Committee resulting in the number of members reduced to below 3 shall be filled by a new member appointed by the Board of Directors within 3 months.

v) The terms of office of Committee members shall be reviewed by the Board at least once every 3 years.

Authority

i) The Committee may investigate any activity within its terms of reference and seek any information it requires from any employee of the Group;

ii) The Committee may obtain legal or other independent professional advice, appoint external parties with relevant experience and expertise and convene meetings with the external auditors or the internal auditors; and

iii) The Committee must promptly report to Bursa Securities any matter that has been reported to the Board of Directors but has not been satisfactorily resolved resulting in a breach of the LR.

Functions

The functions of the Committee shall be to:-

a) Review the following and report the same to the Board of Directors:-

i) with the external auditor, the audit plan, the evaluation of the system of internal controls and the external audit report;

ii) the assistance given by the employees of the Group to the external auditor;

iii) the adequacy of the scope, functions, competency and resources of the internal audit functions;

iv) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken;

v) the quarterly results and year end financial statements, prior to the Board of Directors' approval;

vi) any related party transaction (including recurrent related party transaction of a revenue or trading nature) and conflict of interest situation that may arise within the Company or Group;

vii) any letter of resignation from the external auditor of the Group;

viii) whether there is reason (supported by grounds) to believe that the external auditor is not suitable for re-appointment; and

b) Recommend the nomination of a person or persons as external auditor

together with such other functions as may be agreed to by the Committee and the Board of Directors.

Attendance At Meetings

i) The quorum for meetings of the Audit Committee shall be majority of the members present who are Independent Directors.

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

iii) The Company Secretary shall be the Secretary of the Committee.

Proceedings At Meetings

i) If at any meeting the Chairman is not present within 10 minutes after the appointed time, or is unwilling to act, the members present may choose one of their numbers to be chairman of the meeting.

ii) The Committee shall meet, adjourn or otherwise regulate its meetings and proceedings as it thinks fit and questions arising thereat shall be decided by a majority of votes.

iii) In the case of an equality of votes the chairman of the meeting shall have a second or casting vote PROVIDED THAT where two (2) members form a quorum, the chairman of the meeting at which only such a quorum is present, or at which only two members are competent to vote on the question at issue, shall not have a casting vote.

iv) A resolution which may consist of several documents in the same form and each signed by one or more members of the Committee for the time being present in Malaysia shall be as effective as a resolution passed at a meeting of the Committee duly convened and held.

Frequency Of Meetings

The meetings shall be held not less than four (4) times a year. The Secretary shall, on a member's requisition at any time, summon a meeting of the Audit Committee.

Reporting Procedures

Minutes of meetings of the Committee are to be circulated to the Board of Directors.

C. SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

The main activities undertaken by the Committee during the year were as follows:

- Reviewed the external auditors' scope of work, audit plans and the Service Charter for the year prior to the commencement of the audit work;
- Reviewed with the external auditors on the results of the audit and the audit report;
- Reviewed the audit fees payable to the external auditors before recommending to the Board of Directors;
- Reviewed the annual budget for 2013 for the Group before recommending to the Board of Directors;
- Met with the external auditors twice during the year without the presence of any executive Board member;
- Reviewed the Internal Audit Reports prepared by Messrs KPMG ("KPMG") on findings arising from their visits to the Group's plantation and fertiliser divisions, their recommendations and the management's responses thereto and ensured that material findings were addressed by management;
- Reviewed the annual report and the audited financial statements of the Company and ensured that they were drawn up in accordance with the provisions of the Companies Act 1965 and the applicable accounting standards in Malaysia before recommending to the Board for approval;
- Reviewed the unaudited quarterly results of the Group before recommending to the Board for approval for announcement to Bursa Securities; and
- Reviewed the recurrent related party transactions ("RRPTs") entered into by the Group and reviewed the internal audit reports relating to RRPTs to ascertain that all guidelines and procedures established to monitor RRPTs have been complied with.

D. SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION

The activities of the Internal Audit Function ("IAF"), outsourced to KPMG, are as follows:-

- Carrying out a minimum of 6 cycles of internal audit at the Group's plantation, fertiliser and refinery divisions annually;
- Reviewing the revenue and expenditure cycles;
- Reviewing the internal controls implemented by the Group which do not include identifying risk areas;
- Verifying the risk management controls implemented in high risk profiles as identified by the Enterprise Risk Management Unit Leaders and reporting to the Risk Management Committee;
- Reviewing biannually the RRPTs entered into by the Group pursuant to the Proposed Shareholders' Mandate to ensure that the relevant approvals have been obtained and the review procedures in respect of such transactions are adhered to;
- Validating and making appropriate recommendations thereto; and
- Presenting their reports and findings to the operating personnel and the Audit Committee for comments and necessary action.

The IAF has incurred expenses amounting to RM60,548.60 during the year ended 31 December 2012.

E. STATEMENT ON EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

No allocation of options was made during the period from the establishment of the ESOS up to the end of the financial year ended 31 December 2012.

Statement On Risk Management And Internal Control

The Board of Directors ("the Board") is pleased to provide this Statement on Risk Management and Internal Control which outlines the internal control of the Group during the financial year pursuant to paragraph 15.26(b) of the Listing Requirements. In making this statement, the Board is guided by the "Statement on Risk Management and Internal Control: Guideline for Directors of Listed Issuers" which is issued by the Taskforce on Internal Control with the support and endorsement of the Exchange.

The Board recognises its responsibility for maintaining a sound risk management and internal control system for the Group. The Group's risk management and internal control system cover, in addition to financial controls, operational and compliance controls and risk management, and involves each business unit. By its nature, such system can only provide reasonable, rather than absolute, assurance against significant loss, as it is designed to manage rather than eliminate the risk of failure to achieve the Group's objectives.

Recognising the importance of a control-conscious environment, the Board had designed the Group's organisational structure in such a way that each business unit and its scope of activities and responsibilities is clearly defined. Within each of these business units, there is a clear and well-defined delegation of authority and responsibilities to the various personnel; emphasis is given to the segregation of duties among employees. Levels of authorisation are also imposed on management personnel who have been authorised to enter into day-to-day transactions on behalf of their respective business units. In all cases, management personnel and employees are made aware of their responsibilities for safeguarding the assets of the Group against loss.

The framework and key features of the internal control system of the Group include the following:

- The Board reviews quarterly reports from Management on key operating performance, legal, environmental and regulatory matters. Financial performance is deliberated by the Audit Committee, and thereafter tabled to the Board on a quarterly basis.

- Annual budgets and business plans are prepared by all business units and consolidated at Group level. Operating results and key performance indicators are closely monitored by Senior Management against budgets. All major variances and critical operational issues are being followed up with actions taken thereon.

- Limits of Authority manual provides a sound framework of authority and accountability within the organisation and to facilitate quality and timely corporate decision making at the appropriate level in the organisation's hierarchy.

- Policies and procedures are clearly documented for all major operations of the Group.

- Monthly management meetings attended by Heads of Management and Executive Directors to review the operational and financial performance and discuss key issues.

The Board had reviewed the Group's need for an internal audit department, and is for the time being of the opinion that the Group's needs can be met adequately by outsourcing the internal audit function to Messrs KPMG, a firm of chartered accountants. The reports from the internal audit function are reviewed by the Audit Committee, and appropriate action is taken to correct any weaknesses identified in the risk management and internal control system.

To safeguard shareholders' investment and the Company's assets, the Board has in place a risk management policy to monitor and manage risks. The Board also has a Risk Management Committee to assist it in overseeing all aspects relating to the risk management function. The Risk Management Committee meets regularly to update itself on new developments that may affect the Group's risk profiles, and to respond accordingly. Under an Enterprise Risk Management exercise undertaken by the Board in 2005, the Group had documented, and where necessary, updated the risk profiles of its key business units to confirm that adequate actions have been taken to identify and address all significant risks and control issues.

The Board confirms that it has reviewed the effectiveness of the risk management and internal control system and is of the view that the Group's internal control system is operating adequately and effectively in all material aspects to meet the Group's objectives for the year under review and up to the date of approval of this Statement on Risk Management and Internal Control.

25 April 2013

Chairman's Statement

Dear Shareholders,

I am pleased to present to you the Annual Report of Kretam Holdings Berhad ("the Company"/"the Group") for the year ended 31 December 2012 on behalf of the Board of Directors ("the Board").

REVIEW OF OPERATIONS

In each of my previous two messages to shareholders I have had the pleasure of announcing the achievement of record-breaking results for each of those two years. While it is every investor's dream to see growth in profits every year, the obvious fact that our fortunes are tied to movements in palm oil prices meant that for 2012 this was not to be.

For 2012 our Group's continuing operations recorded revenues of RM252.3 million (2011: RM244.4 million), and profit before taxation of RM55.5 million (2011: RM99.8 million).

It was a year of contrasting fortunes for us. Up to July 2012 CPO prices were for the most part RM3,000 and above. By December, however, they had plunged to the RM2,000 level. To put this into perspective, 41% of our estates' production took place in the first half of the year, and 59% in the second half. In the midst of the price turmoil during the final quarter of the year, our Silimpopon Palm Oil Mill commenced operations, and we have no doubt it will contribute positively to our future results.

Apart from bearish sentiment caused by uncertainties over the Euro-zone financial crisis, Indonesia's reduction of its palm oil export duties tilted the playing field to the detriment of many players in the industry. The latter resulted in an increase in supply from Indonesia, and not surprisingly, palm oil exports from Malaysia fell by some 430,000 tonnes compared to 2011, such that by the end of 2012, Malaysian palm oil stocks stood at 2.63 million tonnes compared to 2.06 million tonnes a year earlier. The fact that nationwide month-end aggregate palm oil stocks for 4 consecutive months (i.e. September thru December 2012) were each in themselves all-time highs only served to reinforce bearish sentiment, and this was reflected all too well in prices for the past few months.

Although in the short term this is cause for concern, in the longer term, we need not take too pessimistic a view on our prospects, for we have gone through and rebounded from phases like this before in the past, most recently in 2008-09. Recognising that cycles like this are very normal indeed, we shall in the meantime attend to our normal day-to-day operations with a view to achieve improvements in productivity.

On this note, our estates' and palm oil mills' key performance indicators (which are then compared to the Sabah industry average) are summarized as follows:

	2012	2011	% increase / decrease
FFB Production (tons)			
- existing operations	**273,346**	282,913	-3.4%
- from subsidiaries acquired in 2011 *	**100,358**	30,628	#
	373,704	313,541	
FFB Yield (tons per hectare)			
- existing operations	**22.11**	22.58	-2.1%
- from subsidiaries acquired in 2011 *	**21.00**	25.63	#
Oil Extraction Rate (%) *	**20.60%**	20.21%	1.9%
BENCHMARKS: Averages for Sabah as published by MPOB:			
- FFB Yield (tons per hectare)	**20.40**	22.31	-8.6%
- Oil Extraction Rate (%)	**21.02%**	20.74%	1.4%

* - *2011 figures include production from newly-acquired subsidiaries from October 2011 onwards, after the date control was established over them. The FFB yield for them is calculated based on their full-year equivalent hectarage.*

\# - *as 2011 figures related to only the final quarter of the year, it is not meaningful to show a percentage increase for the absolute quantity of FFB produced. Also, the final quarter in 2011 coincided with the usual peak season, and hence 2011's FFB yield appears very high*

In 2012 the industry in Sabah saw a rather significant decline in FFB yield (8.6%). In the face of this our existing estates' yield declined by only 2.1%, and therefore our FFB yield was 8.4% higher than the Sabah average. Our oil extraction rate also increased in line with that of the industry.

As mentioned earlier, our revenues and profitability are directly affected by movements in CPO prices given that palm oil is our core business. For the last three years, monthly average Peninsular Malaysia CPO prices as published by MPOB are as follows:

(RM per metric ton)	2012	2011	2010
January	3,188.50	3,772.00	2,517.50
February	3,116.00	3,818.50	2,549.50
March	3,291.00	3,503.50	2,631.50
April	3,493.00	3,377.50	2,543.50
May	3,197.00	3,382.00	2,533.00
June	2,961.50	3,289.50	2,515.50
July	3,033.00	3,091.00	2,454.50
August	2,811.00	3,121.00	2,723.50
September	2,729.00	3,066.50	2,728.50
October	2,243.00	2,841.00	2,855.50
November	2,220.00	3,073.00	3,259.00
December	2,060.00	3,065.00	3,629.50

The plunge in CPO prices in the final quarter of the year, at a time when our plantation output entered its peak season, had caused a significant dent in our results for 2012.

2012 was also the first year proper in which our Group had a presence in the downstream segment of the palm oil industry. I am referring of course to the refinery under Green Edible Oil Sdn. Bhd. At 325 tonnes per day, its capacity is regarded to be sub-optimal, and we are currently in the midst of an expansion program that will eventually bring its capacity to 1,500 tonnes per day.

DIVIDENDS

The Board does not propose the payment of any dividend for the year ended 31 December 2012.

CORPORATE DEVELOPMENTS

a) Disposal of stockbroking and related businesses

On 13 December 2011 the Company had entered into a conditional Share Purchase Agreement with UOB-Kay Hian Holdings Limited ("UOBKH") to dispose of its entire equity interest in Innosabah Securities Berhad ("ISB"), through which the Group's stock and futures broking and related businesses are conducted, for an indicative consideration of RM56.68 million.

The disposal was completed on 2 May 2012, and this represented the completion of our Group's divestment of non-core businesses.

b) Acquisition of Subsidiary

On 27 March 2012, Abedon Enviro Sdn. Bhd., a 70%-owned subsidiary of the Group, acquired the entire issued and paid-up capital of Natural Objective Sdn. Bhd. for a cash consideration of RM2. The acquisition gave rise to goodwill on consolidation amounting to RM4,191.

OUTLOOK FOR THE IMMEDIATE FUTURE

CPO prices from January to mid-April 2013 have ranged between RM2,200 and RM2,400. In the face of such bearish prices, we view with concern the following which could affect us:

- no sign of any significant reduction in fertilizer prices;
- the commencement of the minimum wages regime; and
- the ongoing debt crisis in Europe and its related uncertainties, including signs of an economic slowdown worldwide.

CORPORATE SOCIAL RESPONSIBILITY

I now turn to an aspect of our operations that should not be overlooked. Our Group is a corporate citizen, and notwithstanding the fact that it contributes to and benefits many in the form of providing employment and business opportunities and payment of taxes (amongst others), the manner in which it carries out its operations can affect numerous persons and/or communities.

We therefore recognize that in addition to our shareholders, there are many other stakeholders in the various aspects of our Group's operations. These include, but are not limited to, our employees, the environment and the general community where our operations are located and/or conducted.

a) Our Employees

Without our employees our Group would grind to a halt, and therefore recognition must be given to what they bring to the Group. In addition, we emphasize on our employees' development and advancement so as to enable them to be more productive – this is done through a combination of formal and on-the-job training. We provide career openings for fresh university graduates and school leavers, and industrial and practical training attachments are also offered to students from local universities and vocational training institutions.

Employees at our estates and mills enjoy various amenities, from free accommodation to free or subsidized healthcare. With regards to the former, we have already embarked on a program to progressively replace existing ageing employee houses with new ones.

At Bode Estate, we had built a school in 1983, and this school, SK Ladang Bode, which is a government-run primary school, caters to the children of our employees. We had in 2011 carried out extensive repairs and rehabilitation works on the certain school buildings and teachers' quarters, which were ageing and in poor condition.

We give high priority to health and safety at the workplace, and consequently expend significant resources towards this end. This includes training and instilling safety awareness in employees as well as providing safety-related materials and equipment. We also provide medical and hospitalization benefits for any employee in need of them.

b) Our Community

In conjunction with the Duchess of Kent Hospital, Sandakan, our estates organize blood donation campaigns from time to time, and in 2012 our efforts helped collect 324 pints of blood.

We made available a small plot of land at our Sapagaya Estate for the installation of a telecommunications tower, which would provide access to wireless communication to people in the vicinity.

We regularly make donations to a variety of charitable and non-profit organizations, as well as sponsoring community projects. In 2012 we contributed towards the following community projects:

- repair and beautification of the Sandakan downtown roundabout; and
- beautification project at Sandakan's Mile 8 market.

c) The Environment

Environmental protection matters to us, and even more so to communities based in the immediate vicinity of our operations. We are therefore committed to sustainable practices in this regard in addition to complying with government regulations and guidelines. That a significant landbank at our Silimpopon Estate in the Tawau district remains unplanted (mainly due to their hilly and steep terrain) bears testament to such commitment.

Our estates' cattle herds now stands at some 1,200 heads, contributing to a reduction of the use of chemical weedicides. Mahogany seedlings have been planted in unplanted hilly areas and riverine reserves at our Sandakan estates, and more will be planted in future especially at our Tawau estates.

We are in the process of installing a biogas plant next to Kretam Palm Oil Mill. This is part of a Clean Development Mechanism (CDM) project (which aims to reduce greenhouse gas emissions). One of our subsidiaries, Abedon Enviro Sdn. Bhd., is constructing a biomass composting plant, and once completed, this will allow for the recycling of material which would otherwise be unused, as well as reduce emission of greenhouse gases.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to record our appreciation to the management and employees of the Group for their valuable contributions, dedication and commitment in their services during the year.

I would also like to thank our shareholders, clients, business associates, bankers, and relevant regulatory authorities for their continued support, trust, and confidence in the Group.

For and behalf of the Board,

Dato' Abd. Aziz bin Hj. Sheikh Fadzir
Executive Chairman

25 April 2013

Plantation Statistics

2008 to 2012

		2012	2011	2010	2009	2008
OIL PALM						
Production	(tonnes FFB)	373,704	313,541	247,955	243,705	228,475
Yield per hectare	(tonnes FFB)	21.80	22.85	19.94	19.28	18.55
FFB Purchased	(tonnes FFB)	72,691	34,663	15,041	13,305	15,365
MILL						
Production						
- Crude Palm Oil	(tonnes)	73,268	47,054	17,034	8,182	5,525
- Palm Kernel	(tonnes)	16,430	11,159	3,932	2,027	1,439
Extraction Rates						
- Crude Palm Oil	(%)	20.60	20.21	21.39	20.83	19.44
- Palm Kernel	(%)	4.62	4.79	4.94	5.16	5.06
AREA						
Oil palm in harvesting	(hectares)	17,142	13,722	12,434	12,638	12,317
Oil palm immature	(hectares)	2,739	2,207	2,165	1,960	2,281
TOTAL		**19,881**	**15,928**	**14,599**	**14,598**	**14,598**

Note: 2011 figures include production from newly-acquired subsidiaries after the date control was obtained over them. The hectarage for their estates has been included in such a way as to be reflective of their full-year equivalent.

KRETAM HOLDINGS BERHAD

(Company No : 168285-H)

Directors' Report and Financial Statements

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Directors' Report

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

Principal activities

The principal activities of the Company are the operation of oil palm plantation and investment holding. The principal activities of the subsidiaries and associate are stated in Notes 20 and 21 to the financial statements respectively.

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

Results

	Group RM'000	Company RM'000
Profit net of tax	39,700	62,156
Profit attributable to:		
Owners of the parent	39,567	62,156
Non-controlling interests	133	-
	39,700	62,156

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

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

Directors

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

Y.Bhg. Dato' Abd. Aziz Bin Haji Sheikh Fadzir
Datuk Lim Nyuk Sang @ Freddy Lim
Wong Len Kee
Lee Hock Leang
Wong Chin Kwong
Tan Kung Ming
Teo Gim Suan

In accordance with Article 80 of the Company's Articles of Association, Datuk Lim Nyuk Sang @ Freddy Lim and Wong Chin Kwong retire at the forthcoming Annual General Meeting ("AGM") and, being eligible, offer themselves for re-election.

Directors' benefits

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 11 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 31 to the financial statements.

Directors' interests

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and Irredeemable Convertible Preference Shares ("ICPS") in the Company during the financial year were as follows:

	Number of Ordinary Shares of RM1.00 Each			
	1.1.2012	**Acquired**	**Sold**	**31.12.2012**
Direct interest:				
Datuk Lim Nyuk Sang @ Freddy Lim	176,748,732	7,203,000	(7,000,000)	176,951,732
Wong Len Kee	7,203,217	-	-	7,203,217
Indirect interest:				
Datuk Lim Nyuk Sang @ Freddy Lim	9,649,781	-	-	9,649,781

	Number of ICPS of RM1.00 each			
	1.1.2012	**Acquired**	**Sold**	**31.12.2012**
Indirect interest:				
Datuk Lim Nyuk Sang @ Freddy Lim	90,521,739	-	-	90,521,739

Datuk Lim Nyuk Sang @ Freddy Lim by virtue of his interests in shares in the Company is also deemed interested in shares in all the Company's subsidiaries to the extent the Company has an interest.

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

Other statutory information

a) 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:

   i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

   ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

b) At the date of this report, the directors are not aware of any circumstances which would render:

   i) the amount written off for 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; and

   ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

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

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

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

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

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

f) In the opinion of the directors:

   i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

   ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

Significant events

Details of significant events are disclosed in Note 13 and 20 to the financial statements.

Events occurring after the reporting date

Details of events occurring after the reporting date are disclosed in Note 38 to the financial statements.

Auditors

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 25 April 2013.

DATUK LIM NYUK SANG @ FREDDY LIM **WONG LEN KEE**

Statement By Directors

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

We, Datuk Lim Nyuk Sang @ Freddy Lim and Wong Len Kee, being two of the directors of Kretam Holdings Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 37 to 135 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performance and cash flows for the year then ended.

The information set out in Note 40 to the financial statements have 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 Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 25 April 2013

DATUK LIM NYUK SANG @ FREDDY LIM **WONG LEN KEE**

Statutory Declaration

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

I, Lim Chee Zee, being the officer primarily responsible for the financial management of Kretam Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 37 to 136 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Lim Chee Zee at Sandakan in the State of Sabah on 25 April 2013

LIM CHEE ZEE

Before me,

Ramsah Binti Hj. Mohd. Taha (No. S-029)
Persuruhjaya Sumpah

Independent Auditors' Report

To the members of Kretam Holdings Berhad (Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of Kretam Holdings Berhad, which comprise statements of the financial position as at 31 December 2012 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 37 to 135.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

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

Report on other legal and regulatory requirements

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

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

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

c) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Other reporting responsibilities

The supplementary information set out in Note 40 on page 136 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other matters

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

Ernst & Young
AF: 0039
Chartered Accountants

Chong Ket Vui, Dusun
2944/01/13 (J)
Chartered Accountant

Sandakan, Malaysia
25 April 2013

Income Statements

For the financial year ended 31 December 2012

	Note	Group		Company	
		2012	2011	2012	2011
		RM'000	RM'000	RM'000	RM'000
CONTINUING OPERATIONS					
Revenue	4	**252,297**	244,374	**119,926**	114,807
Cost of sales	5	**(170,529)**	(106,279)	**(29,969)**	(29,205)
Gross profit		**81,768**	138,095	**89,957**	85,602
Other items of income					
Interest income	6	**1,078**	1,456	**1,013**	448
Other income	7	**17,581**	2,626	**1,320**	12,030
Other items of expense					
Marketing and distribution costs		**(22,937)**	(19,542)	**(2,619)**	(2,842)
Administrative expenses		**(20,456)**	(17,036)	**(6,810**)	(5,108)
Finance costs	8	**(1,466)**	(284)	**(890)**	(157)
Other expense		**(44)**	(5,470)	**(13,598)**	(1,171)
Profit before tax from continuing operations	9	**55,524**	99,845	**68,373**	88,802
Income tax expense	12	**(15,747)**	(26,543)	**(6,217)**	(12,011)
Profit from continuing operations, net of tax		**39,777**	73,302	**62,156**	76,791
DISCONTINUED OPERATION					
(Loss)/profit from discontinued operation, net of tax	13	**(77)**	1,516	**-**	-
Profit net of tax		**39,700**	74,818	**62,156**	76,791
Profit attributable to:					
Owners of the parent		**39,567**	73,997	**62,156**	76,791
Non-controlling interests		**133**	821	**-**	-
		39,700	74,818	**62,156**	76,791
Earnings/(loss) per share attributable to owners of the parent (sen per share)					
- Basic	14	**10.82**	29.64		
- Diluted	14	**8.67**	21.17		
Continuing operations					
- Basic	14 (a)	**10.85**	29.03		
- Diluted	14 (a)	**8.68**	20.74		
Discontinued operation					
- Basic	14 (b)	**(0.02)**	0.61		
- Diluted	14 (b)	**(0.02)**	0.43		

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

Statements Of Comprehensive Income

For the financial year ended 31 December 2012

	Group		Company	
	2012	**2011**	**2012**	**20101**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit net of tax	**39,700**	74,818	**62,156**	76,791
Other comprehensive income:				
Net loss on available-for-sale financial assets				
- Transfer to profit or loss upon disposal	**-**	(3,162)	**-**	-
Other comprehensive income for the year, net of tax	**-**	(3,162)	**-**	-
Total comprehensive income for the year	**39,700**	71,656	**62,156**	76,791
Total comprehensive income attributable to:				
Owners of the parent	**39,567**	70,835	**62,156**	76,791
Non-controlling interests	**133**	821	**-**	-
	39,700	71,656	**62,156**	76,791

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

Statements Of Financial Position

As at 31 December 2012

	Note	Group		Company	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	15	**486,392**	434,404	**44,737**	40,896
Investment properties	16	**651**	657	**-**	-
Biological assets	17	**397,387**	396,206	**24,979**	24,233
Land use rights	18	**1,144**	1,219	**-**	-
Intangible assets	19	**42,777**	42,847	**-**	-
Investment in subsidiaries	20	**-**	-	**626,560**	652,247
Investment in associate	21	**-**	-	**-**	-
Deferred tax assets	22	**22**	717	**-**	-
Other receivables	24	**2,904**	1,603	**2,904**	1,603
		931,277	877,653	**699,180**	718,979
Current assets					
Inventories	23	**88,205**	50,493	**2,196**	1,608
Trade and other receivables	24	**13,241**	26,147	**148,429**	66,717
Tax recoverable		**10,865**	2,944	**3,876**	1,128
Cash and bank balances	25	**40,181**	33,859	**29,435**	20,883
		152,492	113,443	**183,936**	90,336
Assets of disposal group classified as held for sale	13	**-**	64,020	**-**	42,307
		152,492	177,463	**183,936**	132,643
Total assets		**1,083,769**	1,055,116	**883,116**	851,622
EQUITY AND LIABILITIES					
Current liabilities					
Loans and borrowings	26	**20,368**	5,199	**2,461**	2,492
Trade and other payables	27	**50,131**	54,498	**49,286**	78,886
Income tax payable		**232**	2,177	**-**	-
		70,731	61,874	**51,747**	81,378
Liabilities directly associated with disposal group classified as held for sale	13	**-**	21,142	**-**	-
		70,731	83,016	**51,747**	81,378
Net current assets		**81,761**	94,447	**132,189**	51,265

	Note	Group		Company	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Non-current liabilities					
Deferred tax liabilities	22	**98,820**	100,771	**8,246**	7,125
Loans and borrowings	26	**14,121**	10,906	**7,139**	9,291
		112,941	111,677	**15,385**	16,416
Total liabilities		**183,672**	194,693	**67,132**	97,794
Net assets		**900,097**	860,423	**815,984**	753,828
Equity attributable to owners of the parent					
Share capital	28	**365,525**	365,525	**365,525**	365,525
Share premium	28	**157,357**	157,357	**157,357**	157,357
Other reserves	29	**253,960**	253,960	**250,830**	250,830
Retained earnings/ (accumulated losses)	30	**120,032**	33,015	**42,272**	(19,884)
Reserves of disposal group classified as held for sale	13	**-**	47,279	**-**	-
		896,874	857,136	**815,984**	753,828
Non-controlling interests		**3,223**	3,287	**-**	-
Total equity		**900,097**	860,423	**815,984**	753,828
Total equity and liabilities		**1,083,769**	1,055,116	**883,116**	851,622

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

Statements Of Changes In Equity

For the financial year ended 31 December 2012

	Note	Equity, total RM'000	Attributable to owners of the parent						Non-controlling interests RM'000
			Equity attributable to owners of the parent total RM'000	Non-distributable				Distributable	
				Share capital RM'000	Share premium RM'000	Reserves of disposal group classified as held for sale RM'000	Other reserves RM'000	Retained earnings RM'000	
2012									
Group									
Opening balance at 1 January 2012		860,423	857,136	365,525	157,357	47,279	253,960	33,015	3,287
Total comprehensive income		39,700	39,567	-	-	-	-	39,567	133
Transaction with owners									
Disposal of subsidiaries		296	171	-	-	171	-	-	125
Non-controlling interests on acquisition of subsidiary		(2)	-	-	-	-	-	-	(2)
Dividends paid	37	(320)	-	-	-	-	-	-	(320)
Realisation of reserves upon disposal of subsidiaries		-	-	-	-	(47,450)	-	47,450	-
Total transactions with owners		(26)	171	-	-	(47,279)	-	47,450	(197)
Closing balance at 31 December 2012		**900,097**	**896,874**	**365,525**	**157,357**	**-**	**253,960**	**120,032**	**3,223**

	Note	Equity, total RM'000	Equity attributable to owners of the parent total RM'000	Attributable to owners of the parent Non-distributable: Share capital RM'000	Share premium RM'000	Reserves of disposal group classified as held for sale RM'000	Other reserves RM'000	Distributable Retained earnings RM'000	Non-controlling interests RM'000
2011									
Group									
Opening balance at 1 January 2011		333,754	330,788	244,482			82,114	4,192	2,966
Total comprehensive income		71,656	70,835	-	-	-	(3,162)	73,997	821
Transaction with owners									
Shares issued for acquisition of subsidiaries:									
- ordinary shares		278,400	278,400	121,043	157,357		-	-	-
- ICPS		222,513	222,513	-	-	-	222,513	-	-
Acquisition of non-controlling interests		(129)	-	-	-	-	-	-	(129)
Premium paid on acquisition of non-controlling interests		(171)	(171)	-	-	-	(171)	-	-
Non-controlling interests on acquisition of subsidiary		2	-	-	-	-	-	-	2
Dividends paid	37	(45,602)	(45,229)	-	-	-	-	(45,229)	(373)
Realisation of revaluation reserve		-	-	-	-	-	(55)	55	-
Reserve attributable to disposal group classified as held per sale		-	-	-	-	47,279	(47,279)	-	-
Total transactions with owners		455,013	455,513	121,043	157,357	47,279	175,008	(45,174)	(500)
Closing balance at 31 December 2011		860,423	857,136	365,525	157,357	47,279	253,960	33,015	3,287

	Note	Equity, total RM'000	Non-Distributable: Share capital RM'000	Non-Distributable: Share premium RM'000	Non-Distributable: Other reserves RM'000	Non-Distributable: Retained Earnings/ (accumulated losses) RM'000
2012						
Company						
Opening balance at 1 January 2012		753,828	365,525	157,357	250,830	(19,884)
Total comprehensive income		62,156	-	-	-	62,156
Closing balance at 31 December 2012		**815,984**	**365,525**	**157,357**	**250,830**	**42,272**
2011						
Company						
Opening balance at 1 January 2011		221,353	244,482	-	28,317	(51,446)
Total comprehensive income		76,791	-	-	-	76,791
Transaction with owners						
Shares issued for acquisition of subsidiaries:						
- ordinary shares	28	278,400	121,043	157,357	-	-
- ICPS		222,513	-	-	222,513	-
Dividends paid	37	(45,229)	-	-	-	(45,229)
Total transactions with owners		455,684	121,043	157,357	222,513	(45,229)
Closing balance at 31 December 2011		**753,828**	**365,525**	**157,357**	**250,830**	**(19,884)**

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

Statements Of Cash Flows

For the financial year ended 31 December 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Operating activities					
Profit before tax from:					
- continuing operations		**55,524**	99,845	**68,373**	88,802
- discontinued operation		**(77)**	1,516	**-**	-
Profit before tax, total		**55,447**	101,361	**68,373**	88,802
Adjustments for:					
Interest income					
- continuing operations	6	**(1,078)**	(1,456)	**(1,013)**	(448)
- discontinued operation		**(494)**	(1,262)	**-**	-
Dividend income					
- continuing operations		**-**	-	(**60,333**)	(40,891)
- discontinued operation		**-**	(49)	**-**	-
Negative goodwill written off	7	**(6)**	(796)	**-**	-
Bad debts written off	9	**212**	5	**-**	97
Net reversal of impairment loss on:					
- trade receivable		**(4)**	(4)	**-**	-
- amounts due from subsidiaries		**-**	-	(**1,063**)	(11,761)
Net loss/(gain) on disposal of plant and equipment	7	**(84)**	(62)	**(33)**	(36)
Finance costs					
- continuing operations	8	**1,466**	284	**890**	157
- discontinued operation	13	**13**	25	**-**	-
Gain from fair value adjustment of investment properties		**(229)**	-	**-**	-
Net fair value gain on available-for-sale financial assets (discontinued operation)	9	**-**	(3,107)	**-**	-
Net gain on disposal of subsidiary		**(15,854)**	-	**-**	-
Plant and equipment scrapped	9	**77**	5	*****	-
Depreciation of property, plant and equipment					
- continued operation	15	**22,903**	10,786	**3,697**	3,014
- discontinued operation		**118**	305	**-**	-
Depreciation of investment properties					
- continued operation	16	**6**	8	**-**	-
- discontinued operation		**2**	-	**-**	-
Amortisation of biological assets	17	**73**	74	**-**	-
Amortisation of land use rights	18	**75**	25	**-**	-
Impairment loss on biological assets	17	**104**	346	**59**	307
Impairment loss on amounts due from:					
- associates		**-**	32	**-**	24
- other receivables (discontinued operation)		**61**	2,500	**-**	-
- amounts due from clients (discontinued operation)		**-**	49	**-**	-
Net impairment loss on investment in subsidiaries		**-**	-	**13,572**	-
Total adjustments		**7,361**	7,708	**(44,224)**	(49,537)
Operating cash flows before changes in working capital		**62,808**	109,069	**24,149**	39,265

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Changes in working capital					
Increase in inventories		**(37,712)**	(12,791)	**(588)**	(275)
Decrease in trade and other receivables		**17,590**	30,359	**4,559**	9,780
(Decrease)/increase in trade and other payables		**(1,274)**	(12,447)	**(9,108)**	7,713
Total changes in working capital		**(21,396)**	5,121	**(5,137)**	17,218
Cash flows from operations		**41,412**	114,190	**19,012**	56,483
Interest received		**1,458**	2,718	**936**	448
Interest paid		**(687)**	(270)	**(98)**	(118)
Income taxes paid		**(31,863)**	(27,673)	**(9,361)**	(9,466)
Income tax refunded		**4,994**	1,027	**1,518**	-
Net cash flows from operating activities		**15,314**	89,992	**12,007**	47,347
Investing activities					
Dividend received		**-**	49	**60,333**	38,374
Purchase of property, plant and equipment		**(70,053)**	(27,370)	**(7,364)**	(4,215)
Proceeds from disposal of plant and equipment		**93**	99	**195**	36
Additions to biological assets		**(1,358)**	(1,251)	**(805)**	(1,136)
Acquisition of non-controlling interest	20	**-**	(300)	**-**	-
Net cash outflow on acquisition of subsidiaries	20	**-**	(6,563)	**-**	(11,808)
Subscription of shares in a subsidiary company		**-**	-	**(2,000)**	(11,922)
Proceeds from redemption of RNPS		**-**	-	**-**	9,616
Proceeds from disposal of investment securities		**-**	3,597	**-**	-
Proceeds from disposal of subsidiaries		**36,791**	-	**55,007**	-
Additions to intangible assets		**-**	(100)	**-**	-
Net movement with subsidiary companies		**-**	-	**(105,510)**	(10,221)
Net cash flows (used in)/from investing activities		**(34,527)**	(31,839)	**(144)**	8,724

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Financing activities					
Dividends paid		**(320)**	(45,602)	**-**	(45,229)
Drawdown of term loans		**2,460**	-	**-**	-
Drawdown of revolving credits		**16,000**	-	**-**	-
Repayment of obligations under finance leases		**(2,039)**	(1,428)	**(811)**	(712)
Dividend paid for ICPS		**(2,500)**	-	**(2,500)**	-
Net cash flows from/(used in) financing activities		**13,601**	(47,030)	**(3,311)**	(45,941)
Net (decrease)/increase in cash and cash equivalents		**(5,612)**	11,123	**8,552**	10,130
Cash and cash equivalents at 1 January		**45,352**	34,229	**20,883**	10,753
Cash and cash equivalents at 31 December	25	**39,740**	45,352	**29,435**	20,883

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

1. Corporate Information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office and the principal place of business of the Company are located at Lot 6, Block 44, Leboh Tiga, 90000 Sandakan, Sabah.

The principal activities of the Company are the operation of oil palm plantation and investment holding. The principal activities of the subsidiaries and associate are stated in Notes 20 and 21 to the financial statements respectively.

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

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRS") and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRS which are mandatory for financial periods beginning on or after 1 January 2012 as described fully in Note 2.2.

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

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

2. Summary of significant accounting policies (Cont'd)

2.2 Changes in accounting policies

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

On 1 January 2012, the Group and the Company adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2012.

FRS, Amendments to FRS and IC Interpretations	Effective for financial periods beginning on or after
IC Interpretation 19 : Extinguishing Financial Liabilities with Equity Instruments	1 July 2012
Amendments to IC Interpretation 14 : Prepayments of a Minimum Funding Requirement	1 July 2012
FRS 124 : Related Party Disclosures	1 January 2012
Amendments to FRS 1 : Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 January 2012
Amendments to FRS 7 : Disclosures - Transfers of Financial Assets	1 January 2012
Amendments to FRS 112 : Deferred Tax: Recovery of Underlying Assets	1 January 2012

Adoption of the above standards and interpretations did not have any significant effect on the financial performance and position of the Group and of the Company except as discussed below.

Revised FRS 124: Related Party Disclosures

The revised FRS 124 clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised FRS 124 expands the definition of a related party and would treat two entities as related to each other whenever a person (or a close member of that person's family) or a third party has control or joint control over the entity, or has significant influence over the entity. The revised standard also introduces a partial exemption of disclosure requirements for government-related entities. The revised affects disclosure only and has no impact on the Group's financial position or performance.

2. Summary of significant accounting policies (Cont'd)

2.2 Changes in accounting policies (Cont'd)

Amendments to FRS 7: Disclosures - Transfers of Financial Assets

The amendments require additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendments requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment affects disclosure only and has no impact on the Group's financial position or performance.

2.3 Standards issued but not yet effective

The standards and interpretations that have been issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are discussed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective

Description	Effective for financial periods beginning on or after
Amendments to FRS 101 : Presentation of Items of Other Comprehensive Income	1 July 2012
FRS 10 : Consolidated Financial Statements	1 January 2013
FRS 11 : Joint Arrangements	1 January 2013
FRS 12 : Disclosure of Interests in Other Entities	1 January 2013
FRS 13 : Fair Value Measurement	1 January 2013
FRS 119 : Employee Benefits	1 January 2013
FRS 127 : Separate Financial Statements	1 January 2013
FRS 128 : Investment in Associates and Joint Ventures	1 January 2013
IC Interpretation 20 : Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to FRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to FRS 10, FRS 11 and FRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of interests in other Entities - Transaction Guidance	1 January 2013
Amendment to FRS 10, FRS 12 and FRS 127: Investment Entities	1 January 2014
Amendments to FRS 132 : Offsetting Financial Assets and Financial Liabilities	1 January 2014
FRS 9 : Financial Instruments	1 January 2015

2. Summary of significant accounting policies (Cont'd)

2.3 Standards issued but not yet effective (Cont'd)

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

Amendments to FRS 101 - Presentation of Items of Other Comprehensive Income

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

FRS 10: Consolidated Financial Statements

FRS 10 replaces the portion of FRS 127 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements.

FRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by FRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in FRS 127.

FRS 12: Disclosure of Interests in Other Entities

FRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and has no impact on the Group's financial position or performance.

FRS 127: Separate Financial Statements

As a consequence of the new FRS 10 and FRS 12, FRS127 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements.

FRS 128: Investments in Associates and Joint Ventures

As a consequence of the new FRS 11 and FRS 12, FRS 128 is renamed as FRS 128 Investments in Associates and Joint Ventures. This new standard describes the application of the equity method to investments in joint ventures in addition to associates.

2. Summary of significant accounting policies (Cont'd)

2.3 Standards issued but not yet effective (Cont'd)

Amendments to FRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments require additional information to be disclosed to enable users of financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. The amendment affects disclosure only and has no impact on the Group's financial position or performance.

Amendments to FRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)

The amendments to FRS 101 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group's financial position and performance.

Amendments to FRS 132: Offsetting Financial Assets and Financial Liabilities

The amendments to FRS 132 clarified that a legally enforceable right to set off is a right of set off that must not be contingent on a future event; and must be legally enforceable in the normal course of business, the event of default and the event of insolvency or bankruptcy of the entity and all of the counterparties. The amendments further clarified that an entity will meet the net settlement criterion as provided in FRS 132 if the entity can settle amounts in a manner that the outcome is, in effect, equivalent to net settlement.

FRS 9 Financial Instruments: Classification and Measurement

FRS 9 reflects the first phase of work on the replacement of FRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in FRS 139. The adoption of this first phase of FRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phase, when the final standard including all phases is issued.

2. Summary of significant accounting policies (Cont'd)

2.3 Standards issued but not yet effective (Cont'd)

Malaysian Financial Reporting Standards ("MFRS Framework")

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS Framework").

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

Based on the MASB announcement on 30 June 2012, transitioning Entities will be allowed to defer adoption of the new MFRS Framework from previous adoption date of 1 January 2013 to 1 January 2014. Consequently, the adoption of the MFRS Framework by the Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2014.

The Group and the Company fall within the scope definition of Transitioning Entities and accordingly, will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2013. In presenting its first MFRS financial statements, the Group and the Company will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

At the date of these financial statements, the Group and the Company have not completed their quantification of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework due to the ongoing assessment by the project team. Accordingly, the Group and the Company financial performances and financial positions as disclosed in these financial statements for the year ended 31 December 2012 could be different if prepared under the MFRS Framework.

The Group and the Company expect to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2014.

2. Summary of significant accounting policies (Cont'd)

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Business combinations from 1 January 2011

With the exception of business combinations involving entities under common control, acquisitions of subsidiaries are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. The difference between these fair values and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition. The accounting policy for goodwill is set out in Note 2.10(a). Discount on acquisition which represents negative goodwill is recognised immediately as income in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 139 either in the profit or loss or other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured until it is finally settled within equity.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in the statement of comprehensive income.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree identifiable net assets.

2. Summary of significant accounting policies (Cont'd)

2.4 Basis of consolidation (Cont'd)

Business combinations before 1 January 2011

In comparison to the above mentioned requirements, the following differences applied:

Business combinations are accounted for by applying the acquisition method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent measurements of the contingent consideration affected goodwill.

2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the parent, and are 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 parent.

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 as equity transaction reserve and attributed to owners of the parent.

2. Summary of significant accounting policies (Cont'd)

2.6 Foreign currency

a) 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 consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date 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.

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, 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.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

2. Summary of significant accounting policies (Cont'd)

2.7 Property, plant and equipment (Cont'd)

Certain property, plant and equipment of certain subsidiaries were revalued in 1996 based on an independent professional valuation using open market values on an existing use basis. The Directors have not adopted a policy of regular revaluation of such assets and no later valuation has been recorded. As permitted under the transitional provision of International Accounting Standard No. 16 (Revised) Property, Plant and Equipment, these assets can continue to be stated on the basis of their previous valuation amounts (subject to continuity in depreciation policy and the requirement to write the assets down to their recoverable amount).

Plantation infrastructure thereon is amortised over the remaining lease term of the land or 50 years where applicable.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

- Long term leasehold land	Over remaining lease term of land
- Buildings	2% - 10%
- Motor vehicles	20%
- Computer equipment	20%
- Plant and machinery, oil mill and heavy equipment	7% - 20%
- Furniture, fittings, equipment and renovations	5% - 20%

Assets under construction included in plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and 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 or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2. Summary of significant accounting policies (Cont'd)

2.8 Biological assets

Biological assets comprise new oil palm planting expenditure and cattle.

i) New oil palm planting expenditure

Plantation development expenditure incurred from land clearing to the point of harvesting. Such expenditure is capitalised. Replanting expenditure which represent cost incurred in replanting old planted areas is charged to income statement in the year in which it is incurred.

Plantation development expenditure of certain subsidiaries were revalued in 1996 based on an independent professional valuation using open market values on an existing use basis. The Directors have not adopted a policy of regular revaluation of such assets and no further valuation has been recorded. As permitted under the transitional provision of International Accounting Standard No. 16 Property, Plant and Equipment, these assets continue to be stated on the basis of their previous valuation amounts (subject to continuity in depreciation policy and the requirement to write the assets down to their recoverable amount).

Plantation development expenditure on leasehold land held on long-term leases (with remaining lease period of over 50 years) are not amortised. The non-amortisation of the biological assets has no material effect on the financial statements.

Plantation development expenditure on short leasehold land are amortised over the period of the lease or 50 years where applicable.

ii) Cattle

All cost incurred on cattle breeder which are accumulated on a project basis, are capitalised until such time when the cattle breeder commence breeding.

Cost incurred on cattle breeder consist of the acquisition cost of the cattle breeder, cost of medication and direct labour. Maintenance cost of cattle breeder after commencement of breeding are recognised in the income statement.

The cost of cattle breeder are amortise over 10 years upon commencement of breeding.

2. Summary of significant accounting policies (Cont'd)

2.9 Investment properties

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both. Investment properties are stated at cost less accumulated depreciation and impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy Note 2.7.

Investment properties are derecognised when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.7 up to the date of change in use.

2.10 Intangible assets

a) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

2. Summary of significant accounting policies (Cont'd)

2.10 Intangible assets (Cont'd)

b) Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Trading rights

Trading rights was acquired separately and have indefinite useful lives.

2.11 Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over their lease terms.

2. Summary of significant accounting policies (Cont'd)

2.12 Impairment of non-financial assets (Cont'd)

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2.13 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2. Summary of significant accounting policies (Cont'd)

2.14 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associates is measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss for the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2. Summary of significant accounting policies (Cont'd)

2.15 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, held-to-maturity investments and available-for-sale financial assets.

a) **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 short 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.

b) 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.

2. Summary of significant accounting policies (Cont'd)

2.15 Financial assets (Cont'd)

c) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity.

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

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

d) 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 any of the three preceding categories.

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 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.

2. Summary of significant accounting policies (Cont'd)

2.15 Financial assets (Cont'd)

A financial asset is derecognised where 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 or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace 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.

2.16 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.

a) 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.

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 trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade 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.

2. Summary of significant accounting policies (Cont'd)

2.16 Impairment of financial assets (Cont'd)

b) 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.

2.17 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 amounts of cash and which are subject to an insignificant risk of change in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2. Summary of significant accounting policies (Cont'd)

2.18 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Processed crude palm oil and milled oil palm produce: costs of direct materials, direct labour, other direct charges and appropriate proportions of factory overheads. These costs are assigned on weighted average cost method.

- Raw materials for fertilizers production: purchase costs on first-in first-out basis.

- Finished goods (fertilizers): costs of raw materials, direct labour, other direct costs and appropriate proportions of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.

- Consumable stores: purchase costs and expenses in bringing them into store on a weighted average cost method.

- Oil palm seedling and nurseries: purchase costs and upkeep expenses on a weighted average cost method.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

2.19 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2. Summary of significant accounting policies (Cont'd)

2.20 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all conditions attached will be met. Where the grant relates to income it shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income may be presented as a credit in profit or loss, either separately or under a general heading such as "Other income".

2.21 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.

a) 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.

2. Summary of significant accounting policies (Cont'd)

2.21 Financial liabilities (Cont'd)

a) 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.

2.22 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 Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

As at reporting date, no values are placed on corporate guarantees provided by the Company to secure bank loans and other banking facilities granted to its subsidiaries where such loans and banking facilities are fully collateralised by fixed and floating charges over the property, plant and equipment and other assets of the subsidiaries and where the directors regard the value of the credit enhancement provided by the corporate guarantees as minimal.

2. Summary of significant accounting policies (Cont'd)

2.23 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

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

2.24 Irredeemable convertible preference shares ("ICPS")

The ICPS are regarded as compound instruments, consisting of a liability component and an equity component. The component of ICPS that exhibits characteristics of a liability is recognised as a financial liability in the statements of financial position, net of transaction costs. The dividends on those shares are recognised as interest expense in profit or loss using the effective interest rate method. On issuance of the ICPS, the fair value of the liability component is determined using a market rate for an equivalent non-convertible debt and this amount is carried as a financial liability in accordance with the accounting policy for other payables set out in Note 2.21.

The residual amount, after deducting the fair value of the liability component, is recognised and included in shareholder's equity, net of transaction costs.

Transaction costs are apportioned between the liability and equity components of the ICPS based on the allocation of proceeds to the liability and equity components when the instruments were first recognised.

2.25 Employee benefits

Defined contribution plans

The Malaysian companies in the Group make contributions to the Employees Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2. Summary of significant accounting policies (Cont'd)

2.26 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

a) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.27 (c).

2.27 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(a) Sale of goods

Revenue from sale of goods is recognised on an accrual basis upon delivery of products to customers, less returns.

2. Summary of significant accounting policies (Cont'd)

2.27 Revenue (Cont'd)

b) Revenue from services

Revenue from provision of management services, registration and nominee services is recognised on an accrual basis upon the rendering of services to customers.

c) Rental income

Rental income from investment properties is accounted for on straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

d) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

2.28 Income taxes

a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. Summary of significant accounting policies (Cont'd)

2.28 Income taxes (Cont'd)

b) Deferred tax (Cont'd)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. 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 allow the deferred tax assets to be utilised.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2. Summary of significant accounting policies (Cont'd)

2.29 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 36, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.30 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.31 Discontinued operation

A component of the Group is classified as a "discontinued operation" when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated major line of business or geographical area of operations. A component is deemed to be held for sale if its carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Upon classification as held for sale, non-current assets and disposal groups are not depreciated and are measured at the lower of carrying amount and fair value less costs to sell. Any differences are recognised in profit or loss.

2.32 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 judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Useful lives of plant and equipment

The costs of plant and equipment are depreciated on a straight-line basis over the assets' estimated economic useful lives. Management estimates the useful lives of these plant and equipment, to be within 5 to 15 years. These are common life expectancies applied in the palm oil industries. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of the Group's plant and equipment at the reporting date is disclosed in Note 15. A 5% (2011: 5%) difference in the expected useful lives of these assets from management's estimates would result in approximately 7% (2011: 2%) variance in the Group's profit for the year.

b) Impairment of goodwill

Goodwill are tested for impairment annually and at other times when such indicators exist. Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. This requires an estimation of the value in use of the cash-generating units to which goodwill are allocated.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the carrying value, the key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in the assumptions are given in Note 19.

3. Significant accounting judgements and estimates (Cont'd)

c) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. 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 there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's receivables at the reporting date is disclosed in Note 24.

d) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty; hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statements of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

The carrying values of deferred tax assets of the Group at 31 December 2012 was RM14,624,198 (2011: RM10,890,705). The recognised tax losses, unabsorbed capital allowances and reinvestment allowances of the Group was RM58,496,276 (2011: RM44,299,537) and the unrecognised tax losses and unabsorbed capital allowances of the Group was RM170,036,602 (2011: RM442,308,171).

4. Revenue

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Sales refined palm oil and related products	**97,234**	-	**-**	-
Sales of crude palm oil, palm kernel and bunch ash	**98,353**	162,694	**-**	-
Sales of fresh fruit bunches	**51,466**	74,174	**59,593**	73,916
Sales of fertilizer	**5,173**	7,506	**-**	-
Gross dividend income received	**-**	-	**60,333**	40,891
Management fee	**15**	-	**-**	-
Rental income from investment property	**56**	-	**-**	-
	252,297	244,374	**119,926**	114,807

5. Cost of sales

Cost of sales:				
- plantation and mill	**55,849**	100,276	**29,969**	29,205
- refinery	**110,515**	-	**-**	-
- fertilizer	**4,152**	6,003	**-**	-
Cost of services rendered arising from investment properties	**13**	-	**-**	-
	170,529	106,279	**29,969**	29,205

6. Interest income

Interest income from:				
Proceeds receivable from disposal of non-current asset	**77**	481	**77**	-
Short-term deposits	**1,001**	975	**871**	406
Advances to a subsidiary	**-**	-	**65**	42
	1,078	1,456	**1,013**	448

7. Other income

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Net gain on disposal of subsidiaries	**15,854**	-	**-**	-
Net gain on disposal of plant and equipment	**84**	62	**33**	36
Rental income	**108**	67	**180**	180
Net reversal of impairment loss on				
- amounts due from subsidiaries (Note 24 (d))	**-**	-	**1,063**	11,761
- trade receivables	**4**	4	**-**	-
Sales of cattles	**95**	-	**-**	-
Sales of culverts	**11**	17	**11**	17
Sales of scrap iron	**-**	216	**-**	-
Sales of sludge oil	**267**	764	**-**	-
Sales of empty fruit bunches, palm fiber and shell	**829**	605	**-**	-
Negative goodwill written off	**6**	796	**-**	-
Miscellaneous	**323**	95	**33**	36
	17,581	2,626	**1,320**	12,030

8. Finance costs

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Interest expense on:				
Revolving credits	**203**	-	**-**	-
Interest overdue	**7**	-	**-**	-
Bank overdraft	**81**	1	**-**	-
ICPS	**792**	39	**792**	39
Obligations under finance leases	**383**	244	**98**	118
Total finance costs	**1,466**	284	**890**	157

9. Profit before Tax

The following items have been included in arriving at profit before tax:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Auditors' remuneration:				
- statutory audits (current year)	**197**	230	**55**	55
- Continuing	**197**	183	**55**	55
- Discontinuing	**-**	47	**-**	-
- under provision in prior year	**6**	3	**-**	-
- other services	**48**	302	**27**	298
- Continuing	**48**	301	**27**	298
- Discontinuing	**-**	1	**-**	-
Employee benefits expense (Note 10)	**43,359**	24,310	**9,696**	7,134
- Continuing	**42,680**	21,846	**9,696**	7,134
- Discontinuing	**679**	2,464	**-**	-
Non-executive directors' remuneration (Note 11)	**124**	242	**124**	114
- Continuing	**124**	122	**124**	114
- Discontinuing	**-**	120	**-**	-
Depreciation of property, plant and equipment (Note 15)	**23,014**	11,091	**3,697**	3,014
- Continuing	**22,903**	10,786	**3,697**	3,014
- Discontinuing	**111**	305	**-**	-
Depreciation of investment properties (Note 16)	**8**	8	**-**	-
- Continuing	**6**	*	**-**	-
- Discontinuing	**2**	8	**-**	-
Amortisation of biological assets	**73**	74	**-**	-
Impairment loss on biological assets	**104**	346	**59**	307
Amortisation of land use rights (Note 18)	**75**	26	**-**	-
Plant and equipment scrapped	**77**	6	*****	-

* Below RM1,000

9. Profit before Tax (Cont'd)

The following items have been included in arriving at profit before tax: (continued)

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Foreign exchange gain	**57**	-	**-**	-
Bad debts written off	**212**	5	**-**	97
Net fair value gain on available-for-sale financial assets - Discontinuing	**-**	(3,107)	**-**	-
Impairment loss on amounts due from				
- Associates	**-**	32	**-**	24
- client - Discontinuing	**-**	49	**-**	-
- other receivables - Discontinuing	**-**	2,500	**-**	-
Net impairment loss on investment in subsidiaries	**-**	-	**13,573**	-
Rental expenses	**405**	456	**120**	-
- Continuing	**331**	204	**120**	-
- Discontinuing	**74**	252	**-**	-
Acquisition related costs (Note 20)	**-**	1,046	**-**	988
Oil palm replanting expenses	**9,220**	5,980	**-**	-

10. Employee benefits expense

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Wages and salaries	**41,253**	23,084	**9,408**	6,865
Social security contributions	**1,942**	246	**28**	25
Contributions to defined contribution plan	**164**	980	**260**	244
	43,359	24,310	**9,696**	7,134

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM4,427,102 (2011: RM5,821,273) and RM40,000 (2011: RM30,000) respectively as further disclosed in Note 11.

11. Directors' remuneration

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Executive:				
Salaries and other emoluments	**2,795**	3,184	**-**	-
Fees	**80**	30	**40**	30
Bonus	**1,091**	1,992	**-**	-
Defined contribution plan	**461**	615	**-**	-
Total executive directors' remuneration (excluding benefits-kind) (Note 10)	**4,427**	5,821	**40**	30
Estimated money value of benefits-in-kind	**140**	191	**-**	-
Total executive directors' remuneration (including benefits-kind)	**4,567**	6,012	**40**	30
Non-executive:				
Fees				
- current year	**30**	156	**30**	30
- under provision in prior year	**10**	-	**10**	-
Other emoluments	**84**	86	**84**	84
Total non-executive directors' remuneration (Note 9)	**124**	242	**124**	114
Total directors' remuneration	**4,691**	6,254	**164**	144

The details of remuneration receivable by directors of the Company during the year are as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Executive:				
Salaries and other emoluments	**2,646**	2,640	**-**	-
Fees	**40**	30	**40**	30
Bonus	**1,044**	1,897	**-**	-
Defined contribution plan	**443**	544	**-**	-
Total executive directors' remuneration (excluding benefits-kind)	**4,173**	5,111	**40**	30
Estimated money value of benefits-in-kind	**140**	191	**-**	-
Total executive directors' remuneration (including benefits-kind)	**4,313**	5,302	**40**	30
Non-executive:				
Fees				
- current year	**30**	30	**30**	30
- under provision in prior year	**10**	-	**10**	-
Other emoluments	**84**	84	**84**	84
Total non-executive directors' remuneration	**124**	114	**124**	114
Total directors' remuneration	**4,437**	5,416	**164**	144

11. Directors' remuneration (Cont'd)

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

	Number of Directors	
	2012	**2011**
Executive Directors:		
RM550,001 - RM600,000	**1**	-
RM650,001 - RM700,000	**1**	1
RM700,001 - RM750,000	**-**	1
RM850,001 - RM900,000	**1**	-
RM1,050,001 - RM1,100,000	**-**	1
RM2,250,001 - RM2,300,000	**1**	-
RM2,800,001 - RM2,850,000	**-**	1
Non-Executive Directors:		
Below RM50,000	**3**	3
RM150,001 - RM200,000	**-**	-

12. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2012 and 2011 are:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Statement of comprehensive income:				
Continuing operations				
Current income tax:				
- On results for the year	**17,078**	25,109	**5,150**	11,158
- Over provision in respect of previous years	**(75)**	(107)	**(54)**	(88)
	17,003	25,002	**5,096**	11,070
Deferred income tax (Note 23):				
- Origination and reversal of temporary differences	**(1,373)**	807	**1,015**	903
- Under provision in respect of previous years	**117**	734	**106**	38
	(1,256)	1,541	**1,121**	941
Income tax expense recognised in profit or loss	**15,747**	26,543	**6,217**	12,011
Deferred income tax charged directly to equity:				
- Irredeemable convertible preference shares (equity component)	**-**	(2,495)	**-**	(2,495)

12. Income tax expense (Cont'd)

Reconciliation between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2012 and 2011 are as follows:

	Group		Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Profit before tax from:				
- continuing operations	**55,524**	99,845	**68,373**	88,802
- discontinued operation (Note 13)	**(77)**	1,516	**-**	-
Accounting profit before tax	**55,447**	101,361	**68,373**	88,802
Tax at statutory tax rate of 25% (2011: 25%)	**13,862**	25,340	**17,093**	22,201
Adjustments:				
Non-deductible expenses	**1,564**	1,582	**7,940**	506
Income not subject to taxation	**(4,220)**	(1,158)	**(18,868)**	(10,646)
Benefits from previously unrecognised tax losses and capital allowances	**(3)**	(796)	**-**	-
Deferred tax assets not recognised	**4,502**	948	**-**	-
(Over)/under provision in previous years				
- income tax	**(75)**	(107)	**(54)**	(88)
- deferred tax	**117**	734	**106**	38
Income tax expense recognised in profit or loss	**15,747**	26,543	**6,217**	12,011

Current income tax is calculated at the statutory tax rate of 25% (2011: 25%) of the estimated assessable profit for the year.

	Group		Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Tax savings during the financial year arising from:				
Utilisation of previously unabsorbed agriculture and capital allowances	**-**	672	**-**	-
Utilisation of previously unrecognised tax losses	**4**	122	**-**	-
Unutilised tax losses carried forward	**143,904**	423,112	**-**	-
Unabsorbed agriculture and capital allowances carried forward	**79,172**	58,036	**-**	-
Unutilised reinvestment allowance carried forward	**5,458**	5,458	**-**	-

13. Discontinued operation and disposal group classified as held for sale

On 13 December 2011, the Company entered into a conditional Share Purchase Agreement with UOB-Kay Hian Holdings Limited, a company incorporated in Singapore, to dispose of its entire equity interest in UOB Kay Hian Securities (M) Sdn. Bhd. (formerly known as Innosabah Securities Berhad) ("Innosabah") for a consideration equivalent to the net assets value of Innosabah (on a consolidated basis) as at the cut off date plus a premium of RM15,000,000. The disposal was completed on 2 May 2012.

As at 31 December 2011, assets and liabilities related to Innosabah (excluding the four subsidiaries to be acquired by the Company) have been presented in the statement of financial position as "Assets of disposal group classified as held for sale" and "Liabilities directly associated with disposal group classified as held for sale" and its results are presented separately on the income statement as "Profit from discontinued operation, net of tax". The effects on the financial position of the Group are disclosed in Note 20 to the financial statements.

Statement of financial position disclosures

The major classes of assets and liabilities of Innosabah classified as held for sale as at 31 December 2011 were as follows:

	2011 RM'000
Assets:	
Property, Plant and equipment	4,529
Investment properties	169
Intangible assets	2,100
Investment securities	1,700
Trade and other receivables	42,094
Cash and bank balances	13,428
Assets of disposal group classified as held for sale	64,020
Liabilities:	
Trade and other liabilities	(21,107)
Borrowings	(35)
Liabilities directly associated with disposal group classified as held for sale	(21,142)
Net assets directly associated with disposal group classified as held for sale	42,878
Reserves directly associated with disposal group classified as held for sale (Note 29)	47,279

13. Discontinued operation and disposal group classified as held for sale (Cont'd)

The non-current asset classified as held for sale on the Company's statement of financial position as at 31 December 2011 is as follows:

	2011 RM'000
Company	
Asset:	
Investment in subsidiary	42,307

Statement of comprehensive income disclosures

The results of Innosabah for the year ended 31 December are as follows:

	1.1.2012 to 2.5.2012 RM'000	1.1.2011 to 31.12.2011 RM'000
Group		
Revenue	**1,956**	12,891
Expenses	**(2,020)**	(11,350)
(Loss)/profit from operations	(64)	1,541
Finance Cost	**(13)**	(25)
(Loss)/profit before tax from discontinued operation	**(77)**	1,516
Taxation	**-**	-
(Loss)/profit from discontinued operation, net of tax	**(77)**	1,516

Statement of cash flows disclosures

The cash flows attributable to Innosabah are as follows:

Operating	**296**	(1,569)
Investing	**(450)**	4,401
Financing	**(3)**	1,980
Net cash (out)/inflows	**(157)**	4,812

14. Earnings/(loss) per share

a) Continuing operations

Basic earnings per share from continuing operations is calculated by dividing profit for the year from continuing operations, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial year.

Diluted earnings per share from continuing operations is calculated by dividing profit for the year from continuing operations, net of tax, attributable to owners of the parent (after adjusting for interest expense on Irredeemable Convertible Preference Shares ("ICPS")) by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflect the profit and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

	Group	
	2012	**2011**
	RM'000	**RM'000**
Profit net of tax attributable to owners of the parent used in the computation of basic earnings per share	**39,567**	73,997
Interest expense on ICPS (Note 8)	**792**	39
Profit net of tax attributable to owners of the parent used in the computation of diluted earnings per share	**40,359**	74,036
Profit net of tax attributable to owners of the parent	**39,567**	73,997
Less: Loss/(profit) from discontinued operation, net of tax, attributable to owners of the parent	**77**	(1,516)
Profit net of tax from continuing operations attributable to owners of the parent used in the computation of basic earnings per share	**39,644**	72,481
Interest expense on ICPS (Note 8)	**792**	39
Profit net of tax from continuing operations attributable to owners of the parent used in the computation of diluted earnings per share	**40,436**	72,520

14. Earnings/(loss) per share (Cont'd)

a) Continuing operations (Cont'd)

	Group	
	2012 Number of share '000	**2011 Number of share '000**
Weighted average number of ordinary shares for basic earnings per share computation	**365,525**	249,693
Effects of dilution:		
- ICPS	**100,000**	100,000
Weighted average number of ordinary shares for diluted earnings per share computation	**465,525**	349,693

b) Discontinued operation

The basic and diluted (loss)/earnings per share from discontinued operation are calculated by dividing the (loss)/profit from discontinued operation, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares for basic earnings per share computation and weighted average number of ordinary shares for diluted earnings per share computation respectively. These (loss)/earnings and share data are presented in the tables in Note 14(a).

15. Property, plant and equipment

	Long term leasehold land RM'000	Plantation infrastructure RM'000	Buildings RM'000	Motor vehicles RM'000	Plant and machinery, oil mill and heavy equipment RM'000	Furniture, fittings, computer equipment and renovations RM'000	Capital work-in-progress RM'000	Total RM'000
Group								
Cost or valuation								
At 1 January 2011	63,572	17,381	34,546	13,334	47,724	14,798	10,015	201,370
Acquisition of subsidiaries	155,222	17,794	95,033	13,075	72,056	3,601	4,829	361,610
Additions	-	1,782	287	2,989	2,514	915	20,388	28,875
Disposals	-	-	-	(236)	(771)	(1)	-	(1,008)
Scrapped	-	-	-	(6)	(107)	(30)	-	(143)
Reclassifications	-	487	5,952	-	380	-	(6,819)	-
Transfer to investment properties	(525)	-	(56)	-	-	-	-	(581)
Attributable to discontinued operation	(2,677)	-	(889)	(744)	(340)	(11,866)	-	(16,516)
At 31 December 2011 and 1 January 2012	215,592	37,444	134,873	28,412	121,456	7,417	28,413	573,607
Additions	8,185	3,862	3,798	6,336	4,566	821	47,409	74,977
Disposals	-	-	-	(482)	-	(8)	-	(490)
Scrapped	-	-	(196)	(40)	(41)	(966)	-	(1,243)
Reclassifications	-	-	19,627	-	36,230	(2)	(55,855)	-
At 31 December 2012	223,777	41,306	158,102	34,226	162,211	7,262	19,967	646,851
Representing:								
At cost	208,660	31,745	122,994	28,412	121,456	7,417	28,413	549,097
At valuation	6,932	5,699	11,879	-	-	-	-	24,510
At 31 December 2011	215,592	37,444	134,873	28,412	121,456	7,417	28,413	573,607
At cost	216,845	35,607	146,223	34,226	162,211	7,262	19,967	622,341
At valuation	6,932	5,699	11,879	-	-	-	-	24,510
At 31 December 2012	**223,777**	**41,306**	**158,102**	**34,226**	**162,211**	**7,262**	**19,967**	**646,851**

15. **Property, plant and equipment (Cont'd)**

	Long term leasehold land RM'000	Plantation infrastructure RM'000	Buildings RM'000	Motor vehicles RM'000	Plant and machinery, oil mill and heavy equipment RM'000	Furniture, fittings, computer equipment and renovations RM'000	Capital work-in-progress RM'000	Total RM'000
Group (Cont'd)								
Accumulated depreciation								
At 1 January 2011	5,369	303	23,444	9,301	25,488	13,077	-	76,982
Acquisition of subsidiaries	2,866	372	26,263	10,384	22,437	1,936	-	64,258
Depreciation charge for the year	956	576	2,448	2,185	4,361	565	-	11,091
Disposals	-	-	-	(200)	(771)	-	-	(971)
Scrapped	-	-	-	(6)	(104)	(28)	-	(138)
Transfer to investment properties	(11)	-	(21)	-	-	-	-	(32)
Attributable to discontinued operation	(54)	-	(318)	(675)	(257)	(10,683)	-	(11,987)
At 31 December 2011 and 1 January 2012	9,126	1,251	51,816	20,989	51,154	4,867	-	139,203
Depreciation charge for the year	2,577	1,032	7,264	3,439	7,966	625	-	22,903
Disposals	-	-	-	(476)	-	(5)	-	(481)
Scrapped	-	-	(138)	(38)	(35)	(955)	-	(1,166)
Reclassification	-	-	11	-	-	(11)	-	-
At 31 December 2012	11,703	2,283	58,953	23,914	59,085	4,521	-	160,459
Net carrying amount								
At cost	199,933	30,494	81,498	7,423	70,302	2,550	28,413	420,613
At valuation	6,533	5,699	1,559	-	-	-	-	13,791
At 31 December 2011	206,466	36,193	83,057	7,423	70,302	2,550	28,413	434,404
At cost	205,585	33,329	97,641	10,312	103,126	2,741	19,967	472,701
At valuation	6,489	5,694	1,508	-	-	-	-	13,691
At 31 December 2012	**212,074**	**39,023**	**99,149**	**10,312**	**103,126**	**2,741**	**19,967**	**486,392**

15. **Property, plant and equipment (Cont'd)**

	Long term leasehold land RM'000	Plantation infrastructure RM'000	Buildings RM'000	Motor vehicles RM'000	Plant and machinery, oil mill and heavy equipment RM'000	Furniture, fittings, computer equipment and renovations RM'000	Capital work-in-progress RM'000	Total RM'000
Company								
Cost								
At 1 January 2011	19,560	11,136	6,835	6,816	2,813	757	2,424	50,341
Additions	-	1,782	-	690	959	5	1,368	4,804
Disposa l	-	-	-	-	(145)	-	-	(145)
Reclassified	-	487	2,634	113	-	-	(3,234)	-
At 31 December 2011 and 1 January 2012	19,560	13,405	9,469	7,619	3,627	762	558	55,000
Additions	-	3,668	2,301	995	-	49	687	7,700
Disposal	-	-	-	-	(180)	(8)	-	(188)
Scrapped	-	-	-	-	-	(17)	-	(17)
Reclassified	-	-	1,016	-	-	-	(1,016)	-
At 31 December 2012	19,560	17,073	12,786	8,614	3,447	786	229	62,495
Accumulated depreciation								
At 1 January 2011	2,569	262	2,689	3,592	1,717	406	-	11,235
Depreciation charge for the year	197	547	672	1,010	521	67	-	3,014
Disposal	-	-	-	-	(145)	-	-	(145)
At 31 December 2011 and 1 January 2012	2,766	809	3,361	4,602	2,093	473	-	14,104
Depreciation charge for the year	198	809	1,016	1,070	538	66	-	3,697
Disposal	-	-	-	-	(21)	(5)	-	(26)
Scrapped	-	-	-	-	-	(17)	-	(17)
At 31 December 2012	2,964	1,618	4,337	5,672	2,610	517	-	17,758
Net carrying amount								
At 31 December 2011	16,794	12,596	6,108	3,017	1,534	289	558	40,896
At 31 December 2012	**16,596**	**15,455**	**8,409**	**2,942**	**837**	**269**	**229**	**44,737**

15. Property, plant and equipment (Cont'd)

i) Long term leasehold land, plantation infrastructure and estate buildings of certain subsidiaries were revalued by the Directors in 1996 based on an independent professional valuation using the open market value basis. No revaluation has been carried out since the aforesaid revaluation date. The Directors have not adopted a policy of regular revaluation of such assets. As permitted under the transitional provisions of International Accounting Standard No. 16 (Revised) *Property, Plant and Equipment*, these assets continue to be stated at their previous valuation less accumulated depreciation and impairment losses.

Had the revalued property, plant and equipment been carried under the cost model, the carrying amounts of each class of property, plant and equipment that would have been included in the financial statements would be as follows:

	Group	
	2012	**2011**
	RM'000	**RM'000**
Long term leasehold land	**1,230**	1,235
Plantations infrastructure	**5,613**	5,618
Buildings	**1,224**	1,235
	8,067	8,088

ii) Assets held under finance leases

During the financial year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM5,162,800 (2011: RM1,505,000) and RM336,000 (2011: RM589,000) respectively by mean of finance leases. The cash outflow on acquisition of property, plant and equipment amounted to RM69,814,381 (2011: RM27,370,422) and RM7,363,739 (2011: RM4,214,586) respectively.

The carrying amount of plant and equipment held under finance leases at the reporting date are as follows:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Plant and machinery	**2,739**	1,270	**593**	292
Motor vehicles	**4,927**	3,117	**463**	792
Attributable to discontinued operation	**-**	(43)	**-**	-
	7,666	4,344	**1,056**	1,084

Leased assets are pledged as security for the related finance lease liabilities as disclosed in Note 32 (b).

15. Property, plant and equipment (Cont'd)

iii) Assets pledged as security

In addition to assets held under finance leases, the Group's property, plant and equipment pledged as securities for the Group's bank loans (Note 26) are as follows:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Long term leasehold land	**49,244**	50,724	**16,596**	16,794
Plantation infrastructure	**21,392**	18,524	**15,455**	12,596
Buildings, plant and machinery	**73,352**	21,183	**-**	-
	143,988	90,431	**32,051**	29,390

iv) Capitalisation of borrowing costs

The Group's capital work-in-progress include borrowing costs arising from term loans borrowed specifically for the purpose of the construction of a bio-waste treatment composting plant. During the financial year, the borrowing costs capitalised amounted to RM11,480 (2011: Nil).

16. Investment properties

	Group	
	2012	**2011**
	RM'000	**RM'000**
Cost		
At 1 January	**750**	427
Transfer from property, plant and equipment	**-**	581
Attributable to discontinued operation	**-**	(258)
At 31 December	**750**	750
Accumulated depreciation		
At 1 January	**93**	142
Depreciation for the year	**6**	8
Transfer from property, plant and equipment	**-**	32
Attributable to discontinued operation	**-**	(89)
At 31 December	**99**	93
Net carrying amount		
At 31 December	**651**	657

Valuation of investment properties

Based on the valuation update by an independent professional valuer in 2011, the estimated fair value of the investment properties are approximately to RM1,500,000. There was no further update valuation performed subsequent to that.

17. Biological assets

	Plantation development expenditure RM'000	Cattle breeder RM'000	Total RM'000
Group			
Cost or valuation			
At 1 January 2011	172,702	1,525	174,227
Additions	942	309	1,251
Acquisition of subsidiaries	220,472	903	221,375
At 31 December 2011 and 1 January 2012	394,116	2,737	396,853
Additions	603	755	1,358
At 31 December 2012	394,719	3,492	398,211
Representing:			
At cost	245,025	2,737	247,762
At valuation	149,091	-	149,091
At 31 December 2011	394,116	2,737	396,853
At cost	245,628	3,492	249,120
At valuation	149,091	-	149,091
At 31 December 2012	394,719	3,492	398,211
Accumulated amortisation and Impairment loss			
At 1 January 2011	227	-	227
Amortisation charge for the year	74	-	74
Impairment loss	-	346	346
At 31 December 2011 and 1 January 2012	301	346	647
Amortisation charge for the year	73	-	73
Impairment loss	-	104	104
At 31 December 2012	374	450	824
Net carrying amount			
At cost	244,772	2,391	247,163
At valuation	149,043	-	149,043
At 31 December 2011	393,815	2,391	396,206
At cost	245,349	3,042	248,391
At valuation	148,996	-	148,996
At 31 December 2012	394,345	3,042	397,387

17. Biological assets (Cont'd)

	Plantation development expenditure RM'000	Cattle breeder RM'000	Total RM'000
Company			
Cost			
At 1 January 2011	22,624	780	23,404
Additions	942	194	1,136
At 31 December 2011 and 1 January 2012	23,566	974	24,540
Additions	603	202	805
At 31 December 2012	24,169	1,176	25,345
Accumulated impairment loss			
At 1 January 2011 and 2012	-	307	307
Impairment loss	-	59	59
At 31 December 2012	-	366	366
Net carrying amount			
At 31 December 2011	23,566	667	24,233
At 31 December 2012	24,169	810	24,979

i) Biological assets of certain subsidiaries were revalued by the Directors in 1996 based on an independent professional valuation using the open market value basis. No revaluation has been carried out since the aforesaid revaluation date. The Directors have not adopted a policy of regular revaluation of such assets. As permitted under the transitional provisions of International Accounting Standard No. 16 (Revised) *Property, Plant and Equipment*, these assets continue to be stated at their previous valuation less accumulated depreciation and impairment losses.

Had the revalued biological assets of the Group been carried under the cost model, the carrying amount of biological assets would be at RM54,795,133 (2011: RM54,842,537).

ii) The net carrying amounts of biological assets of the Group and of the Company pledged as securities for borrowings (Note 26) are RM170,820,276 (2011: RM170,276,621) and RM24,169,528 (2011: RM23,566,962) respectively.

18. Land use rights

	Group	
	2012	**2011**
	RM'000	**RM'000**
Cost:		
At 1 January	**1,474**	606
Acquisition of subsidiaries	**-**	868
At 31 December	**1,474**	1,474
Accumulated amortisation:		
At 1 January	**255**	174
Acquisition of subsidiaries	**-**	55
Amortisation charge for the year	**75**	26
At 31 December	**330**	255
Net carrying amount		
At 31 December	**1,144**	1,219
Amount to be amortised:		
- Not later than one year	**75**	26
- Later than one year but not later than five years	**300**	104
- Later than five years	**769**	1,089
	1,144	1,219

19. Intangible assets

	Group	
	2012 RM'000	2011 RM'000
a) Goodwill		
Cost		
At 1 January	**48,259**	14,444
Disposal of subsidiaries	**(70)**	-
Acquisition of subsidiaries	**-**	33,815
At 31 December	**48,189**	48,259
Accumulated impairment loss		
At 1 January and 31 December	**5,412**	5,412
Net carrying amount		
At 31 December	**42,777**	42,847
b) Trading rights		
Cost		
At 1 January	**-**	-
Trading rights on specified exchange	**-**	100
Contribution for "1+1" stockbroking company status	**-**	2,000
Attributable to discontinued operation (Note 13)	**-**	(2,100)
At 31 December	**-**	-

Goodwill

Net carrying amount of goodwill on business acquisition is related to the acquisitions of plantation operations.

Key assumptions used in value-in-use calculations

The recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections based on financial budgets prepared by management.

19. Intangible assets (Cont'd)

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

i) the pre-tax discount rates used is 8%;

ii) the growth rate used for the plantation companies is determined based on the management's estimate of commodity prices, palm yields, oil extraction rates as well as cost of productions.

iii) profit margins are projected based on historical profit margin achieved; and

iv) the discount rates used are pre-tax and reflect specific rates relating to the relevant segments.

Sensitivity to changes in assumptions

The management believes that no reasonably possible change in the any of the above key assumptions would cause the carrying values of the plantation units to materially exceed its recoverable amounts.

20. Investments in subsidiaries

	Company	
	2012	2011
	RM'000	RM'000
Unquoted shares		
- At cost	**523,512**	521,512
- At valuation	**133,429**	133,429
	656,941	654,941
Accumulated impairment losses		
At 1 January	**(2,694)**	(2,694)
Allowance of impairment losses	**(27,687)**	-
At 31 December	**(30,381)**	(2,694)
	626,560	652,247

In 1994, the directors revalued the investments in certain subsidiaries based on their net tangible assets and the surplus arising therefrom was transferred to the revaluation reserve.

The 1994 revaluation was a one-off exercise. It has never been the Company's policy to carry out regular revaluation of its investments in subsidiaries and accordingly, the carrying amount of the revalued investments has been retained on the basis of this one-off revaluation.

20. Investments in subsidiaries (Cont'd)

Details of the subsidiaries, which are all incorporated in Malaysia, are as follows:

Name	Principal activities	Proportion (%) of ownership interest 2012	2011
Held by the Company			
Syarikat Kretam Plantations Sdn. Bhd.	Cultivation of oil palm	**100**	100
Syarikat Kretam Mill Sdn. Bhd.	Milling and sale of oil palm products	**100**	100
Winpalm Development Sdn. Bhd.	Cultivation of oil palm	**51**	51
UOB Kay Hian Securities (M) Sdn. Bhd. (formerly known as Innosabah Securities Berhad)*	Stock and share broking and investment holding	**-**	100
Abedon Sdn. Bhd.	Cultivation of oil palm and investment holding	**100**	100
Green Edible Oil Sdn. Bhd.	Refining of palm oil and manufacturing of bio fuels	**100**	100
Palm Products International Alliance Sdn. Bhd.	Marketing agent for processed palm oil	**100**	100
Kretam Management Sdn. Bhd.	Provision of plantation management and related services	**100**	100
KHB Realty Sdn. Bhd.	Property letting	**100**	100
KHB Telecommunications Sdn. Bhd.	Provision of data processing services	**100**	100
KHB Development Sdn. Bhd.	Investment holding	**100**	100
KHB Management Sdn. Bhd.	Investment holding	**100**	100
KHB Nanyang (Malaysia) Sdn. Bhd.	Investment holding	**100**	100

20. Investments in subsidiaries (Cont'd)

Details of the subsidiaries, which are all incorporated in Malaysia, are as follows (Cont'd):

Name	Principal activities	Proportion (%) of ownership interest 2012	2011
Held by the Company (Cont'd)			
Kretam Renewable Resources Sdn. Bhd.	Dormant	**100**	100
Syarikat Capakaya Sdn. Bhd.	Investment holding	**100**	100
KM Plantations Sdn. Bhd.	Dormant	**100**	100
Syarikat Kretam Ladang Sdn. Bhd.	Dormant	**100**	100
Kretam Renewable Energy Sdn. Bhd.	Dormant	**100**	100
KHB Construction Sdn. Bhd.	Dormant	**100**	100
KHB-Jeffa Project Management Sdn. Bhd.	Dormant	**100**	100
KHB Project Management Sdn. Bhd.	Dormant	**100**	100
KHB Properties Sdn. Bhd.	Dormant	**100**	100
KHB Nusantara Sdn. Bhd.	Dormant	**100**	100
Innosabah Capital Holdings Sdn. Bhd.	Investment holding	**100**	100

20. Investments in subsidiaries (Cont'd)

Details of the subsidiaries, which are all incorporated in Malaysia, are as follows (Cont'd):

Name	Principal activities	Proportion (%) of ownership interest 2012	2011
Subsidiaries of UOB Kay Hian Securities (M) Sdn. Bhd. (formerly known as Innosabah Securities Berhad)			
UOB Options Futures Sdn. Bhd. (formerly known as Innosabah Options Futures Sdn. Bhd.)*	Futures broking	**-**	100
UOB Nominees (Tempatan) Sdn. Bhd. (formerly known as Innosabah Nominees (Tempatan) Sdn. Bhd.)*	Provision of services as nominees and agents	**-**	100
UOB Nominees (Asing) Sdn. Bhd. (formerly known as Innosabah Nominees (Asing) Sdn. Bhd.)*	Dormant	**-**	100
Innosabah Resources Sdn. Bhd.	Research, publication, provision and maintenance of stock market information dissemination system	**-**	100
Innosabah Development Sdn. Bhd.	Dormant	**-**	100
Innosabah Equity Management Sdn. Bhd.	Dormant	**-**	100
Innosabah Ventures Sdn. Bhd.	Dormant	**-**	100
Subsidiary of KHB Nanyang (Malaysia) Sdn. Bhd.			
Rising Resources Sdn. Bhd.	Investment holding	**91.7**	91.7
Subsidiary of KHB Development Sdn. Bhd.			
Jeffa Construction Sdn. Bhd.	Dormant	**51**	51

20. Investments in subsidiaries (Cont'd)

Details of the subsidiaries, which are all incorporated in Malaysia, are as follows (Cont'd):

Name	Principal activities	Proportion (%) of ownership interest 2012	2011
Subsidiaries of Innosabah Capital Holdings Sdn. Bhd.			
Innosabah Resources Sdn. Bhd.	Research, publication, provision and maintenance of stock market information dissemination system	**100**	-
Innosabah Development Sdn. Bhd.	Dormant	**100**	-
Innosabah Equity Management Sdn. Bhd.	Dormant	**100**	-
Innosabah Ventures Sdn. Bhd.	Dormant	**100**	-
Subsidiary of Jeffa Construction Sdn. Bhd.			
Pandan Place Development Sdn. Bhd.	Dormant	**51**	51
Subsidiary of KHB Realty Sdn. Bhd.			
Sri Timbul Sdn. Bhd.	Property holding	**100**	100
Subsidiary of Syarikat Capakaya Sdn. Bhd.			
Pupuk Borneo Sdn. Bhd.	Granulating blending and distribution of fertilizer	**100**	100

20. Investments in subsidiaries (Cont'd)

Details of the subsidiaries, which are all incorporated in Malaysia, are as follows (Cont'd):

Name	Principal activities	Proportion (%) of ownership interest 2012	2011
Subsidiaries of Abedon Sdn. Bhd.			
Abedon Oil Mill Sdn. Bhd.	Milling and sale of oil palm products	**100**	100
Bumiwealth Sdn. Bhd.	Cultivation of oil palm	**100**	100
Tioman Baru Sdn. Bhd.	Cultivation of oil palm	**100**	100
Abedon Enviro Sdn. Bhd.	Manufacture of bio-organic fertilizers	**70**	70
Subsidiary of Abedon Enviro Sdn. Bhd.			
Natural Objective Sdn. Bhd.	Dormant	**70**	-

* Classified as discontinued operation in the previous financial year (Note 13).

Acquisition of subsidiaries

a) During the financial year:

- The Group acquired the entire equity interest in Natural Objective Sdn. Bhd. via its 70%-owned subsidiary of Abedon Enviro Sdn. Bhd. for a total consideration of RM2.

- KHB Nusantara Sdn. Bhd., a wholly-owned subsidiary of the Company increased its issued and paid up share capital from RM2 to RM2,000,000 at par for cash.

20. Investments in subsidiaries (Cont'd)

Acquisition of subsidiaries (Cont'd)

b) In the previous financial year, the Group acquired the following:

- 100% equity interest in Pupuk Borneo Sdn. Bhd. via its wholly-owned subsidiary company, Syarikat Capakaya Sdn. Bhd. for a total cash consideration of RM8,300,000.

- 100% equity interest in Abedon Sdn. Bhd. for a total consideration of RM419,500,002 satisfied by issuance of 90,521,740 ordinary shares and 90,521,739 Irredeemable Convertible Preferences Shares ("ICPS") of the Company at an issue price of RM2.30 each and a cash sum of RM3,100,000.

- 100% equity interest in Green Edible Oil Sdn. Bhd. for a total consideration of RM100,707,553 satisfied by issuance of 30,521,739 ordinary shares and 9,478,261 ICPS of the Company at an issue price of RM2.30 each and a cash sum of RM8,707,553.

- 100% equity interest in Palm Products International Alliance Sdn. Bhd. for a cash consideration of RM2.

The fair values of the identifiable assets and liabilities of subsidiaries acquired as at the date of acquisition were:

	Acquisition in year 2012		**Acqusition in year 2011**	
	Fair value RM'000	**Carrying amount RM'000**	**Fair value RM'000**	**Carrying amount RM'000**
Property, plant and equipment	**-**	**-**	297,352	161,515
Biological assets	**-**	**-**	221,375	43,052
Land us rights	**-**	**-**	813	244
Deferred tax assets	**-**	**-**	522	11
Trade and other receivables	**79**	**79**	12,527	12,527
Inventories	**-**	**-**	29,638	25,839
Cash and cash equivalents	*****	*****	13,545	13,545
	79	**79**	575,772	256,733
Trade and other payables	**(85)**	**(85)**	(23,276)	(23,276)
Dividend payable	**-**	**-**	(6,079)	(6,079)
Deferred tax liabilities	**-**	**-**	(48,820)	(13,258)
Income tax payable	**-**	**-**	(1,953)	(1,953)
Borrowings	**-**	**-**	(153)	(153)
	(85)	**(85)**	(80,281)	(44,719)
Net identifiable assets	**(6)**	**(6)**	495,491	212,014

*RM2

20. Investments in subsidiaries (Cont'd)

Acquisition of subsidiaries (Cont'd)

Total cost of business combination

The total cost of the business combination is as follows:

	2012 RM'000	2011 RM'000
Cash paid	*	20,108
121,043,479 ordinary shares issued at RM2.30 each	-	278,400
100,000,000 ICPS issued at RM2.30 each	-	230,000
	*	528,508

*RM2

The issue price of RM2.30 for the ordinary shares issue was arrived at on a negotiated basis, after taking into consideration the following:

a) a premium of RM0.18 or 8.49% to the five day volume-weighted average market price of the Company's shares up to the market day immediately preceding the date of announcement of the proposals; and

b) a premium of RM0.20 or 9.52% to the closing price of the Company's shares on the market day immediately preceding the date of announcement of the proposals.

The effect of the acquisition on cash flows is as follows:

	2012 RM'000	2011 RM'000
Total cost of the business combination	*	528,508
Less: Non-cash consideration	-	(508,400)
Consideration settled in cash	*	20,108
Less: Cash and cash equivalents of subsidiaries acquired	(*)	(13,545)
Net cash outflow on acquisition	-	6,563

*RM2

Goodwill arising on acquisition

Fair value of net identifiable assets	(6)	495,491
Less: Non-controlling interests	-	(2)
Group's interest in fair value of net identifiable assets	(6)	495,489
Goodwill on acquisition (Note 19)	-	33,815
Negative goodwill recognised in profit or loss	6	(796)
Cost of business combination	-	528,508

20. Investments in subsidiaries (Cont'd)

Acquisition of subsidiaries (Cont'd)

Impact of acquisition in statement of comprehensive income

From the date of acquisition, the newly acquired subsidiary incurred loss net of tax by RM14,272. If the combination had taken place at the beginning of the financial year, the Group's profit from continuing operations, net of tax would have been decreased by RM15,431.

Disposal of subsidiaries

During the financial year, the Company disposed its entire equity interest in UOB Kay Hian Securities (M) Sdn. Bhd. (formerly known as Innosabah Securities Berhad) for a total consideration of RM56,369,455 comprising of cash and deferred cash settlement. The subsidiary has previously reported as stockbroking and related services segment. The disposal had the following effects on the financial position of the Group as at the end of the year.

	Group RM'000
Property, plant and equipment	8,378
Investment securities	1,700
Investment properties	487
Intangible assets	2,100
Trade and other receivables	40,133
Cash and bank balances	18,216
Trade and other payables	(28,260)
Borrowings	(32)
Non-controlling interest	(2,225)
Net assets disposed	40,497
Attributable goodwill	70
	40,567
Total disposal proceeds, net of incidental costs	56,421
Gain on disposal to the Group	15,854
Cash inflow arising on disposal:	
Cash consideration	56,421
Deferred payment	(1,414)
Cash and cash equivalents of subsidiaries disposed	(18,216)
Net cash inflow on disposal	36,791

21. Investment in associate

	Group	
	2012	2011
	RM'000	RM'000
Unquoted shares in Malaysia, at cost	**2,450**	2,450
Share of post-acquisition reserves	**(2,450)**	(2,450)
	-	-

Details of the associate, which is incorporated in Malaysia, are as follows:

Name	Principal activities	Proportion (%) of ownership interest	
		2012	2011
Held through subsidiary (KHB Properties Sdn. Bhd.):			
Pantai Dalam Development Sdn. Bhd.	Property development	**49**	49

The Group has not recognised losses relating to Pantai Dalam Development Sdn. Bhd. since its share of losses exceeded the Group's interest in this associate. The Group's cumulative share of unrecognised share of losses at the reporting date was RM2,146,154 (2011: RM2,145,003), of which RM1,151 (2011: RM1,228) was the share of the current year's losses. The Group has no obligation in respect of these losses.

The summarised financial information of the associates, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	Group	
	2012	2011
	RM'000	RM'000
Assets and liabilities:		
Total assets	*	*
Total liabilities	**(4,380)**	(4,378)
Results:		
Revenue	**-**	-
Loss for the year	**(2)**	(3)

* below RM1,000

22. Deferred tax

Deferred income tax as 31 December relates to the following:

	As at 1 January 2011 RM'000	Acquisition of subsidiaries RM'000	Recognised in profit or loss RM'000	Recognised directly in equity RM'000	As at 31 December 2011 RM'000	Recognised in profit or loss RM'000	As at 31 December 2012 RM'000
Deferred tax liabilities:							
Property, plant and equipment	12,937	53,006	3,481	-	69,424	2,065	71,489
Revaluation of assets	44,034	-	(20)	-	44,014	(3)	44,011
	56,971	53,006	3,461	-	113,438	2,062	115,500
Deferred tax assets:							
Unabsorbed capital and agriculture allowances	(2,524)	(4,708)	(1,909)	-	(9,141)	(3,688)	(12,829)
Unutilised tax losses	(1,737)	-	(1)	-	(1,738)	(57)	(1,795)
Irredeemable convertible preference shares	-	-	(10)	(2,495)	(2,505)	427	(2,078)
	(4,261)	(4,708)	(1,920)	(2,495)	(13,384)	(3,318)	(16,702)
	52,710	48,298	1,541	(2,495)	100,054	(1,256)	98,798
Company							
Deferred tax liabilities:							
Property, plant and equipment	8,679	-	951	-	9,630	694	10,324
Deferred tax assets:							
Irredeemable convertible preference shares	-	-	(10)	(2,495)	(2,505)	427	(2,078)
	8,679	-	941	(2,495)	7,125	1,121	8,246

22. Deferred tax (Cont'd)

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Presented after appropriate offsetting as follows:				
Deferred tax assets	**(22)**	(717)	**-**	-
Deferred tax liabilities	**98,820**	100,771	**8,246**	7,125
	98,798	100,054	**8,246**	7,125

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

	Group	
	2012 RM'000	2011 RM'000
Unutilised tax losses	**136,722**	416,158
Unabsorbed capital allowances	**27,857**	20,693
Unutilised reinvestment tax allowances	**5,458**	5,458
	170,037	442,309

The unutilised tax losses and unabsorbed agriculture and capital allowances of the Group are available indefinitely for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority.

23. Inventories

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
At cost:				
Crude palm oil	**37,104**	10,179	**-**	-
Palm kernels	**1,185**	399	**-**	-
Refined palm oil	**23,230**	-	**-**	-
Fertilizers and chemicals	**4,797**	4,912	**1,747**	1,079
Store, spares and consumable supplies	**3,755**	4,453	**131**	133
Oil palm seedlings and nurseries	**1,703**	1,680	**31**	112
Culverts	**287**	284	**287**	284
Fresh fruit bunches	**-**	101	**-**	-
Sludge oil	**84**	99	**-**	-
Raw materials for fertilizers	**16,060**	13,859	**-**	-
	88,205	35,966	**2,196**	1,608
At net realisable value:				
Crude palm oil	**-**	2,922	**-**	-
Palm kernels	**-**	150	**-**	-
Processed palm oil	**-**	11,455	**-**	-
	-	14,527	**-**	-
	88,205	50,493	**2,196**	1,608

24. Trade and other receivables

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Current				
Trade receivables				
Subsidiary	**-**	-	**3,559**	-
Third parties	**9,229**	23,198	**412**	4,957
Amounts due from clients	**-**	24,689	**-**	-
Clients' trust monies	**-**	15,910	**-**	-
Remisiers' trust monies	**-**	1,452	**-**	-
Attributable to discontinued operation	**-**	(42,051)	**-**	-
	9,229	23,198	**3,971**	4,957
Less: Allowance for impairment				
- Third parties	**(3,693)**	(3,697)	**-**	-
- Amounts due from clients	**-**	(1,822)	**-**	-
Attributable to discontinued operation	**-**	1,822	**-**	-
	(3,693)	(3,697)	**-**	-
Less: Provision for interest-in-suspense				
- Amounts due from clients	**-**	(564)	**-**	-
Attributable to discontinued operation	**-**	564	**-**	-
	-	-	**-**	-
Trade receivables, net	**5,536**	19,501	**3,971**	4,957
Other receivables				
Amounts due from related parties:				
Subsidiaries	**-**	-	**231,884**	150,425
Associate	**3,679**	3,677	**3,672**	3,669
	3,679	3,677	**235,556**	154,094
Deposits	**1,104**	1,454	**41**	41
Prepayments	**1,937**	747	**211**	203
Other receivables	**9,760**	10,644	**3,489**	3,324
Attributable to discontinued operation	**-**	(1,101)	**-**	-
	16,480	15,421	**239,297**	157,662

24. Trade and other receivables (Cont'd)

	Group		Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Less: Allowance for impairment				
- Subsidiaries	**-**	-	**(88,170)**	(89,233)
- Associate	**(3,677)**	(3,677)	**(3,669)**	(3,669)
- Other receivables	**(5,098)**	(5,147)	**(3,000)**	(3,000)
Attributable to discontinued operation	**-**	49	**-**	-
	(8,775)	(8,775)	**(94,839)**	(95,902)
Other receivables, net	**7,705**	6,646	**144,458**	61,760
Total current	**13,241**	26,147	**148,429**	66,717
Non-current				
Other receivables				
Sundry receivables	**1,301**	1,377	**1,301**	-
Deposits	**1,603**	1,603	**1,603**	1,603
Attributable to discontinued operation	**-**	(1,377)	**-**	-
	2,904	1,603	**2,904**	1,603
Total trade and other receivables (current and non-current)	**16,145**	27,750	**151,333**	68,320
Add: Cash and bank balances (Note 25)	**40,181**	33,859	**29,435**	20,883
Less: Prepayments and non-refundable deposits	**(3,817)**	(3,111)	**(1,814)**	(1,806)
Total loans and receivables	**52,509**	58,498	**178,954**	87,397

24. Trade and other receivables (Cont'd)

Ageing analysis of trade receivables

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

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Neither past due nor impaired	**5,536**	19,501	**3,971**	4,957
Impaired	**3,693**	3,697	**-**	-
	9,229	23,198	**3,971**	4,957

Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

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

Receivables that are past due but not impaired

The Group and the Company do not have any trade receivables that are past due at the reporting date but not impaired.

Receivables that are impaired

The Group's and the Company's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Individually impaired			
	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Trade receivables - nominal amounts	**3,693**	3,697	**-**	-
Less: Allowance for impairment	**(3,693)**	(3,697)	**-**	-
At 31 December	**-**	-	**-**	-

24. Trade and other receivables (Cont'd)

Movement in allowance accounts:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
At 1 January	**3,697**	5,478	**-**	-
Charge for the year (Note 9)	**-**	556	**-**	-
Reversal of impairment losses	**(4)**	(515)	**-**	-
Attributable to discontinued Operation	**-**	(1,822)	**-**	-
At 31 December	**3,693**	3,697	**-**	-

a) Trade receivables

Trade receivables were non-interest bearing were generally on 7 to 30 days terms. They were recognised at their original invoice amounts which represented their fair values on initial recognition.

b) Amounts due from subsidiaries and associate

Amounts due from subsidiaries and associate are non-interest bearing and are repayable on demand. All related parties receivable are unsecured and are to be settled in cash.

Receivables that are impaired

At the reporting date, the movement of the allowance accounts used to record the impairment of the Group and of the Company's unsecured loan to its associate and subsidiaries are as follows:

Movement in allowance accounts:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
At 1 January	**32**	-	**92,902**	104,639
Charge for the year (Note 9)	**-**	32	**-**	24
Net reversal of impairment loss (Note 9)	**-**	-	**(1,063)**	(11,761)
At 31 December	**32**	32	**91,839**	92,902

24. Trade and other receivables (Cont'd)

c) Other receivables

Other receivables that are impaired

There have been no movement for the Group and the Company in this allowance account for the financial year ended 31 December 2012 and 2011.

25. Cash and bank balances

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Cash at banks and on hand	**10,272**	20,556	**704**	17,501
Short term deposits with licensed banks	**29,909**	13,303	**28,731**	3,382
Cash and bank balances	**40,181**	33,859	**29,435**	20,883

The short term deposits earn interest at the respective banks' short-term deposit rates. They are made for varying periods of between one day to one month depending on the immediate cash requirements of the Group. The weighted average effective interest rates as at 31 December 2012 for the Group was 2.98% (2011: 2.49%).

Short-term deposits with licensed banks of the Group and the Company amounting to RM2,597,978 (2011: RM2,729,346) and RM2,597,978 (2011: RM2,579,346) respectively are pledged as securities for trade financing facilities.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following at the reporting date:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Cash and bank balances				
- Continuing operations	**40,181**	33,859	**29,435**	20,883
- Discontinued operation	**-**	13,428	**-**	-
Bank overdraft (Note 26)	**(441)**	(1,935)	**-**	-
Cash and cash equivalents	**39,740**	45,352	**29,435**	20,883

26. Loans and borrowings

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Current				
Unsecured:				
Irredeemable convertible preference shares	**1,845**	1,708	**1,845**	1,708
Secured:				
Bank overdraft (Note 25)	**441**	1,935	**-**	-
Obligations under finance leases (Note 32 (b))	**2,082**	1,565	**616**	784
Revolving credits	**16,000**	-	**-**	-
Attributable to discontinued operation	**-**	(9)	**-**	-
	18,523	3,491	**616**	784
	20,368	5,199	**2,461**	2,492
Non-current				
Unsecured:				
Irredeemable convertible preference shares	**6,468**	8,313	**6,468**	8,313
Secured:				
Obligations under finance leases (Note 32 (b))	**5,193**	2,619	**671**	978
Attributable to discontinued operation	**-**	(26)	**-**	-
Bank loan - RM loan at COF + 1.0% p.a.	**2,460**	-	**-**	-
	7,653	2,593	**671**	978
	14,121	10,906	**7,139**	9,291
Total loans and borrowings	**34,489**	16,105	**9,600**	11,783

The remaining maturities of the loans and borrowings as at 31 December are as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
On demand or within one year	**20,368**	5,199	**2,461**	2,492
More than 1 year and less than 2 years	**3,782**	3,001	**2,282**	2,407
More than 2 years and less than 5 years	**10,339**	5,515	**4,857**	4,494
5 years or more	**-**	2,390	**-**	2,390
	34,489	16,105	**9,600**	11,783

26. Loans and borrowings (Cont'd)

Irredeemable Convertible Preference Share ("ICPS")

The amount of ICPS recognised in the statements of financial position as at 31 December may be analysed as follows:

	Group and Company			
	Number of ICPS of RM1 each		Amount	
	2012 '000	2011 '000	2012 RM'000	2011 RM'000
Nominal value –				
issued and fully paid				
At 1 January	**100,000**	-	**100,000**	-
Issued and paid up during the year	**-**	100,000	**-**	100,000
At 31 December	**100,000**	100,000	**100,000**	100,000
Share premium				
At 1 January			**130,000**	-
Issued during the year			**-**	130,000
At 31 December			**130,000**	130,000

The salient features of the ICPS issued by the Company are as follows:

a) The ICPS were issued at RM2.30 each and are convertible at the option of the holders into ordinary shares from June 2012 (six months from date of issuance) until its maturity date on the basis of one ordinary share for each ICPS held.

b) The ICPS carry a dividend of 2.5% per annum, calculated based on the nominal value of RM1 per ICPS outstanding as at each anniversary of their issuance.

c) The ICPS holders do not carry any right to vote at any general meeting of the Company except amongst others, with regard to any proposal to wind-up the Company, during the winding-up of the Company and on any proposal that affects the rights and privileges of the ICPS holders. In such case, the ICPS holders shall be entitled to vote together with the holders of ordinary shares and to have one vote for each ICPS held.

d) In the event of the winding-up of the Company, the holders of the ICPS shall be entitled to a return of capital together with any arrears of dividend (whether earned or declared or not) calculated to the date of such payment in priority to the claims of the holders of ordinary shares, but shall have no other right to participate in the assets or profit of the Company.

e) Any outstanding ICPS which have not been converted shall automatically be converted into new ordinary shares upon maturity.

26. Loans and borrowings (Cont'd)

Irredeemable Convertible Preference Share ("ICPS") (Cont'd)

The carrying amount of the liability component of ICPS is arrived at as follows:

	Group and Company RM'000
Face value of ICPS	230,000
Equity component	
- Equity component, net of deferred tax	(222,513)
- Deferred tax assets	2,495
	(220,018)
Liability component of ICPS on initial recognition	9,982

	Group and Company	
	2012 RM'000	2011 RM'000
Liability component on initial recognition	**9,982**	9,982
Interest expense recognised in profit or loss:		
At 1 January	**39**	-
Recognised during the year (Note 8)	**792**	39
At 31 December	**831**	39
Dividend paid:		
At 1 January	**-**	-
Paid during the year	**(2,500)**	-
At 31 December	**(2,500)**	-
Liability component at 31 December	**8,313**	10,021

Obligations under finance leases

These obligations are secured by a charge over the leased assets (Note 15). The average discount rate implicit in the leases is 5.34% p.a. (2011: 6.45% p.a.). These obligations are denominated in Ringgit Malaysia (RM).

Bank overdraft

Bank overdraft is denominated in RM, bears interest at BLR + 1.25% p.a. and is secured by legal charges over certain leasehold land and plantation of the Group.

26. Loans and borrowings (Cont'd)

Revolving credit

These are denominated in RM, bear interests at COF + 1.25% p.a. respectively and are secured by legal charges over a parcel leasehold agricultural land of the Company, specific debenture over a crude palm oil (CPO) mill to be constructed by a subsidiary and corporate guarantee given by the Company.

RM loan at COF + 1.0% p.a.

This loan is secured by an all monies' Facilities Agreement Stamped to the amount of facilities advanced, special debenture over the bio-waste treatment composting plant to be developed by a subsidiary and corporate guarantee given by the Company.

27. Trade and other payables

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Current				
Trade payables				
Amount due to a company of which a director of the Company is also a director and has financial interest	**443**	-	**-**	-
Subsidiary company	**-**	-	**8,774**	-
Amounts due to clients	**-**	17,235	**-**	-
Suppliers and third parties	**12,856**	13,133	**634**	488
Attributable to discontinued operation	**-**	(17,235)	**-**	-
	13,299	13,133	**9,408**	488
Other payables				
Amounts due to subsidiaries	**-**	-	**34,028**	63,294
Sundry payables	**36,832**	42,212	**5,850**	15,104
Remisiers' accounts	**-**	3,025	**-**	-
Attributable to discontinued operation	**-**	(3,872)	**-**	-
	36,832	41,365	**39,878**	78,398
Total current	**50,131**	54,498	**49,286**	78,886
Total trade and other payables	**50,131**	54,498	**49,286**	78,886
Add: Loans and borrowings (Note 26)	**34,489**	16,105	**9,600**	11,783
Total financial liabilities carried at amortised cost	**84,620**	70,603	**58,886**	90,669

27. Trade and other payables (Cont'd)

a) Trade payables

Amounts payable to suppliers and third parties are normally settled on 30 to 90 days (2011: 30 to 90 days) terms. These amounts are non-interest bearing.

b) Amounts due to subsidiaries

Amounts due to subsidiaries are non-interest bearing and are repayable on demand. These amounts are unsecured and are to be settled in cash.

c) Other payables

These amounts are non-interest bearing except for remisiers' deposits which bear interest rate at prevailing commercial bank fixed deposit rate less 1.5% per annum. Other payables are normally settled on an average term of three months (2011: average term of three months).

28. Share capital and share premium

	Number of ordinary shares of RM1 each '000	Amount		
		Share capital RM'000	Share premium RM'000	Total share capital and premium RM'000
Issued and fully paid				
At 1 January 2011	244,482	244,482	-	244,482
Shares issued for acquisition of subsidiaries (Note 20)	121,043	121,043	157,357	278,400
At 31 December 2011 and 31 December 2012	365,525	365,525	157,357	522,882

	Number of shares of RM1 each		Amount	
	2012 '000	2011 '000	2012 RM'000	2011 RM'000
Authorised				
Ordinary shares	**500,000**	500,000	**500,000**	500,000
Irredeemable convertible preference shares	**100,000**	100,000	**100,000**	100,000
At 1 January and 31 December	**600,000**	600,000	**600,000**	600,000

The holders of ordinary 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.

29. Other reserves

	Fair value adjustment reserve RM'000	Revaluation reserve RM'000	Reserve fund RM'000	Preference share redemption reserve RM'000	Capital reserve RM'000	RNPS RM'000	Equity component of ICPS RM'000	Premium paid on acquisition of non-controlling interests RM'000	Total RM'000
Group									
At 1 January 2011	3,162	31,502	866	1,486	5,747	39,351	-	-	82,114
Other comprehensive income									
Available-for-sale financial assets:									
Transfer to profit or loss upon disposal	(3,162)	-	-	-	-	-	-	-	(3,162)
Transactions with owners									
Issuance of irredeemable convertible preference shares ("ICPS") net of tax	-	-	-	-	-	-	222,513	-	222,513
Redemption of RNPS	-	-	-	(1,486)	1,486	-	-	-	-
Realisation of revaluation reserve	-	(55)	-	-	-	-	-	-	(55)
Premium paid on acquisition of Non-controlling interests	-	-	-	-	-	-	-	(171)	(171)
Attributable to discontinued operation (Note 13)	-	-	(866)	-	(7,233)	(39,351)	-	171	(47,279)
	-	(55)	(866)	(1,486)	(5,747)	(39,351)	222,513	-	175,008
At 31 December 2011	-	31,447	-	-	-	-	222,513	-	253,960
At 31 December 2012	-	31,447	-	-	-	-	222,513	-	253,960
Company									
At 1 January 2011	-	28,317	-	-	-	-	-	-	28,317
Transaction with owners:									
Issuance of irredeemable convertible preference shares, ("ICPS") net of tax (Note 26)	-	-	-	-	-	-	222,513	-	222,513
	-	-	-	-	-	-	222,513	-	222,513
At 31 December 2011	-	28,317	-	-	-	-	222,513	-	250,830
At 31 December 2012	**-**	**28,317**	**-**	**-**	**-**	**-**	**222,513**	**-**	**250,830**

29. Other reserves (Cont'd)

The nature and purpose of each category of reserve are as follows:

a) Fair value adjustment reserve

Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

b) Revaluation reserve

This reserve includes the cumulative net change, net of deferred tax effects, arising from the revaluation of leasehold land, plantations and building and investments in certain subsidiary companies above their cost.

c) Reserve fund

This represents ten percent (10%) of the profit after tax of Innosabah Securities Berhad ("Innosabah"), a subsidiary, in the previous financial years set aside in accordance with Rule 1101.2 of the Rules of Bursa Malaysia Securities Berhad.

d) Preference shares redemption reserve

This represents ten percent (10%) of Innosabah's profit after tax (excluding reversal of allowance for impairment on trade and other receivables) in the previous financial years set aside for the purpose of redemption of RNPS issued by Innosabah.

e) Capital reserve

This reserve arose from the cancellation of RNPS by Innosabah.

f) Redeemable non-convertible preference shares ("RNPS")

This reserve represents share premium which arose from the issuance of RNPS by Innosabah.

g) Equity component of RCSLS and ICULS

This reserve represents the fair value of the equity component of loan stocks, net of deferred tax, as determined on the date of issue.

h) Equity component of ICPS

This represents the residual amount of irredeemable convertible preference shares ("ICPS") after deducting the fair value of the liability component. This amount is presented net of transaction costs and deferred tax assets arising from ICPS.

30. Retained earnings

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 tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from 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 had elected for the irrevocable option to disregard the 108 balance. Hence, the Company will be able distribute dividends out of its entire retained earnings as at 31 December 2012 and 2011 under the single tier system.

31. Related party transactions

a) In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Company and related parties took place at terms agreed between the parties during the financial year:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Transactions with companies of which Datuk Lim Nyuk Sang @ Freddy Lim is also a director and has financial interest:				
Malsa Corporation Sdn. Bhd.				
- Purchase of crude palm oil	**15,323**	-	**-**	-
- Purchase of palm kernel shell	**33**	-	**-**	-
Santraprise Sdn. Bhd.				
- Acquisition of equity interest in Abedon Sdn. Bhd.	**-**	209,750	**-**	209,750

31. Related party transactions (Cont'd)

a) In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Company and related parties took place at terms agreed between the parties during the financial year: (Cont'd)

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Transactions with Directors of the Company:				
Datuk Lim Nyuk Sang @ Freddy Lim				
- Acquisition of equity interest in Abedon Sdn. Bhd.	-	94,388	-	94,388
Wong Len Kee				
- Acquisition of equity interest in Abedon Sdn. Bhd.	-	10,213	-	10,213
Transactions with a brother of Datuk Lim Nyuk Sang @ Freddy Lim:				
- Acquisition of equity interest in:				
Green Edible Oil Sdn. Bhd.	-	100,708	-	100,708
Palm Products International Alliances Sdn. Bhd.	-	*	-	*
Transactions with a company in which a brother of Datuk Lim Nyuk Sang @ Freddy Lim is a director and has financial interest:				
Mingo Development Sdn. Bhd.				
- Acquisition of equity interest in Abedon Sdn. Bhd.	-	67,394	-	67,394

* RM2

31. Related party transactions (Cont'd)

a) In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Company and related parties took place at terms agreed between the parties during the financial year: (Cont'd)

	2012 RM'000	2011 RM'000
Company		
Transactions with subsidiaries:		
Income		
Interest received		
- Innosabah Securities Berhad	**65**	42
Sales of fresh fruit bunches		
- Syarikat Kretam Mill Sdn. Bhd.	**8,377**	-
- Abedon Oil Mill Sdn. Bhd.	**15**	-
Gross dividend received		
- Syarikat Kretam Plantations Sdn. Bhd.	**60,000**	12,924
- Winpalm Development Sdn. Bhd.	**333**	388
- Innosabah Securities Berhad	**-**	409
- KM Plantations Sdn. Bhd.	**-**	11,170
- Kretam Renewable Resources Sdn. Bhd.	**-**	16,000
Land rental income		
- Syarikat Kretam Mill Sdn. Bhd.	**180**	180
Sale of cattle		
- Tioman Baru Sdn. Bhd.	**10**	-
Sale of plant and equipment		
- Syarikat Kretam Plantations Sdn. Bhd.	**159**	-
Expenses		
Office rental		
- KHB Realty Sdn. Bhd.	**120**	120
Data processing fees		
- KHB Telecommunications Sdn. Bhd.	**120**	120
Purchase of fertilizers		
- Pupuk Borneo Sdn. Bhd.	**8,304**	9,897

31. Related party transactions (Cont'd)

b) Compensation of key management personnel

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Short-term employee benefits	**3,907**	8,817	**855**	935
Defined contribution plan	**458**	1,033	**98**	107
	4,365	9,850	**953**	1,042

32. Commitments

a) Capital commitments

Capital expenditure commitments as at the reporting date is as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Approved and contracted for:				
Motor vehicles	**95**	-	**95**	-
Building	**3,855**	6,989	**61**	6,989
Plant and machinery	**36,836**	29,655	**1,773**	28,226
Renovation	**1,030**	-	**-**	-
	41,816	36,644	**1,929**	35,215

32. Commitments (Cont'd)

b) Finance lease commitments

The Group has finance leases for certain items of motor vehicles, heavy equipment, plant and machinery (Note 15). These leases do not have terms of renewal, but have purchase options at nominal values at the end of the lease term.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Minimum lease payments:				
Not later than 1 year	**2,472**	1,762	**678**	870
Later than 1 year but not later than 2 years	**2,054**	1,275	**323**	603
Later than 2 years but not later than 5 years	**3,643**	1,526	**406**	443
Total minimum lease payments	**8,169**	4,563	**1,407**	1,916
Less: Amounts representing finance charges	**(894)**	(414)	**(120)**	(154)
Present value of minimum lease payments	**7,275**	4,149	**1,287**	1,762
Present value of payments:				
Not later than 1 year	**2,082**	1,556	**616**	784
Later than 1 year but not later than 2 years	**1,789**	1,155	**290**	561
Later than 2 years but not later than 5 years	**3,404**	1,438	**381**	417
Present value of minimum lease payments	**7,275**	4,149	**1,287**	1,762
Less: Amount due within 12 months (Note 26)	**(2,082)**	(1,556)	**(616)**	(784)
Amount due after 12 months (Note 26)	**5,193**	2,593	**671**	978

33. Fair value of financial instruments

A. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value.

		Group		Company	
	Note	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
2012					
Financial liabilities:					
Loans and borrowings (non-current)					
- bligations under finance leases	26	5,193	4,935	671	643
- Irredeemable convertible preference shares	26	6,468	6,443	6,468	6,443
2011					
Financial liabilities:					
Loans and borrowings (non-current)					
- Obligations under finance leases	26	2,593	2,493	978	942
- Irredeemable convertible preference shares	26	8,313	8,313	8,313	8,313

B. Determination of fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The followings are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables (current)	24
Loans and borrowings (current)	26
Trade and other payables (current)	27

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The carrying amounts of the current portion of loans and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

33. Fair value of financial instruments (Cont'd)

B. Determination of fair value (Cont'd)

Finance lease obligations and irredeemable convertible preference shares

The fair values of these financial instruments are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

Financial guarantees

Fair value is determined based on probability weighted discounted cash flow method. The probability has been estimated and assigned for the following key assumptions:

- The likelihood of the guaranteed party defaulting within the guaranteed period;
- The exposure on the portion that is not expected to be recovered due to the guaranteed party's default;
- The estimated loss exposure if the party guaranteed were to default.

The fair value of the financial guarantees is negligible as the probability of the financial guarantees being called is remote as those subsidiaries will be able to meet their short term loans and borrowings obligations as and when they are due.

34. Financial risk management objectives and policies

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 commodity price risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by executive directors. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

34. Financial risk management objectives and policies (Cont'd)

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 (including investment securities and cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

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, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the statements of financial position.

- A nominal amount of RM295,500,000 (2011: RM70,000,000) relating to corporate guarantees provided by the Company to banks for credit facilities granted to its subsidiaries.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 24.

Credit risk concentration profile

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial assets.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 24. Deposits with banks and other financial institutions that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 24.

34. Financial risk management objectives and policies (Cont'd)

b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations associated with financial liabilities that are settled by delivering cash or another financial asset. 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 the use of stand-by credit facilities.

At the reporting date, approximately 59% (2011: 32%) of the Group's and approximately 26% (2011: 21%) of the Company's loans and borrowings (Note 26) will mature in less than one year based on the carrying amount reflected in the financial statements.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's financial assets and liabilities at the reporting date based on contractual undiscounted amounts.

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Group				
2012				
Financial assets				
Trade and other receivables	11,137	1,400	-	12,537
Cash and bank balances	40,181	-	-	40,181
Total undiscounted financial assets	51,318	1,400	-	52,718
Financial liabilities				
Trade and other payables	49,647	-	-	49,647
Loan and borrowings	21,413	13,197	2,460	37,070
Total undiscounted financial liabilities	71,060	13,197	2,460	86,717
Total net undiscounted financial liabilities	(19,742)	(11,797)	(2,460)	(33,999)
2011				
Financial assets				
Trade and other receivables	24,639	-	-	24,639
Cash and bank balances	33,859	-	-	33,859
Total undiscounted financial assets	58,498	-	-	58,498
Financial liabilities				
Trade and other payables	54,498	-	-	54,498
Loan and borrowings	6,197	12,801	-	18,998
Total undiscounted financial liabilities	60,695	12,801	-	73,496
Total net undiscounted financial liabilities	(2,197)	(12,801)	-	(14,998)

34. Financial risk management objectives and policies (Cont'd)

b) Liquidity risk (Cont'd)

The table below summarises the maturity profile of the Company's financial assets and liabilities at the reporting date based on contractual undiscounted amounts.

	On demand or within one year RM'000	One to five years RM'000	Total RM'000
Company			
2012			
Financial assets			
Trade and other receivables	148,327	1,400	149,727
Cash and bank balances	29,435	-	29,435
Total undiscounted financial assets	177,762	1,400	179,162
Financial liabilities			
Trade and other payables	49,286	-	49,286
Loan and borrowings	3,178	8,229	11,407
Total undiscounted financial liabilities	52,464	8,229	60,693
Total net undiscounted financial assets/(liabilities)	125,298	(6,829)	118,469
2011			
Financial assets			
Trade and other receivables	66,514	-	66,514
Cash and bank balances	20,883	-	20,883
Total undiscounted financial assets	87,397	-	87,397
Financial liabilities			
Trade and other payables	78,886	-	78,886
Loan and borrowings	3,370	11,046	14,416
Total undiscounted financial liabilities	82,256	11,046	93,302
Total net undiscounted financial assets/(liabilities)	5,141	(11,046)	(5,905)

34. Financial risk management objectives and policies (Cont'd)

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 arises primarily from their loans and borrowings. The investments in financial assets are mainly short term in nature and have been mostly placed in fixed deposits.

The Group's policy is to manage interest cost using a mix of fixed and floating rate debts.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 1% lower/higher, with all other variables held constant, the Group's and the Company's profit net of tax would have been RM114,811 (2011: RM85,000) and RM64,789 (2011: RM25,500) lower/higher respectively, arising mainly as a result of net effect of lower/higher interest income from short-term deposits and lower/higher interest expense on borrowings. The assumed movement in percentage for interest rate sensitivity analysis is based on the currently observable market environment.

d) Commodity price risk

The price of agricultural commodities are subject to wide fluctuations due to unpredictable factors such as weather, government policies, changes in global demand resulting from population growth and changes in standards of living, and global production of similar and competitive crops.

Sensitivity analysis for commodity price risk

At the reporting date, if the processed palm oil price had been 5% higher/lower, with all other variables held constant, the Group's profit net of tax would have been RM9,602,708 (2011: RM4,162,056) higher/lower.

35. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2012 and 31 December 2011.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio within acceptable level. The Group includes within net debt, loans and borrowings (excluding irredeemable convertible preference share ("ICPS"), trade and other payables, less cash and cash equivalents. Capital includes equity attributable to the owners of the parent less reserve fund.

		Group		Company	
	Note	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Loans and borrowings	26	**34,489**	16,105	**9,600**	11,783
Trade and other payables	27	**50,131**	54,498	**49,286**	78,886
Less: Cash and cash equivalents	25	**(40,181)**	(33,859)	**(29,435)**	(20,883)
ICPS	26	**(8,313)**	(10,021)	**(8,313)**	(10,021)
Financial liabilities, attributable to discontinued operation, net of cash and bank balances	13	**-**	7,714	**-**	-
Net debt		**36,126**	34,437	**21,138**	59,765
ICPS		**8,313**	10,021	**8,313**	10,021
Equity attributable to owners of the parent		**896,874**	857,136	**815,984**	753,828
Less: Reserve fund	29	**-**	(866)	**-**	-
Total capital		**905,187**	866,291	**824,297**	763,849
Capital and net debt		**941,313**	900,728	**845,435**	823,614
Gearing ratio		**4%**	4%	**3%**	7%

36. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

i) The plantation and mill segment is in the business of cultivation and sale of oil palm products. This reportable segment has been formed by aggregating the fertilizer operating segment, which is regarded by management to be an integral part of the Group's plantation operations by reason of the quantity of the fertilizer operating output that is used in the plantation operations.

ii) The refinery segment is in the business of refining crude palm oil and producing bio fuels.

iii) The stockbroking segment is in business of stock and shares broking and futures broking. This segment has been classified as a discontinued operation in year 2011 (Note 13).

Except as indicated above, no other operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

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

36. Segment information (Cont'd)

	Plantation and mill		Refinery		Stock broking and related services (Discontinued)		Adjustment and elimination		Note	Per consolidated financial statements	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000		2012 RM'000	2011 RM'000
Revenue:											
External customers	**155,063**	244,374	**97,234**	-	**1,956**	12,891	**(1,956)**	(12,891)	A	**252,297**	244,374
Inter-segment	**100,993**	4,665	**-**	-	**-**	-	**(100,993)**	(4,665)	B	-	-
Total revenue	**256,056**	249,039	**97,234**	-	**1,956**	12,891	**(102,949)**	(17,556)		**252,297**	244,374
Results:											
Interest income	**126**	733	**10**	-	**494**	1,262	**448**	(539)		**1,078**	1,456
Dividend income	**-**	-	**-**	-	**-**	49	**-**	-		**-**	49
Depreciation and amortisation	**17,294**	9,409	**5,683**	1,408	**111**	313	**(31)**	(244)		**23,057**	10,886
Segment profit/(loss)	**70,843**	106,021	**(18,211)**	(1,876)	**(77)**	1,541	**2,969**	(5,557)	C	**55,524**	100,129
Assets:											
Additions to non-current assets	**61,393**	672,182	**8,135**	-	**245**	764	**6,807**	-	D	**76,580**	672,946
Segment assets	**533,524**	492,328	**148,145**	111,286	**-**	65,780	**402,100**	385,722	E	**1,083,769**	1,055,116
Segment liabilities	**32,303**	22,350	**1,795**	5,365	**-**	21,107	**149,574**	145,871	F	**183,672**	194,693

36. Segment information (Cont'd)

Note Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A The amounts relating to the stock broking and related services segment have been excluded to arrive at amounts shown in the consolidated statement of comprehensive income as they are presented separately in the statement of comprehensive income within one line item, "(loss)/profit from discontinued operation net of tax".

B Inter-segment revenues are eliminated on consolidation.

C The profit from inter-segment sales is deducted from segment profit to arrive at "Profit before tax" presented in the consolidated statement of comprehensive income.

	2012 RM'000	2011 RM'000
Finance costs	**(1,466)**	(284)
Segment results from discontinued operation	**77**	(1,541)
Unallocated segment profit/(loss)	**4,358**	(3,732)
	2,969	(5,557)

D Additions to non-current assets consist of:

Acquisition of a subsidiary	**-**	494,980
Property, plant and equipment		
- continued operations	**68,170**	28,111
- discontinued operations	**245**	764
- unallocated segment	**6,807**	-
Biological assets	**1,358**	149,091
	76,580	672,946

E The following items are added to segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2012 RM'000	2011 RM'000
Deferred tax assets	**22**	717
Inter-segment assets	**402,078**	385,005
	402,100	385,722

F The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2012 RM'000	2011 RM'000
Deferred tax liabilities	**98,820**	100,771
Inter-segment liabilities	**50,754**	45,100
	149,574	145,871

Geographical information

No geographical information has been presented as the Group's activities are predominantly in Malaysia.

37. Dividends

	Group and Company	
	2012	2011
	RM'000	RM'000
Recognised during the financial year:		
Dividends on ordinary shares:		
- Final tax exempt (single-tier) dividend for 2010 3.5 sen per share	-	8,557
- Final tax exempt (single-tier) dividend for 2011 15 sen per share	-	36,672
	-	45,229

38. Events occurring after the reporting date

a) On 13 March 2013, Abedon Enviro Sdn. Bhd., a 70%-owned subsidiary of Abedon Sdn. Bhd. which in turn is a wholly-owned subsidiary of the Company, entered into a Sale and Purchase of Shares Agreement to dispose of the entire issued and paid-up share capital comprising 2 ordinary shares of RM1 each of Natural Objective Sdn. Bhd. for a total cash consideration of RM2.

b) On 27 March 2013, Kretam Management Sdn. Bhd., a wholly-owned subsidiary of the Company subscribed for 3 ordinary shares of RM1 each representing 50% equity interest in Usaha Dimega Sdn. Bhd. ("UDSB"), a company in which another wholly-owned subsidiary of the Company, KHB Management Sdn. Bhd. already holds 16.67%. After the subscription, the Group holds 66.7% equity interest in UDSB.

39. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the directors on 25 April 2013.

40. Supplementary information – breakdown of retained earnings into realised and unrealised

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2012 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits of Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total retained earnings of the Company and its subsidiaries				
- Realised	**157,993**	(30,995)	**50,518**	(12,759)
- Unrealised	**(29,194)**	(27,777)	**(8,246)**	(7,125)
	128,799	(58,772)	**42,272**	(19,884)
Less: Consolidation adjustments	**(8,767)**	91,787	**-**	-
Retained earnings as per financial statements	**120,032**	33,015	**42,272**	(19,884)

List Of Properties

	Name and Location of Property	Description	Tenure	Land Area	Year Revalued ("R")/ Acquired ("A")	Net Book Value as at 31.12.12 RM'000
1	Bode Estate Mile 44 Sandakan-Lahad Datu Highway	Oil palm plantation	Leasehold, - expiring in 2887 - expiring in 2077 - expiring in 2082	 3,052 hectares 413 hectares 8 hectares 3,473 hectares	 R: 1996 R: 1996 R: 1996	67,484
2	Masang Estate Off Mile 44 Sandakan - Lahad Datu Highway	Oil palm plantation	Leasehold, - expiring in 2919 - expiring in 2887 - expiring in 2058 - expiring in 2061 - expiring in 2064 - expiring in 2071 - expiring in 2071 - expiring in 2078 - expiring in 2079 - expiring in 2080 - expiring in 2085 - expiring in 2096 - expiring in 2098 - expiring in 2100 Sublease, - expiring in 2096 - expiring in 2099 - expiring in 2034	 32 hectares 1,878 hectares 261 hectares 45 hectares 57 hectares 182 hectares 41 hectares 200 hectares 76 hectares 127 hectares 44 hectares 3 hectares 13 hectares 11 hectares 2,970 hectares 24 hectares 43 hectares 13 hectares 3,050 hectares	 R: 1996 R: 1996 R: 1996 R: 1996 R: 1996 R: 1996 A: 1997 R: 1996 R: 1996 R: 1996 R: 1996 A: 2000 A: 2002 A: 2003 A: 1997 A: 2000 A: 2004	58,777
3	Sapagaya Estate Mile 60 Sandakan-Sukau Road	Oil palm plantation	Leasehold, - expiring in 2078 - expiring in 2041	 3,036 hectares 14 hectares 3,050 hectares	 R: 1996 R: 1996	61,413
4	Silimpopon Estates I & II Km 128 Tawau-Kalabakan Highway	Oil palm plantation	Leasehold, - expiring in 2096	 8,090 hectares	 A: 1998	65,750

	Name and Location of Property	Description	Tenure	Land Area	Year Revalued ("R")/ Acquired ("A")	Net Book Value as at 31.12.12 RM'000
5	Winpalm Estate Off Mile 44 Sandakan - Lahad Datu Highway	Oil palm plantation	Sublease, - expiring in 2097 - expiring in 2032 - expiring in 2034	 69 hectares 39 hectares 25 hectares 133 hectares	 A: 1999 A: 2002 A: 2004	1,364
6	Kolopis Estate Off Mile 35, Lahad Datu - Sandakan Highway	Oil palm plantation	Leasehold, - expiring in 2085	1,277 hectares	A: 2011	60,596
7	Tanaki Estate Off Mile 35, Lahad Datu - Sandakan Highway	Oil palm plantation	Leasehold, - expiring in 2085	1,555 hectares	A: 2011	99,358
8	Bukit Sekong Estate Off Mile 57 Sandakan-Lahad Datu Highway	Oil palm plantation	Leasehold, - expiring in 2084 - expiring in 2089	805 hectares 48 hectares 853 hectares	A: 2011 A: 2011	54,592
9	Sukau Estate Off Km 34 and Km 41, Sandakan-Sukau Road	Oil palm plantation	Sublease, - expiring in 2099 - expiring in 2035	 65 hectares 42 hectares 107 hectares	 A: 2011 A: 2011	4,766
10	Inobong Estate Off Mile 35, Lahad Datu- Sandakan Highway	Oil palm plantation	Leasehold, - expiring in 2081 - expiring in 2083 - expiring in 2084	 202 hectares 404 hectares 183 hectares 789 hectares	 A: 2011 A: 2011 A: 2011	58,613
11	Segama Estate Off Mile 15, Lahad Datu - Sandakan Highway	Oil Plantation	Leasehold - expiring in 2074 - expiring in 2077 - expiring in 2096	 18 hectares 243 hectares 22 hectares 283 hectares	 A: 2011 A; 2011 A: 2011	18,933

	Name and Location of Property	Description	Tenure	Land Area	Year Revalued ("R")/ Acquired ("A")	Net Book Value as at 31.12.12 RM'000
12	Bumiwealth Estate Off Mile 35, Lahad Datu - Sandakan Highway	Oil palm Plantation	Leasehold, - expiring in 2084	1,213 hectares	A: 2011	78,605
13	Green Edible Oil Complex Off 4.7Km, Jalan Ulu Sibuga, Sungai Seguntor Sandakan	Palm oil refinery & biodiesel plant	Leasehold, - expiring in 2077 - expiring in 2063 - expiring in 2071	6.07 hectares 6.83 hectares 2.82 hectares 15.72 hectares	A: 2011 A: 2011 A: 2012	39,774
14	Pupuk Borneo Sdn. Bhd. Mile 8, Jalan Apas Tawau	Fertilizer plant	Leasehold, - expiring in 2048	2.16 hectares	A: 2011	3,330
15	Wisma KHB Lots 4, 5 and 6, Block 44 Leboh Tiga, Sandakan	4-storey office building	Leasehold, - expiring in 2889	4,500 sq. feet	R: 1996	3,164
16	Lot 59, Block I Sadong Jaya, Karamunsing Kota Kinabalu	4-storey commercial building	Leasehold, - expiring in 2901	1,250 sq. feet	A: 1993	651
17	Km 9 (between Jalan Tinosan and Taman Mesra) Northern Ring - Sim-Sim Road, Sandakan	Vacant Land	Leasehold, - expiring in 2080	4.64 acres	A: 2009	3,065

Shareholdings Statistics

As at 30 April 2013

Authorised Capital	:	RM600,000,000 divided into 500,000,000 ordinary shares of RM1.00 each and 100,000,000 irredeemable convertible preference shares of RM1.00 each
Issued and Paid-Up	:	RM465,525,427 divided into 365,525,427 ordinary shares of RM1.00 each and 100,000,000 irredeemable convertible preference shares of RM1.00 each
Class of Shares	:	i) Ordinary Shares of RM1.00 each ii) Irredeemable convertible preference shares of RM1.00 each ("ICPS")
Voting Rights	:	1 vote per ordinary share

DISTRIBUTION SCHEDULE OF ORDINARY SHARES

	SHAREHOLDERS		SHAREHOLDINGS	
GROUP	**NUMBER**	**%**	**NUMBER**	**%**
1 to 99	123	2.99	5,373	0.00
100 to 1,000	1,674	40.65	1,141,350	0.31
1,001 to 10,000	1,846	44.83	7,406,425	2.03
10,001 to 100,000	368	8.93	10,812,507	2.96
100,001 to less than 5% of issued shares	102	2.48	136,651,275	37.38
5% and above of issued shares	5	0.12	209,508,497	57.32
Total	**4,118**	**100.00**	**365,525,427**	**100.00**

LIST OF TOP 30 SHAREHOLDERS

		No. of ordinary shares held	Percentage (%)
1.	Datuk Lim Nyuk Sang @ Freddy Lim	95,501,732	26.13
2.	Sabah Development Nominees (Tempatan) Sdn Bhd - *Pledged Securities Account for Lim Nyuk Foh*	30,521,737	8.35
3.	Mingo Development Sdn Bhd	29,085,028	7.96
4.	Alliancegroup Nominees (Tempatan) Sdn Bhd - *Pledged Securities Account for Datuk Lim Nyuk Sang @ Freddy Lim*	28,000,000	7.66
5.	Sabah Development Nominees (Tempatan) Sdn Bhd - *Pledged Securities Account for Datuk Lim Nyuk Sang @ Freddy Lim*	26,400,000	7.22
6.	HLB Nominees (Tempatan) Sdn Bhd - *Pledged Securities Account for Datuk Lim Nyuk Sang @ Freddy Lim*	10,000,000	2.74
7.	Santraprise Sdn Bhd	9,649,781	2.64
8.	Maybank Nominees (Tempatan) Sdn Bhd - *Pledged Securities Account for Datuk Lim Nyuk Sang @ Freddy Lim*	8,000,000	2.19
9.	RHB Capital Nominees (Tempatan) Sdn Bhd - *Pledged Securities Account for Datuk Lim Nyuk Sang @ Freddy Lim*	6,850,000	1.87
10.	HDM Nominees (Asing) Sdn Bhd - *Beneficial Owner: Great Forest Limited*	6,587,950	1.80

		No. of ordinary shares held	Percentage (%)
11.	Lim Nyek Kiong @ Lim Nyuk Min	6,104,800	1.67
12.	Inter-Pacific Equity Nominees (Asing) Sdn Bhd - *Beneficial Owner: Everbright Corporation*	5,469,300	1.50
13.	Chin Fun Ming	5,431,746	1.49
14.	CIMSEC Nominees (Asing) Sdn Bhd - *Beneficial Owner: Jarsuma Investments Ltd*	5,410,100	1.48
15.	Vun Shui Moi @ Vun Siew Moi	4,948,300	1.35
16.	Wong Len Kee	4,703,217	1.29
17.	Canas Corporation Sdn Bhd	4,525,674	1.24
18.	Inter-Pacific Equity Nominees (Asing) Sdn Bhd - *Beneficial Owner: Sinospell Inc*	4,494,100	1.23
19.	Alliancegroup Nominees (Tempatan) Sdn Bhd - *Pledged Securities Account for Victoria Capital Sdn Bhd*	4,304,000	1.18
20.	RHB Capital Nominees (Tempatan) Sdn Bhd - *Beneficial Owner: Glenn Maxwell Pang Hou Runn*	3,620,870	0.99
21.	Maybank Nominees (Tempatan) Sdn Bhd - *Beneficial Owner: Fong Kin Wui*	2,751,249	0.75
22.	Hee Chul Johng	2,518,800	0.69
23.	Maybank Nominees (Tempatan) Sdn Bhd - *Beneficial Owner: Datuk Lim Nyuk Sang @ Freddy Lim*	2,200,000	0.60
24.	Alliancegroup Nominees (Tempatan) Sdn Bhd - *Pledged Securities Account for Lim Nyuk Foh*	2,142,000	0.59
25.	RHB Capital Nominees (Tempatan) Sdn Bhd - *Pledged Securities Account for Chua Peng Boon @ Choy Ah Mun*	2,000,000	0.55
26.	Chua Peng Boon @ Choy Ah Mun	1,858,470	0.51
27.	ECML Nominees (Tempatan) Sdn Bhd - *Pledged Securities Account for Yap Pak Leong*	1,764,800	0.48
28.	Bernard Pang En Kiong	1,655,000	0.45
29.	HSBC Nominees (Asing) Sdn Bhd - *Exempt Authorised Nominee for UBS AG*	1,628,200	0.45
30.	RHB Capital Nominees (Tempatan) Sdn Bhd - *Pledged Securities Account for Wong Len Kee*	1,500,000	0.41

SUBSTANTIAL SHAREHOLDERS

	Direct		Indirect	
	No. of shares held	Percentage (%)	No. of shares held	Percentage (%)
Datuk Lim Nyuk Sang @ Freddy Lim	176,951,732	48.41	9,649,781 *	2.64
Lim Nyuk Foh	33,245,165	9.10	-	-
Mingo Development Sdn Bhd	29,085,028	7.96	-	-

** Deemed interest through Santraprise Sdn Bhd in which he has interests.*

DIRECTORS' SHAREHOLDINGS

	Direct		Indirect	
	No. of shares held	Percentage (%)	No. of shares held	Percentage (%)
Y.Bhg. Dato' Abd. Aziz Bin Haji Sheikh Fadzir	-	-	-	-
Datuk Lim Nyuk Sang @ Freddy Lim	176,951,732	48.41	9,649,781 *	2.64
Wong Len Kee	7,203,217	1.97	-	-
Lee Hock Leang	-	-	-	-
Wong Chin Kwong	-	-	-	-
Tan Kung Ming	-	-	-	-
Teo Gim Suan	-	-	-	-

** Deemed interest through Santraprise Sdn Bhd in which he has interests.*

Form Of Proxy

KRETAM HOLDINGS BERHAD

(Company No : 168285-H)

CDS Account No.	

I/We, ...

of ...

being a Member of Kretam Holdings Berhad, hereby appoint ...

...

of ...

or failing him ...

of ...

as my/our proxy to vote for me/us and on my/our behalf at the Twenty-Fifth Annual General Meeting of the Company to be held at the Company's Registered Office at **Lot 6, Block 44, Leboh Tiga, 90000 Sandakan, Sabah** on **Wednesday, 26 June 2013 at 11.30 a.m.** or at any adjournment thereof.

I/We direct my/our proxy to vote for or against the Resolutions to be proposed at the Meeting as hereinunder indicated:-

Resolutions		For	Against
Ordinary Resolution 1	To receive and adopt the Directors' Report and Audited Financial Statements for the year ended 31 December 2012		
Ordinary Resolution 2	To re-elect Datuk Lim Nyuk Sang @ Freddy Lim as a Director		
Ordinary Resolution 3	To re-elect Mr Wong Chin Kwong as Director		
Ordinary Resolution 4	To approve the payment of Directors' fees of RM70,000.00		
Ordinary Resolution 5	To re-appoint Messrs Ernst & Young as Auditors of the Company		
Ordinary Resolution 6	To empower the Directors to issue new shares		
Ordinary Resolution 7	To approve a Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature		
Special Resolution 1	To approve Amendments to the Articles of Association of the Company		

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

No. of ordinary shares held	

Dated this ……day of ……..….2013

……
Signature(s) of Member

Notes:-

a) A depositor whose name appears in the Record of Depositors as at 19 June 2013 (General Meeting Record of Depositors) shall be regarded as a member entitled to attend, speak and vote at this 25th AGM of the Company or appoint a proxy to attend and vote.

b) A proxy or an attorney need not be a member of the Company and Section 149(1)(b) of the Act shall not apply to the Company.

c) The form of proxy or power of attorney if executed by a corporation must be executed under common seal.

d) The instrument appointing a proxy or a power of attorney must be deposited at the Registered Office of the Company at Lot 6, Block 44, Leboh Tiga, 90000 Sandakan, Sabah not less than 48 hours before the time set for the meeting or any adjournment thereof.

e) Where a Member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

FOLD HERE

FOLD HERE

STAMP

KRETAM HOLDINGS BERHAD
Lot 6, Block 44, Leboh Tiga
90000 Sandakan
Sabah