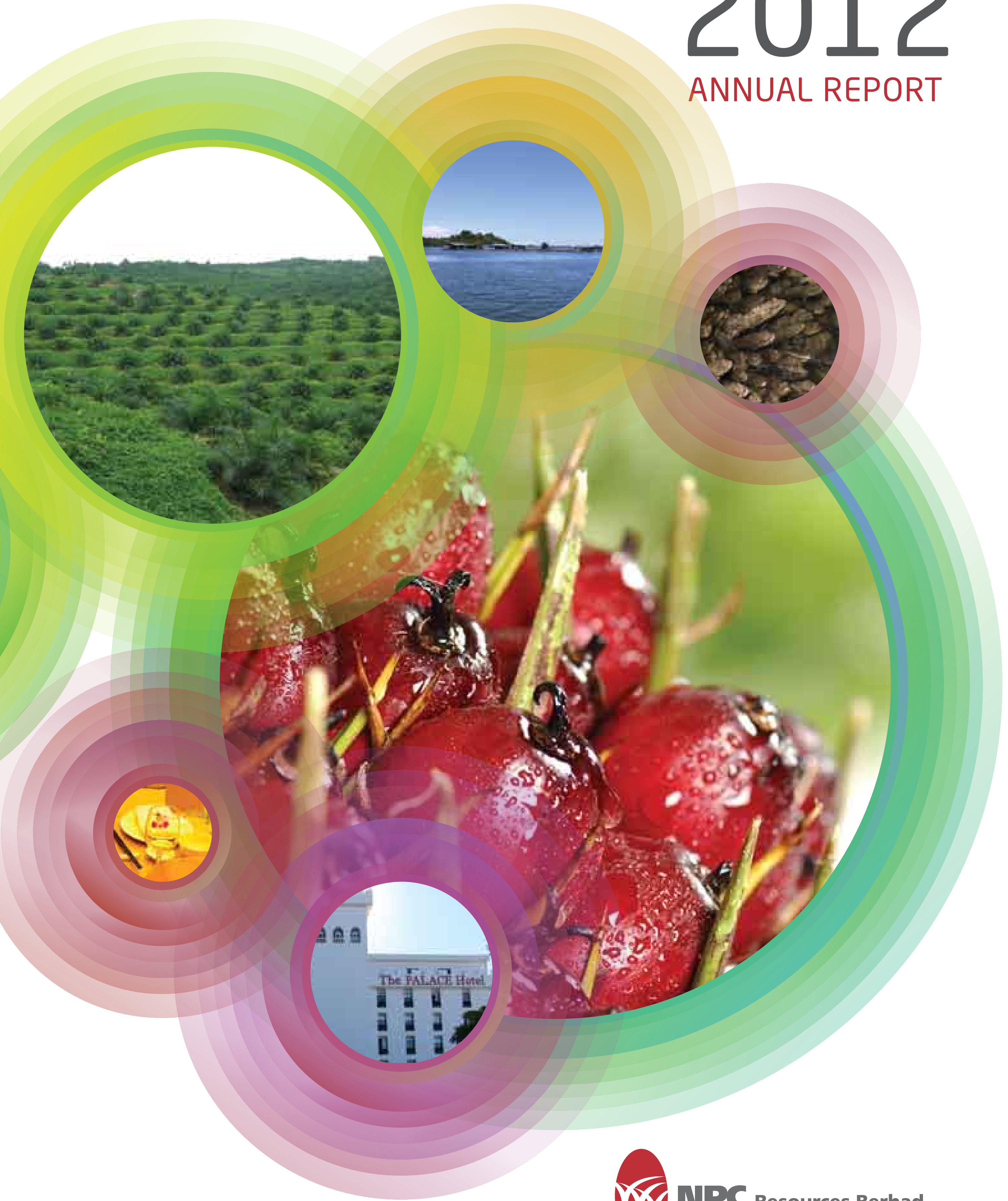
# 2012
## ANNUAL REPORT




NPC Resources Berhad (502313-P)

# Contents

# 1 NOTICE OF THE THIRTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirteenth Annual General Meeting of the Company will be held at the Conference Room 3, 6th Floor, The Palace Hotel, No. 1, Jalan Tangki, Karamunsing, 88100 Kota Kinabalu, Sabah, on Tuesday, 25 June 2013 at 11.00 am to transact the following business:

**AGENDA**

**ORDINARY BUSINESS**

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

2. To declare a final single tier dividend of 1 sen per share in respect of the financial year ended 31 December 2012. **Resolution 2**

3. To consider and if thought fit, to pass the following resolution:

   " That pursuant to Section 129(6) of the Companies Act, 1965, Mr Loo Ngin Kong be and is hereby re-appointed as Director of the Company to hold office until the conclusion of the next Annual General Meeting: " **Resolution 3**

4. To consider and if thought fit, to pass the following resolution:

   " That pursuant to Section 129(6) of the Companies Act, 1965, Dato' Seri Tengku Dr. Zainal Adlin Bin Tengku Mahamood be and is hereby re-appointed as Director of the Company to hold office until the conclusion of the next Annual General Meeting: " **Resolution 4**

5. To re-elect the following Directors retiring in accordance with Article 93 of the Company's Articles of Association:

   a) Dato' Loo Pang Kee **Resolution 5**
   b) Mr Lim Ted Hing **Resolution 6**

6. To retain the following directors who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine years, to continue to act as Independent Non-Executive Directors of the Company to hold office until the conclusion of the next Annual General Meeting:

   a) Mr Lim Ted Hing **Resolution 7**
   b) Dr Edmond Fernandez **Resolution 8**

7. To approve the payment of Directors' fees of RM80,000 for the financial year ended 31 December 2012. **Resolution 9**

8. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 10**

**SPECIAL BUSINESS**

9. To consider and if thought fit, to pass the following resolution:

**Ordinary Resolution**

**Authority to issue shares pursuant to Section 132D, Companies Act, 1965** **Resolution 11**

" THAT subject always to the Companies Act, 1965, Articles of Association of the Company and approvals from the relevant statutory and regulatory authorities, where such approvals are necessary, full authority be and is hereby given to the Directors pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time at such price upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing and quotation of the additional new ordinary shares to be issued and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company. "

10. To consider and if thought fit, to pass the following resolution:

**Ordinary Resolution**

**Proposed Renewal of the Existing Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature** **Resolution 12**

THAT, approval be and is hereby given, for the Renewal of the Existing Shareholders' Mandate for the Company and/or its Subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.4.2 of the Circular to Shareholders dated 4 June 2013 with the related parties described therein provided such transactions are necessary for the Group's day to day operations, carried out in the normal course of business, at arm's length, on normal commercial terms, not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders;

THAT, such approval shall continue to be in force until:

(a) the conclusion of the next annual general meeting of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or

(b) the expiration of the period within which the next annual general meeting of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("CA") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of CA); or

(c) revoked or varied by a resolution passed by the shareholders in general meeting,

whichever is the earlier.

AND FURTHER THAT the directors be and are hereby authorized to complete and do such acts and things as may be required by the relevant authorities (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorized by this Ordinary Resolution. "

11. To consider and if thought fit, to pass the following resolution:

**Ordinary Resolution**

**Proposed Renewal of Authority For The Company To Purchase Its Own Shares Of Up To Ten Percent (10%) Of Its Issued And Paid Up Share Capital** **Resolution 13**

" THAT subject to the provisions of the Companies Act, 1965 ("the Act"), the Memorandum and Articles of Association of the Company and the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), all other applicable laws, rules, regulations, and orders and the approvals of all relevant regulatory authorities, the Company is hereby authorized to purchase and/or hold such amount of ordinary shares of RM1.00 each ("Shares") in the Company as may be determined by the Directors from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company, provided that the aggregate number of shares to be purchased and/or held pursuant to this resolution shall not exceed ten percent (10%) of the total issued and paid up share capital of the Company and that an amount of the funds not exceeding the retained profits of the Company, be utilized for Share buy-back;

AND THAT such Shares purchased may be retained as treasury shares and/or distributed as dividends and/or resold on the market of Bursa Securities and/or be cancelled, as the Directors may deem fit and expedient in the interest of the Company;

AND THAT such authority hereby given shall take effect immediately and shall continue to be in force until:

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

(b) the expiration of the period within which the next Annual General Meeting of the Company after that date 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 a resolution passed by the Shareholders in a general meeting,

whichever is the earlier.

AND FURTHER THAT the Directors be hereby authorised to do all such acts and things as may be required by the relevant authorities (including executing any relevant documents) as they may consider expedient or necessary to complete and give effect to the aforesaid authorisation. "

12. To consider and if thought fit, to pass the following resolution:

**Special Resolution**

**Proposed Amendments to the Articles of Association of the Company** **Resolution 14**

" THAT the Proposed Amendments to the Articles of Association of the Company as set out in the Appendix A to the Company's Annual Report 2012, be and are hereby approved. "

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

# NOTICE OF THE THIRTEENTH ANNUAL GENERAL MEETING (CONTINUED)

## GENERAL MEETING RECORD OF DEPOSITORS

**FURTHER NOTICE IS HEREBY GIVEN THAT** for the purpose of determining a member who shall be entitled to attend this Thirteenth Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd., in accordance with Article 68(b) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991, to issue a General Meeting Record of Depositors as at 19 June 2013. Only a depositor whose name appears on the Record of Depositors as at 19 June 2013 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his behalf.

By Order of the Board
**NPC Resources Berhad**

**Dorothy Luk Wei Kam (MAICSA 7000414)**
**Tan Vun Su (MIA 8095)**
Company Secretaries

Kota Kinabalu, Sabah
Dated: 4 June 2013

**Notes:**

a) A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965, shall not apply to the Company.

b) A member shall be entitled to appoint one (1) but not more than two (2) proxies to attend and vote at the same meeting and where a member appoints two (2) proxies to attend and vote instead of him at the same Meeting, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

c) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if such appointor is a corporation, either under its Common Seal or the hands of its officers or attorney duly authorised.

d) The instrument appointing a proxy shall be deposited at the Registered Office of the Company at Lot 9, T3, Taman Tshun Ngen, Mile 5, Jalan Labuk, 90000 Sandakan, Sabah, not less than forty-eight (48) hours before the time for holding the Meeting or any adjournment thereof.

# NOTICE OF THE THIRTEENTH ANNUAL GENERAL MEETING (CONTINUED)

**Explanatory Notes On Special Business**

**(a) Ordinary Resolution Pursuant To The Proposed Authority To Directors To Issue New Shares Under Section 132D Of The Companies Act, 1965**

The proposed Resolution No. 11, if passed, shall give power to the Directors to issue ordinary shares in the capital of the Company up to an aggregate amount not exceeding 10% of the issued share capital of the Company for the time being. This authority unless revoked or varied at a general meeting will expire at the next Annual General Meeting.

The general mandate sought for issue of securities is a renewal of the mandate that was approved by the shareholders on 25 June 2012. The Company did not utilize the mandate that was approved last year. The renewal of the general mandate is to provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund raising exercises including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital and/or acquisitions.

**(b) Ordinary Resolution In Relation To The Proposed Renewal of the Existing Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature**

The proposed Resolution No. 12, if passed, will allow the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the mandated related parties provided that such transactions are necessary for the Group's day to day operations, carried out in the normal course of business, at arm's length, on commercial terms which are not more favourable to the related parties than those generally available to the public and not detrimental to the minority shareholders. Shareholders are directed to refer to the Circular to Shareholders dated 4 June 2013 for more informa tion.

**(c) Ordinary Resolution In Relation To The Proposed Renewal of Authority For The Company To Purchase Its Own Shares Of Up To Ten Percent (10%) Of Its Issued And Paid Up Share Capital**

The proposed Ordinary Resolution No. 13, if passed, shall empower the Directors of the Company to buy back and/or to hold the shares of the Company not exceeding ten percent (10%) of its issued and paid up share capital from time to time being quoted on Bursa Malaysia Securities Berhad as may be determined by the Directors of the Company from time to time through Bursa Malaysia Securities Berhad upon such terms and conditions as the Directors may deem fit and expedient in the interests of the Company. Shareholders are directed to refer to the Statement to Shareholders dated 4 June 2013 for more information.

**(d) Special Resolution In Relation To The Proposed Amendments To The Articles Of Association Of The Company**

The proposed Special Resolution No. 14, if passed, will render the Articles of Association of the Company to be updated and in line with the amendments to the Listing Requirements of Bursa Malaysia Securities Berhad.

# 2 CORPORATE INFORMATION

**BOARD OF DIRECTORS**

Loo Ngin Kong
(Executive Chairman)
Dato' Seri Tengku Dr Zainal Adlin Bin Tengku Mahamood
(Independent Non-Executive Deputy Chairman)
Dato' Loo Pang Kee
(Executive Director/Group Managing Director)
Wong Siew Ying
(Executive Director)
Lim Ted Hing
(Independent Non-Executive Director)
Dr Edmond Fernandez
(Independent Non-Executive Director)
Dato' Sri Koh Kin Lip, JP
(Non-Independent Non-Executive Director)
Tan Vun Su
(Executive Director)

**AUDIT COMMITTEE**

Lim Ted Hing
(Chairman)
Dr Edmond Fernandez
(Member)
Dato' Sri Koh Kin Lip, JP
(Member)

**COMPANY SECRETARIES**

Dorothy Luk Wei Kam (MAICSA 7000414)
Tan Vun Su (MIA 8095)

**REGISTERED OFFICE**

Lot 9, T3
Taman Tshun Ngen
Mile 5, Jalan Labuk
90000 Sandakan, Sabah
Tel : 089-274488
Fax : 089-226711

**SHARE REGISTRAR**

Symphony Share Registrars Sdn. Bhd.
Block D13, Pusat Dagangan Dana 1,
Jalan PJU 1A/46,
47301, Petaling Jaya, Selangor

Tel : 03-78418000
Fax : 03-78418008

**INDEPENDENT AUDITORS**

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

**PRINCIPAL BANKERS**

AmBank (M) Berhad
AmIslamic Bank Berhad
Public Bank Berhad
RHB Bank Berhad

**SOLICITORS**

M.F. Poon, Hiew & Associates
Advocates & Solicitors
Mezzanine Floor, Lot 1 & 2,
Block B, Taman Grandview,
Jalan Buli Sim-Sim.
90000 Sandakan, Sabah

**STOCK EXCHANGE LISTING**

Main Board of the
Bursa Malaysia Securities Berhad

# 3 DIRECTORS' PROFILE

**Loo Ngin Kong,** a Malaysian citizen, aged 76, was appointed as Executive Chairman of NPC on 31 January 2002. He has over 40 years' experience in the fields of oil palm plantation and palm oil milling. He started his business venture in the plantation industry in the 1960s and 1970s when he was involved in oil palm cultivation and contracting works for Federal Land Development Authority ("FELDA") in Pahang Darul Makmur and Low Nam Hui Sdn. Bhd. and its subsidiaries and Johor Tenggara Development Authority in Johor Darul Takzim. He expanded his business to Sabah in 1981 when he acquired Growth Enterprise Sdn. Bhd., now a subsidiary of the Company. He also sits on the Board of various private limited companies. He is the father of Dato' Loo Pang Kee, a director and a substantial shareholder of the Company and the husband of Wong Siew Ying, a director and a deemed substantial shareholder of the Company. Save as disclosed in note 29 to the Financial Statements, he has no other conflict of interest with the Company. He has never been convicted for any offence within the past 10 years. He attended four (4) out of five (5) board meetings held during the financial year from 1 January 2012 to 31 December 2012.

**Dato' Seri Tengku Dr. Zainal Adlin bin Tengku Mahamood**, a Malaysian citizen, aged 73, was appointed as Non-Executive Deputy Chairman of NPC on 31 January 2002. He was redesignated as Independent Non-Executive Deputy Chairman on 12 July 2004. He obtained his Advanced Course in Local Government Administration Certificate from the University of Birmingham, United Kingdom and Institute of Local Government Studies, Sigtuna, Sweden in 1967. In 1981, he obtained the Top Management Programme Certificate from the Asian Institute of Management, and in 1995 was conferred Doctor of Philosophy (Hon.) from University Kebangsaan Malaysia. He began his career as a professionally trained pilot in the late fifties and early sixties. He subsequently served in the Kelantan Civil Service and the Malaysian Home and Diplomatic Service and had served in the capacity of Assistant District Officer, acting District Officer and Assistant State Secretary of Kelantan from 1961 to 1967 and was seconded from the Home and Diplomatic Service to the Sabah State Government for five (5) years from 1968 to 1973 in the capacity of Chief Executive Officer of the newly formed Sabah State Housing Commission. From 1974 to prior to retirement from Government service in 1996, he served the Yayasan Sabah in various capacities including Group Projects Development Manager, Deputy Director, Group Deputy Managing Director and Corporate Advisor. He is the appointed Chairman of the Sabah Tourism Board by the Sabah State Government since May 2000 to date. He is the President Emeritus and Past Chairman of the World Wide Fund for Nature (WWF) Malaysia. He has no family relationship with any other directors or major shareholders of the Company nor any conflict of interest with the Company. He has never been convicted for any offence within the past 10 years. He attended three (3) out of five (5) board meetings held during the financial year from 1 January 2012 to 31 December 2012.

**Dato' Loo Pang Kee**, a Malaysian citizen, aged 44, was appointed as Group Managing Director of NPC on 31 January 2002. He is an alumnus of Harvard Business School. He has over twenty (20) years of working experience in the field of plantation-based activities. His responsibilities include overseeing the overall management activities of the Group, the expansion of the Group's business ventures and the formulation and implementation of the Group's business strategies. In 2007, he completed the Executive Education - Owner/President Management Program organised by Harvard Business School, the United States of America. He is the son of Loo Ngin Kong, a director and a substantial shareholder of the Company. Save as disclosed in note 29 to the Financial Statements, he has no other conflict of interest with the Company. He has never been convicted for any offence within the past 10 years. He attended all the five (5) board meetings held during the financial year from 1 January 2012 to 31 December 2012.

# 3 DIRECTORS' PROFILE (CONTINUED)

**Wong Siew Ying,** a Malaysian citizen, aged 59, was appointed as Executive Director of NPC on 31 January 2002. She has played an instrumental role in the management of the NPC group of companies over the last 30 years and her areas of responsibility include managing the Group's financial affairs, project funding requirements and credit management. She is the wife of Loo Ngin Kong, a director and a substantial shareholder of the Company. Save as disclosed in note 29 to the Financial Statements, she has no other conflict of interest with the Company. She has never been convicted for any offence within the past 10 years. She attended all the five (5) board meetings held during the financial year from 1 January 2012 to 31 December 2012.

**Lim Ted Hing**, a Malaysian citizen, aged 58, was appointed as the Independent Non-Executive Director of NPC on 25 February 2002. He currently sits on the Audit Committee, Remuneration Committee and Nomination Committee. He is a member of the Malaysian Institute of Accountants and a Fellow of the Institute of Chartered Accountants in England and Wales ("ICAEW"). He obtained his Fundamentals of Accounting from the North East London Polytechnic in 1977. Upon completion, he joined Malvern & Co., a firm of chartered accountants based in London, as an Articled Clerk during which he completed the ICAEW professional examinations in 1983. He joined Ernst & Young in 1985 and was the Senior Manager of its office in Sandakan prior to joining Syarikat Tekala Sdn. Bhd. in 1994 as the Group Financial Controller. Later in June 1996, he was appointed as an Executive Director/Chief Operating Officer of Tekala Corporation Berhad ("Tekala"), a company listed on the Main Market of Bursa Malaysia, and its subsidiaries. In January 2013, he was appointed as the Chief Executive Officer of Tekala. Other than his business interest in Tekala Group, he also sits on the board of several other private limited companies. He has no family relationship with any other directors or major shareholders of the Company nor any conflict of interest with the Company. He has never been convicted for any offence within the past 10 years. He attended all the five (5) board meetings held during the financial year from 1 January 2012 to 31 December 2012.

**Dr. Edmond Fernandez**, a Malaysian citizen, aged 58, was appointed as the Independent Non-Executive Director of NPC on 25 February 2002. He currently sits on the Audit Committee, Remuneration Committee and Nomination Committee. He graduated in 1981 from the University of Mysore, India. He started his medical practice in 1982 as a Medical Officer in Queen Elizabeth Hospital, Kota Kinabalu, Sabah and later in 1984, he was posted to Sandakan Health Department, Sabah as the Area Medical Officer. From 1988 onwards, he practised as a Private Medical Practitioner with Klinik Elopura Sdn. Bhd. ("KESB") and he was appointed as the Director of KESB in 1995. In 2001, he obtained his Licientiate of the Faculty of Occupational Medicine from Ireland and he was also appointed as a committee member of the Sandakan Water Watch Committee. He is the founding President of the Sandakan Toastmasters Club and the current chairman of the Plantation Health Committee of the Malaysian Medical Association. He has no family relationship with any other directors or major shareholders of the Company. Save as disclosed in note 29 to the Financial Statements, he has no other conflict of interest with the Company. He has never been convicted for any offence within the past 10 years. He attended all the five (5) board meetings held during the financial year from 1 January 2012 to 31 December 2012.

# 3 DIRECTORS' PROFILE (CONTINUED)

**Dato' Sri Koh Kin Lip**, JP, a Malaysian citizen, aged 64, was appointed as the Non-Independent Non-Executive Director of NPC on 12 July 2007. He was subsequently appointed as an Audit Committee member on 27 February 2008. He received his early education in Sabah prior to his pursuit of higher education in Plymouth Polytechnic, United Kingdom. Upon completion, he was awarded a Higher National Diploma in Business Studies and a Council's Diploma in Management Studies. He returned to Malaysia in 1977 and joined The Standard Chartered Bank, Sandakan as a trainee assistant. In 1978, he joined his family business and was principally involved in administrative and financial matters of the family business. In 1985, he assumed the role as a Chief Executive Officer for the family business. In 1987 he was pivotal and instrumental in the formation of Rickoh Holdings Sdn. Bhd., the flagship company of the family business which engaged in various core business activities ranging from properties investments, properties letting, securities investments, oil palm plantations, sea and land transportation for crude palm oil and palm kernel, information technology, property development, hotel business, trading in golf equipment and accessories, and quarry operations. He is also involved in similar enterprises in his personal capacity with some of his business associates. He is holding numerous directorships in most of these companies. He also sits on the boards as an independent non-executive director of Daya Materials Berhad and Cocoaland Holdings Berhad, which are companies listed on the Main Market of Bursa Malaysia. He has no family relationship with any other directors or major shareholders of the Company. Save as disclosed in note 29 to the Financial Statements, he has no other conflict of interest with the Company. He has never been convicted for any offence within the past 10 years. He attended all the five (5) board meetings held during the financial year from 1 January 2012 to 31 December 2012.

**Tan Vun Su**, a Malaysian citizen, aged 46, was appointed as Executive Director of NPC on 7 November 2008. He joined the NPC Group in October 1998 as Group Accountant. After completing his G.C.E. 'A' Level at Raffles Junior College, Singapore in 1986, he returned to Malaysia and joined KPMG, Sandakan Office as an audit trainee in 1987. He obtained his professional qualification in Accountancy with the Malaysian Association of Certified Public Accountants ("MACPA") in June 1992. He is also a member of the Malaysian Institute of Accountants. In 1987, he started his career with KPMG as an audit trainee by signing a four (4) year articleship with the firm to undertake the professional examinations of MACPA. He has about seven (7) years of audit working experience serving a wide variety of clients and was seconded to KPMG, Kuala Lumpur Office from 1990 to 1991 to gain more audit exposure. In 1994, he joined Coopers and Lybrand, Kota Kinabalu as an Assistant Audit Manager before joining Sabah Shipyard Sdn. Bhd., Labuan as Accountant in 1995. In 1997, he joined TimberMaster Timber Complex (Sabah) Sdn. Bhd. as Accountant where he was in charge of the finance and account department prior to joining the NPC Group of companies. He is currently overseeing the finance and accounting functions of the NPC Group. He has no family relationship with any other directors or major shareholders of the Company nor any conflict of interest with the Company. He has never been convicted for any offence within the past 10 years. He attended all the five (5) board meetings held during the financial year from 1 January 2012 to 31 December 2012.

# 4 CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, it gives me great pleasure to present the Annual Report and the Audited Financial Statements for the Group and also the Company for the financial year ended 31 December 2012.

**BACKGROUND**

NPC RESOURCES BERHAD is principally an investment holding company while its subsidiaries are involved in investment holding, provision of management services, operation of oil palm plantations and palm oil mills, trading of fresh fruit bunches ("FFB"), provision of transportation services, property letting, fish rearing and operation of hotel. The Company was listed on the Main Board of the Kuala Lumpur Stock Exchange on 7 May 2002.

The Group currently operates approximately 8,774 hectares of plantation land and two palm oil processing mills which have a combined production capacity of 135 tonnes of FFB per hour, all of which are located in the Sandakan region of Sabah. The palm oil processing mills owned by the Group are located at Kilometre 87, Sandakan-Lahad Datu Highway, Segaliud Lokan in the district of Kinabatangan ("SROPP mill") and at Kilometre 70, Sandakan-Telupid-Kota Kinabalu Highway in the district of Labuk-Sugut ("Berkat mill"). During the financial year 2012, the Group acquired 9,905.8 acres (4,009 hectares) of plantation land on the Banggi Island of Sabah and had commenced setting up nursery and land clearing on the said plantation land.

Todate, the Group has a total plantation land area of 36,117 hectares in Kalimantan Timur, Indonesia, 30,553 hectares of which have been issued with certificates of Hak Guna Usaha by the Indonesian authority ("HGU certificates"). For the financial year 2012, the Group's total planted hectarage in Indonesia was 2,713 hectares. The Group has commenced the construction of a 60MT/Hr palm oil mill on one of its plantation land area in Indonesia.

**INDUSTRY TREND AND DEVELOPMENT**

The year 2012 has been a challenging year for the Malaysian oil palm industry. During the first half of the year, the industry was faced with lower Crude Palm Oil (CPO) production compared to corresponding period of 2011 as Fresh Fruit Bunch (FFB) yield was low due to stress on the trees after experiencing high FFB production in 2011. In the second half of the year, palm oil prices declined as palm oil stocks build-up arising from high carry-over stocks in the beginning of the year, increased CPO production as well as weaker export demand. Total exports of palm products was 24.56 million tonnes, an increase of 1.2% with palm kernel cake and oleochemical products registered increase in exports, while palm oil recorded a decline of 2.4% to 17.56 million tonnes. Average price of CPO for the year was RM2,764 per tonne, lower by 14.1% compared to RM3,219 in 2011, while export revenue of palm products declined by 11.2% to RM71.40 billion against RM80.41 billion recorded in 2011 due to lower export prices.


The oil palm planted area in 2012 reached 5.08 million hectares, an increase of 1.5% against 5.00 million hectares recorded in 2011. This was mainly due to the increase in planted area in Sarawak, which recorded an increase of 5.3% or 54,651 hectares. Sabah is still the largest oil palm planted state, with 1.44 million hectares or 28.4% of total oil palm planted area, followed by Sarawak with 1.08 million hectares with 21.2%.

Production of CPO in 2012 declined marginally by 0.7% to 18.79 million tonnes, with Peninsular Malaysia was down marginally by 0.5% to 10.32 million tonnes, while Sabah declined by 5.1% to 5.54 million tonnes. Sarawak, on the other hand registered an increase of 8.4% to 2.92 million tonnes due to new areas coming into production.

Palm oil stocks in 2012 was higher by 27.7% to close at 2.63 million tonnes as compared to 2.06 million tonnes recorded in 2011. The high closing stock was attributed to the high palm oil opening stocks, increased in palm oil imports by 6.5% and decline in palm oil exports by 2.4%. Palm oil imports rose due to the need to supplement the decline in palm oil production (0.7%) to 18.79 million tonnes compared to 18.91 million tonnes in 2011 as well as to cater demand for further processing (local and export).

The average CPO price recorded for the year 2012 was RM2,764, a decline of RM455 or 14.1% against RM3,219 in the previous year. CPO prices traded firmer averaging at RM3,189 and RM3,197 per tonne during the first and second quarter of the year respectively, supported mainly by positive sentiments related to world supply tightness of vegetable oils, especially soyabean oil. However, CPO price declined to RM2,837 during the third quarter of the year mainly due to bearish market sentiments resulting from the unresolved Euro-zone financial crisis that lead to poor demand of oils and fats, coupled with the seasonal uptrend in palm oil production. Subsequently, CPO price was down to its lowest level in the year during the fourth quarter of 2012, averaging at RM2,181 on continued concerns over the build-up in palm oil stock levels reaching its highest level of 2.63 million tonnes in December, 2012.

The average price of palm kernel (PK) in 2012, declined by RM683.50 or 31.0% to RM1,522.50 from RM2,206.00 recorded in the previous year. The lower price was mainly due to weaker domestic crude palm kernel oil (CPKO) price sentiments. The price of CPKO in 2012 declined by RM1,361.50 or 29.5% to RM3,249.50, down from RM4,611 recorded in the previous year. The lower price was in tandem with the weaker world lauric oil prices in 2012, namely that of PKO which was lower by 32.6% to US$1,110/tonne and coconut oil by 35.8% to US$1,111/tonne against US$1,648/tonne and US$1,730/tonne respectively in 2011.

The average FFB price at 1% OER was lower by 16.7% to RM30.21, down from RM36.28 achieved in the previous year, which was in tandem with the lower CPO and PK prices. Based on the national oil extraction rate (OER), the average price of FFB in 2012 was equivalent to RM615/tonne as against RM738/tonne in the previous year.

(Source: Overview of the Malaysian Oil Palm Industry 2012 by the MPOB)

## GROUP PERFORMANCE

For the financial year ended 2012, the average CPO price realised by the Group was RM2,740 per tonne representing a 13% decrease as compared to RM3,150 per tonne realised in 2011 and the average palm kernel (PK) price realised was RM1,486 per tonne, representing a 32% decrease as compared to RM2,179 per tonne realised in 2011. The Group achieved total CPO production of 126,959 tonnes and PK production of 31,176 tonnes for the financial year ended 2012 as compared to the CPO production of 123,859 tonnes and PK production of 30,308 tonnes in 2011. The total FFB processed by the Group for 2012 was 597,614 tonnes as compared to 591,774 tonnes in previous financial year. The Group's revenue of RM400,162,204 for 2012 was lower as compared to RM458,862,880 for 2011 due to lower average CPO and PK price realised.

The CPO and PK extraction rates of the Group had increased to 21.24% and 5.22% for 2012 as compared to 20.93% and 5.12% respectively for 2011. Due to lower average CPO and PK prices realised, higher upkeep and maintenance costs incurred by the plantation segment as well as lower FFB production from own estates, the profit net of tax of RM14,145,004 recorded for 2012 was lower as compared to RM37,248,814 recorded for 2011.

## SIGNIFICANT EVENTS

(a) On 20 June 2012, a wholly owned subsidiary, Sungai Kenali Sdn Bhd had successfully won the bid for the sale of 9,905.8 acres of agricultural land at Banggi Island, District of Kudat in the state of Sabah at a public auction held by the Assistant Collector of Land Revenue Kudat. The bid purchase price was RM29,700,000.

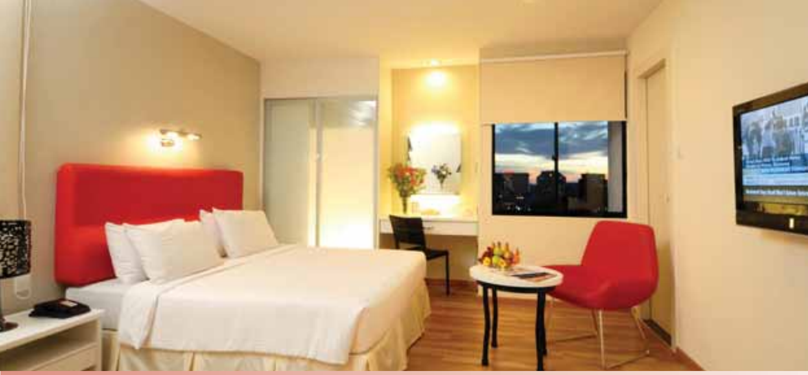
(b) On 3 October 2012, the Group's wholly owned subsidiary, Bintang Kinabalu Plantation Sdn Bhd had completed the acquisition of 90% equity interest in PT Borneo Indosubur, a limited liability company incorporated in Indonesia which is involved in the development of oil palm plantation and palm oil mill.

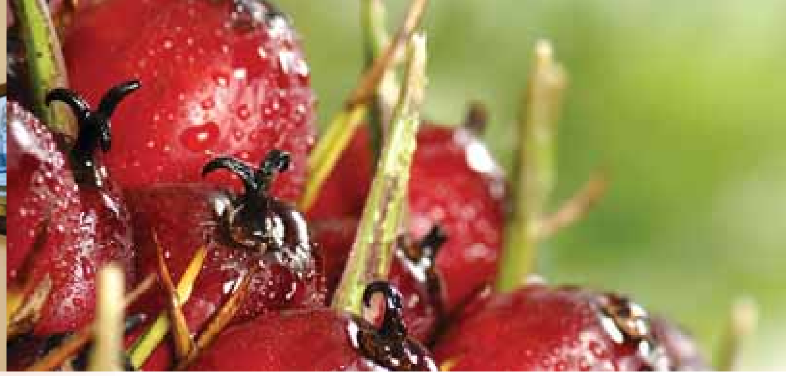
## DIVIDENDS

(a) For the financial year ended 31 December 2011, the final single-tier dividend of 2 sen per share amounting to RM2,400,000 which was approved by the shareholders at the Annual General Meeting on 25 June 2012 was paid on 1 August 2012.

(b) An interim single tier dividend of 2 sen per share amounting to RM2,400,000 for the financial year ended 31 December 2012 which was approved by the Board of Directors on 29 August 2012 was paid on 12 October 2012.

(c) At the forthcoming Annual General Meeting, a final single tier dividend of 1 sen per share in respect of the financial year ended 31 December 2012 amounting to RM1,200,000 will be proposed for shareholders' approval.





## CORPORATE SOCIAL RESPONSIBILITY PRACTICES

The Group adopts the following practices as part of its environmental conservation efforts:-

(a) zero burning in land development and re-development activities;
(b) soil and water conservation methods tailored to the topography and drainage characteristics of the land;
(c) recycling of empty fruit bunches ("EFB");
(d) self-sufficiency in energy inputs in our palm oil mills; and
(e) where practical, buffaloes are used for infield FFB evacuation thus reducing the consumption of non-renewable fuel.

## GROUP PROSPECTS

### Plantation segment

The Group's plantation segment is expected to maintain more or less the same level of revenue and profit for the financial year 2013 as compared to the financial year 2012 if the current levels of CPO and PK prices persist. There will be no major revenue and profit contribution from the Group's plantation operation in Indonesia for the financial year 2013 as it is still at the early planting stage.

### Hotel segment

The hotel segment continues to operate in a challenging environment due to the intense competition from new hotels in Kota Kinabalu.

### Fishery segment

The fishery segment is expected to generate more or less the same level of revenue and profit for the financial year 2013 as compared to the financial year 2012 if the current low levels of demand and prices for grouper fish persist.

## ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to express our sincere gratitude to the management and valued employees of the Group who have continued with their commitment, dedication and co-operation during the year.

I would also like to express our sincere appreciation for the long-standing support, co-operation and guidance of our valued customers, suppliers, business associates, bankers and regulatory authorities.

Lastly, to the shareholders of the Company, we thank you for your faith in us and for your continuous support to the Group.

Thank you.

Loo Ngin Kong
Executive Chairman

# 5 STATEMENT ON CORPORATE GOVERNANCE

## A. BOARD OF DIRECTORS

**Board responsibilities**

The Board and Management are committed to ensuring good corporate governance are observed throughout the Group. The Board views corporate governance as synonymous with three key concepts; namely transparency, accountability as well as corporate performance.

The Board of Directors plays a primary role in corporate governance by setting out the strategic direction of the Group, establishing goals and monitoring the achievement of the goals. A Strategic Plan has been adopted as one of the key policies in ensuring that the Group crystallises its future plans and provides a clear direction for the Board and Officers of the Group. The Strategic Plan promotes sustainability and its sustainability policies and implementation are disclosed in the Corporate Social Responsibility Practices section of the Chairman Statement on page 15 of this Annual Report. A structured risk management process has also been established to better identify, formalise, monitor within the various operating units and manage the business risks affecting the Group.

Other key responsibilities of the Board include the following:-

(a) overseeing the conduct of the Group's business to evaluate whether the business is being properly managed;
(b) approving the Group's budget and reviewing the Group's actual results against budget;
(c) reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines;
(d) managing the delegation of duties to the Group's management;
(e) succession planning for senior management positions; and
(f) implementing shareholder communications policy.

To facilitate the Board in carrying out their responsibilities, the Board has drawn up and approved the approval guidelines for group transactions, specifying the approval limits with regards to type and quantum or threshold of transactions to be entered into. During the year, the Board has formalised the Board Charter which sets out the role, composition and responsibilities of the Board and is posted at the Company's corporate website. The Board will review the Board Charter annually to ensure it remains consistent with the Board's objectives and responsibilities. In carrying out its role and responsibilities, the Board is further guided by the existing code of conduct formalised in the Group's Human Resource Handbook and its compliance is to be strictly observed throughout the Group.

To ensure its members' time commitment in carrying their responsibilities to the Company, the Board has adopted Recommendation 4.1 of the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") whereby all board members should notify the Chairman of the Company before accepting any new directorship of other public listed companies. The notification should include an indication of time that will be spent on the new appointment.

**Board Committees**

The Board has three standing committees; the Audit Committee, the Remuneration Committee and Nomination Committee. The Board of Directors delegates certain responsibilities to the Audit Committee in order to enhance business and operational efficiency as stated on pages 31 to 32 of this Annual Report. The Chairman of the Audit Committee reports back to the Board the outcome of the Committee meetings. The membership and Terms of Reference of the Committee are as stated on pages 27 to 30 of this Annual Report.

**Board Balance**

The Board of Directors comprises eight members comprising four Executive Directors, one Non-Independent Non-Executive Director and three Independent Non-Executive Directors. The Board is well balanced in size and composition and the interest of shareholders of the Company are fairly represented through the current composition. The Board recognizes the importance and contribution of its non-executive directors. They represent the element of objectivity, impartiality and independent judgement of the Board. This ensures that there is sufficient check and balance at the Board level.

The Directors combined in them expertise and experience in various fields such as palm oil industry, investment, public services and accounting. Their expertise, experience and background result in thorough examination and deliberations of the various issues and matters affecting the Group. The profile of each Director is presented on pages 9 to 12 of this Annual Report. In addition, all the members of the Board have attended the Mandatory Accreditation Program as required and prescribed by Bursa Malaysia Securities Berhad (“Bursa Malaysia”).

Pursuant to best practices, Mr. Lim Ted Hing has been identified and appointed as the Senior Independent Non-Executive Director, to whom any concerns pertaining to the Group may be conveyed.

The Board will undertake an annual assessment of its independent directors. Recommendation 3.2 of the MCCG 2012 states that the tenure of an independent director should not exceed a cumulative term of nine (9) years. However, the Board has assessed, reviewed and determined that the two independent Directors, namely Mr Lim Ted Hing and Dr Edmond Fernandez who have served the Company as independent directors for more than nine years, remain objective and independent based on the following justifications:-

(a) they have fulfilled the criteria under the definition of Independent Director pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;
(b) they have ensured check and balance in the proceedings of the Board and the Board Committees;
(c) they have actively participated in Board deliberations, provided objectivity in decision making and an independent voice to the Board;
(d) they have devoted sufficient time and attention to their responsibilities as Independent Non-Executive Directors of the Company; and
(e) they have exercised due care in the interest of the Company and shareholders during their tenure as Independent Non-Executive Directors of the Company.

The Company has yet adopted the Recommendations 3.4 and 3.5 of the MCCG 2012 whereby the chairman of the Company must be a non-executive member of the Board and the board must comprise a majority of independent directors where the chairman of the board is not an independent director. These non-compliances are mitigated in the events of dealing with matters in the board meetings which have potential conflict of interests with the Chairman of the Company who is also an Executive Director and any other executive directors of the Company, the Deputy Chairman, Dato' Seri Tengku Dr Zainal Adlin bin Tengku Mahamood who is a non-executive independent director will assume the role of the Chairman in the board meetings.

**Board Meetings**

The Board had held 5 meetings during the financial year ended 31 December 2012. Details of the attendance of the Directors at the Board Meetings are as follows:

| NAME | MEETINGS ATTENDED | MAXIMUM POSSIBLE MEETINGS TO ATTEND |
|---|---|---|
| 1. Loo Ngin Kong | 4 | 5 |
| 2. Dato' Seri Tengku Dr. Zainal Adlin Bin Tengku Mahamood | 3 | 5 |
| 3. Dato' Loo Pang Kee | 5 | 5 |
| 4. Wong Siew Ying | 5 | 5 |
| 5. Lim Ted Hing | 5 | 5 |
| 6. Dr. Edmond Fernandez | 5 | 5 |
| 7. Dato' Sri Koh Kin Lip, JP | 5 | 5 |
| 8. Tan Vun Su | 5 | 5 |

At the board meetings, the Board had among others:-

(a) reviewed and approved the Unaudited Quarterly Financial Results of the Group;
(b) reviewed and approved the year end Financial Statements and Annual Report of the Company together with the Reports of the Directors and Auditors;
(c) reviewed the Internal Auditors' Report;
(d) reviewed each quarter's related party transactions;
(e) reviewed and approved the Group's Annual Budget;
(f) reviewed management reports on business operations; and
(g) deliberated, and in the process evaluated the viability of business propositions and corporate proposals.

The Board's deliberations of issues discussed and decisions reached were recorded in the minutes of meetings. Minutes of each board meeting are circulated to all Directors for their perusal prior to confirmation of the minutes before the commencement of the next Board meeting.

In the interval between Board meetings, for matters requiring urgent Board decisions, Board approvals were sought via circular resolutions which were attached with sufficient information required for an informed decision.

**Supply of information**

The Company Secretaries, in consultation with the Executive Chairman and the Group Managing Director, issue formal agenda with the relevant board meeting papers, at least one (1) week prior to each meeting. Any one of the Directors may at any time and the Company Secretaries shall on requisition of a Director summon a meeting of Directors. All Directors have access to the advice and services of the Management and Company Secretaries together with all information within the Group whether as full board members or in their individual capacity, in furtherance of their duties. The appointment and removal of Company Secretaries are matters for the Board as a whole. The Board recognises the strong and positive support of the Company Secretaries for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. Directors are informed and aware they may take independent professional advice, if necessary and appropriate in furtherance of their duties, at the expense of the Group. The Company Secretaries are members of the Malaysian Institute of Accountants (MIA) and the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA).

**Appointments**

In compliance with the Listing Requirements, a Nomination Committee was established by the Board on 22 November 2002. The Committee comprises two Independent Non-Executive Directors. The members as at the date of this Annual Report are:

1. Mr. Lim Ted Hing (Independent Non-Executive Director) - Chairman
2. Dr. Edmond Fernandez (Independent Non-Executive Director)

The Committee is entrusted to formally and transparently review annually the Board structure, size and composition; to nominate candidates to fill vacancies; and recommend for re-election of Directors who are retiring. All Directors will be subject to the same assessment criteria and process. The Board through this Committee ensures that there is an appropriate induction and training programme for new Board members. The Committee is entitled to the services of the Company Secretaries who must ensure all appointments are properly made and all necessary information is obtained from directors, both for the Company's own records and for the purposes of meeting regulatory requirements.

In making recommendations and performing its annual review, the Committee considers the directors'

(a) mix of skills, knowledge, expertise and experience;
(b) professionalism and integrity; and
(c) in the case of audit committee members, each member's ability to discharge responsibilities and functions as required such as the ability to read, analyse and interpret financial statements.

The Committee is aware of the board gender diversity objectives stated in the Corporate Governance Blueprint 2011 which target at least 30% women participation at the board by year 2016 and will:-

(a) annually review the proportion of women at board level;
(b) continuously review suitability and credibility of potential women candidates for the Board to reach 30% women participation by year 2016; and
(c) annually report on the outcomes to the Board.

The full Committee met twice during the financial year. The meeting on 22 February 2012 was to assess the effectiveness of the Board, Board Committees and the contribution of individual director.

On 24 April 2012, the Committee met to consider and recommend the:-

(a) re-appointment of Mr Loo Ngin Kong and Dato' Seri Tengku Dr Zainal Adlin bin Tengku Mahamood retiring as directors pursuant to Section 129(6) of the Companies Act, 1965 at the Twelfth Annual General Meeting; and
(b) re-election of Madam Wong Siew Ying and Mr Tan Vun Su retiring as directors pursuant to Article No. 93, at the Twelfth Annual General Meeting.

**Reappointment/Re-election**

Pursuant to Section 129(2) of the Companies Act, 1965, Directors who are over the age of seventy (70) years shall retire at every annual general meeting and may offer themselves for re-appointment to hold office until the next annual general meeting.

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board are subject to election by shareholders at the next Annual General Meeting after their appointment. The Articles also provide that at least one third of the remaining Directors be subject to re-election by rotation at each Annual General Meeting and that all Directors shall retire from office at least once every three (3) years but shall be eligible for re-election.

Pursuant to Recommendation 3.3 of the MCCG 2012, any independent directors who have served in that capacity for more than nine years and to be retained by the Board in that capacity are subject to shareholders' approval at every annual general meeting.

## B. DIRECTOR'S REMUNERATION

**The Level and Make -Up of Remuneration**

In compliance with the Listing Requirements, a Remuneration Committee was established by the Board on 22 November 2002. The Committee comprises two Independent Non-Executive Directors. The members as at the date of this Annual Report are:

1. Mr. Lim Ted Hing (Independent Non-Executive Director)
2. Dr. Edmond Fernandez (Independent Non-Executive Director)

The Board as a whole determines the remuneration of the Directors with individual Directors abstaining from decisions in respect of their own remuneration.

**Procedure**

The Committee is delegated with the following duties in accordance with its approved terms of reference:

- to annually review in a formal and transparent manner, the remuneration packages of all the Executive Directors and make recommendations therewith; and
- to recommend to the Board the Company's framework for retaining and rewarding the Executive Directors.

The Committee shall ensure that the Company attracts and retains the Directors needed to run the Group successfully. The Executive Directors are to be appropriately rewarded giving due regard to the performance of the Directors and business, whilst the Non-Executive Directors are to be rewarded to reflect their experience and level of responsibilities.

The full Committee met once during the financial year. The meeting on 22 February 2012 was to review and recommend revision to Executive Directors' remuneration for financial year 2012 with regards to industry norm for remuneration to Executive Directors, the present economic conditions, the performance of the Group for 2011 and the prospect for 2012.

**Disclosure**

The details of the remuneration for the Directors of the Company during the financial year ended 31 December 2012 are as follows:

| Directors' Remuneration | Executive Directors RM | Non-Executive Directors RM |
|---|---|---|
| Fees | 40,000 | 40,000 |
| Emoluments | 3,513,672 | 299,747 |
| Benefits-in-kind | 60,565 | - |
| Total | 3,614,237 | 339,747 |

The number of Directors whose remuneration during the financial year ended 31 December 2012 falls within the following bands is as follows:

| Directors' Remuneration RM | NUMBER OF DIRECTORS | |
|---|---|---|
| | Executive | Non-Executive |
| 50,001 to 100,000 | - | 3 |
| 100,001 to 150,000 | - | 1 |
| 450,001 to 500,000 | 1 | - |
| 550,001 to 600,000 | 1 | - |
| 850,001 to 900,000 | 1 | - |
| 1,700,001 to 1,750,000 | 1 | - |

## C. DIRECTORS' TRAINING AND EDUCATION

All Directors have attended the Mandatory Accreditation Programme as required by Bursa Malaysia.

The Directors are required to attend talks, seminars, workshops, conferences and other training programmes to update themselves on, inter-alia, areas relevant to the Group's operations; Directors' responsibilities and corporate governance issues, new business development, as well as on changes to statutory requirements and regulatory guidelines.

Details of training attended by the Directors for the financial year ended 31 December 2012 are as follows:

| TRAINING PROGRAMME | ATTENDED BY |
|---|---|
| Corporate Directors Training Programme (CDTP) Intermediate organised by Suruhanjaya Syarikat Malaysia | • Loo Ngin Kong<br>• Wong Siew Ying |
| Various presentations and briefings on Sabah Tourism | • Dato' Seri Tengku Dr Zainal Adlin bin Tengku Mahamood |
| Internal briefings on recent accounting standards and tax developments | • Dato' Loo Pang Kee |
| 2012 Sabah Oil & Gas Conference & Exhibition organised by IEC - Midas | • Lim Ted Hing |
| Workshop on Safety and Health for Plantation jointly organised by Malaysian Medical Association & Estate Hospital Assistant Association<br><br>Fundamentals of Industrial Hygiene Course organized by Malaysian Industrial Hygiene Association | • Dr Edmond Fernandez |
| 2013 Budget Proposals and Recent Tax Developments organised by Ernst & Young | • Dato' Sri Koh Kin Lip, JP<br>• Tan Vun Su |

## D. SHAREHOLDERS

### Dialogue between Companies and Investors

The Board believes in clear and regular communication with its shareholders and institutional investors. Besides the various announcements made during the financial year and release of financial results on a quarterly basis, the Board anticipates through its Eleventh Annual Report to provide shareholders with an overview of the Group's performance and its business activities.

The Board recognises the importance of timely and equal dissemination of information to shareholders. As such, it strictly adheres to the disclosure requirements of the Bursa Malaysia.

To provide regular research coverage of the Company to existing and prospective investors, the Company is a participating company in the CMDF – Bursa Research Scheme.

### Annual General Meeting ("AGM")

The Board understands that the AGM is the principal forum for dialogue with shareholders. Hence opportunities will be made for shareholders to raise questions pertaining to the business activities of the Group. Each item of special business included in the notice of the meeting will be accompanied by an explanatory statement for the proposed resolution to facilitate full understanding and evaluation of issues involved. In respect of re-election of Directors, the Board will ensure that full information is disclosed through the notice of meeting regarding Directors who are retiring and who are willing to serve if re-elected.

Shareholders are encouraged to post questions and to seek clarifications in relation to general meetings' agenda by way of posting the enquiries through our Contact section of our corporate website before the commencement of the general meetings. These enquiries will be read out and answered at the general meetings. At the commencement of the general meetings, the chairman of the meetings will inform shareholders of their right to demand a poll vote for each agenda. Answers to the enquiries will also be posted on the corporate website as soon as practicable after the general meetings.

## E. ACCOUNTABILITY AND AUDIT

### Financial Reporting

In presenting the annual financial statements and quarterly announcements to the shareholders, the Directors aim to present a balanced and understandable assessment of the Group's position and prospects. The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out on page 39 of this annual report.

### Corporate Disclosures Policies and Procedures

The Company Secretaries and the Head of the Group Finance Department are responsible for implementing the disclosure policies and procedures which are in compliance with the disclosure requirements as set out in Bursa Malaysia Listing Requirements. All corporate announcements to Bursa Malaysia have to be vetted by the Executive Directors and circulated to other board members for approval before announcements are made.

# 5 STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

The Company also has established a corporate website at www.npc.com.my for dissemination of corporate information.

**Internal Control**

The Directors acknowledge their responsibilities for maintaining a sound system of internal control which is necessary to safeguard the Group's assets and shareholders' investment. In this respect, the Board affirms its overall responsibility for the Group's internal control system, which encompasses risk management practices as well as financial, operational and compliance controls. Information on the Group's internal control system is presented in the Statement on Risk Management and Internal Control laid out on pages 31 to 32 of this annual report.

**Relationship with Auditors**

Key features underlying the relationship of the Audit Committee with the external auditors are included in the Audit Committee's terms of reference as detailed on pages 27 to 30 of this annual report. A summary of the activities of the Audit Committee during the year, including the evaluation of the internal audit process, is set out in the Audit Committee Report on page 30 of this annual report.

**Compliance statement**

The Group had substantially complied with the relevant Principles and Recommendations of the MCCG 2012 as at date of this statement except those which have been stated otherwise with justifications and mitigation steps taken to address the non-compliance.

This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors dated 25 April 2013.

# 6 DIRECTORS' RESPONSIBILITY STATEMENT
## in respect of the preparation of the audited financial statements

The Directors are required by the Companies Act, 1965 to ensure that financial statements prepared for each financial year give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of their results and cash flows for the financial year. The Directors consider that in presenting the financial statements, the Group has used appropriate accounting policies that are consistently applied and supported by reasonable and prudent judgments and estimates.

The Directors have a general responsibility for ensuring the Group and the Company keep accounting records and financial statements, which disclose with reasonable accuracy the financial position of the Group and of the Company. The Directors have taken steps to ensure that such financial statements comply with the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia.

The Directors are also responsible for taking steps that are reasonably open to them to safeguard the assets of the Group and prevent and detect fraud and other irregularities.

# 7 ADDITIONAL COMPLIANCE INFORMATION

The following additional information is provided in compliance with the Listing Requirement of the Bursa Malaysia:-

1. **Utilisation of Proceeds Raised From Corporate Proposals**

   This was not applicable during the financial year.

2. **Share Buybacks**

   During the financial year, there were no share buybacks by the Company.

3. **Options, Warrants or Convertible Securities**

   There were no options, warrants or convertible securities issued during the financial year.

4. **American Deposit Receipt ('ADR') or Global Deposit Receipt ('GDR') Programme**

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

5. **Imposition of Sanctions/Penalties**

   There were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant authorities.

6. **Non-Audit Fees**

   The amount of non-audit fees paid/payable to an associate of the auditors for the year is RM84,650.

7. **Profit Estimate, Forecast or Projection**

   No material variance arose between the audited results for the financial year and the unaudited results previously announced. There were no profit estimate, forecast or projection for the financial year ended 31 December 2012.

8. **Profit Guarantee**

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

9. **Material Contracts**

   There were no material contracts entered into by the Company and/or its subsidiaries which involve Directors' and major shareholders' interest either still subsisting at the end of the financial year.

10. **Recurrent Related Party Transactions**

    The details of the related party transactions are set out in note 29 to the financial statements.

# 8 AUDIT COMMITTEE REPORT

## COMPOSITION OF THE AUDIT COMMITTEE

The members of the Audit Committee and their respective designations are as follows:-

| NAME | DESIGNATION | DIRECTORSHIP |
|---|---|---|
| (a) Lim Ted Hing | Chairman | Independent Non-Executive Director |
| (b) Dr. Edmond Fernandez | Member | Independent Non-Executive Director |
| (c) Dato' Sri Koh Kin Lip, JP | Member | Non-Independent Non-Executive Director |

The Audit Committee was formed by the Board of Directors on 19 March 2002.

The Chairman of the Audit Committee, Mr. Lim Ted Hing is a Chartered Accountant with the Malaysian Institute of Accountants (MIA).

The Company has complied with the Malaysian Code of Corporate Governance 2012 and Paragraph 15.10 of the Bursa Malaysia Listing Requirements which require that all members of the audit committee should be non-executive directors.

**Terms of reference**

The Audit Committee is governed by the following terms of reference:

**1. Composition of the audit committee**

The Audit Committee shall be appointed by the Board of Directors from among their numbers and shall comprise at least three directors, all must be non-executive directors with a majority of them shall be independent of other fellow directors, substantial shareholders, senior management and operating executives and unencumbered by any relationships that might, in the opinion of the Board of Directors, be considered conflict of interest. The members of the Audit Committee shall elect a chairman from among themselves who shall be an independent director.

All members of the audit committee should be financially literate and at least one member of the audit committee:-

(a) must be a member of the Malaysian Institute of Accountants (MIA); or
(b) if he is not a member of the MIA, he must have at least 3 years' working experience and:-

(i) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
(ii) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
(iii) fulfills such other requirements as prescribed or approved by Bursa Malaysia.

No alternate director shall be appointed as a member of the audit committee.

**2. Authority**

The Audit Committee is authorised by the Board of Directors to:

(a) investigate any activities within its terms of reference;
(b) have the resources required to perform its duties;
(c) have full and unrestricted access to any information and documents relevant to its activities;
(d) have direct communication channels with the internal and external auditors and senior management of the Group;
(e) be able to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary; and
(f) be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Group, whenever deemed necessary.

**3. Duties**

The duties of the Committee should include the following:

(a) to recommend the nomination of a person or persons as external auditors, and to consider the audit fee and any questions of re-appointment, resignation or dismissal of external auditors;
(b) to assess the suitability and independence of external auditors by reviewing the terms of engagement for the services rendered by them;
(c) to discuss with the external auditors before audit commences, the nature and scope of the audit contained in the audit plan, and ensure coordination where more than one audit firm is involved;
(d) to review the assistance given by the Company and its officers to the external and internal auditors;
(e) to review the adequacy and the integrity of the Group's internal control systems and management information systems with the external auditors;
(f) to review the quarterly and year-end financial statements of the Company prior to the approval by the Board; focusing particularly on:

    (i) any changes in or implementation of major accounting policies and practices;
    (ii) significant and unusual events;
    (iii) significant adjustments arising from the audit;
    (iv) the going concern assumption; and
    (v) compliance with applicable Financial Reporting Standards in Malaysia and other legal requirements;

(g) to discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of management where necessary);
(h) to review the external auditors' audit report, management letter and management's response;
(i) to perform the following in respect of the internal audit function:

    (i) review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;

(ii) review the internal audit program, processes and results of the internal audit program, process or investigation undertaken and where necessary ensure that appropriate actions taken on the recommendations of the internal auditors;
(iii) review any appraisal or assessment of the performance of the internal audit function;
(iv) approve any appointment or termination of internal auditors; and
(v) inform itself of resignation of internal auditors and provide the resigning internal auditors an opportunity to submit reasons for resigning;

(j) to consider any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
(k) to consider the major findings of internal investigations and management's response; and
(l) to report the above to the Board and consider other topics as defined by the Board.

**4. Quorum and procedures for meetings**

The Audit Committee meetings shall not be less than four times a year. In addition, the Chairman may call for additional meetings at any time at the Chairman's discretion.

Representatives of external auditors may be required to be in attendance at meetings where matters relating to the audit of the statutory accounts are to be discussed. However, at least twice a year, the Audit Committee shall meet with the external auditors without any executive Board Members present, if deemed necessary.

The Committee shall meet at least once annually with the internal auditors to discuss the internal audit findings for the financial year without any executive Board Members present, if deemed necessary.

Other appropriate officers of the Group may be invited to attend, except for those portions of the meetings where their presence is considered inappropriate, as determined by the Chairman of the Audit Committee.

The quorum for the meeting shall be any two members, one of whom shall be an independent director.

The Company Secretaries shall be Secretaries to the Audit Committee. The Secretaries in conjunction with the Chairman, shall draw up agenda, which shall be circulated together with the relevant support papers, at least one (1) week prior to each meeting to the members of the Committee.

The Committee shall regulate the manner of proceedings of its meetings, having regard to normal conventions on such matter.

Minutes of each meeting shall be kept and distributed to each member of the Audit Committee. The Audit Committee Chairman shall report on each meeting to the Board of Directors.

**5. Retirement and resignation**

In the event of any vacancy in an audit committee resulting in the non-compliance of subparagraphs 15.10(1) of Bursa Malaysia Listing Requirements, the vacancy must be filled within 3 months.

6. **Review of the audit committee**

The Board of Directors must review the term of office and performance of the Audit Committee and each of its members at least once every 3 years to determine whether such audit committee and members have carried out their duties in accordance with their terms of reference.

## INTERNAL AUDIT

The Company has outsourced its internal audit function to an independent accounting firm, which reports directly to the Audit Committee. The main activities undertaken by the internal auditors during the financial year are as follow:

(a) to review the key internal controls relating to harvesting program and manuring program of one of the estate divisions of the Group;
(b) to review the key internal controls relating to mill maintenance programme, mill utilization, FFB quality control and mill payroll of one of the mills of the Group; and
(c) to report the findings and recommendations from the above review to the Audit Committee.

The results of the internal audit function are set out in the Statement of Internal Control.

## MEETINGS AND SUMMARY OF ACTIVITIES

The Committee had held five meetings during the financial year. The attendance record of the Audit Committee members in each of the meetings is as follows:

| NAME | MEETINGS ATTENDED | MAXIMUM POSSIBLE MEETINGS TO ATTEND |
|---|---|---|
| Lim Ted Hing | 5 | 5 |
| Dr. Edmond Fernandez | 5 | 5 |
| Dato' Sri Koh Kin Lip, JP | 5 | 5 |

The main activities undertaken by the Committee were as follows:

(a) reviewed the unaudited Quarterly Financial Results of the Group and its disclosure requirements before recommending them for the Board's approval;
(b) reviewed the year end financial statements of the Company prior to submission to the Board for their consideration and approval. This review was to ensure that the financial statements were drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable Financial Reporting Standards in Malaysia;
(c) reviewed each quarter's related party transactions and report the same to the Board;
(d) reviewed the audit plans and service charter presented by the external auditors; and
(e) reviewed the internal audit program, processes and results of the internal audit processes.

Details of training attended by each Audit Committee member are disclosed on pages 24 of the Statement on Corporate Governance.

This Audit Committee Report is made in accordance with the resolution of the Audit Committee dated 25 April 2013.

# 9 STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

**Responsibility**

The Board recognises that it is responsible for the Group's system of risk management and internal control and for reviewing its adequacy and effectiveness.

The Board confirms that there is an ongoing process of identifying, evaluating and managing the significant risks faced by the Group which are present throughout the financial year under review and up to date of approval of the annual report and financial statements. This is in accordance with the guidance as contained in the publication – Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers.

As with any internal control system, controls can only provide reasonable but not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate the risk of failure to achieve business objectives.

**Risk Management Framework and Control Self - Assessment**

The Board's primary objective and direction in managing the Group's risks are focused on the achievement of the Group's business objectives. The risk management framework has been formalised in compliance with Bursa Malaysia Listing Requirements with emphasis on compliance with the Corporate Governance and Internal Control. The Board reviews the risk management framework annually and the management has been entrusted to continuously monitor the identified principal risks of the Group, evaluate existing controls and formulate the necessary action plans with its respective process owners. The Executive Directors are tasked with the responsibility of continuous monitoring and reviewing strategic directions and significant operational matters of the Group.

**Other Key Elements of Internal Control**

Scheduled meetings at head office and operation sites were held to identify, discuss and resolve business and operational issues. The Board was aware of, and involved in, when necessary in resolving any significant issues identified at those meetings. The Executive Directors are actively involved in the day-to-day operations of the Group.

The Group has a clear management structure that clearly defines lines of accountability and delegated authority. There is also proper segregation of duties to ensure safe custody of the Group's assets. The Group's organisation chart includes the Management Committee, headed by the Group Managing Director. The Management Committee meets monthly at head office or operation sites to discuss and review the Group's operations and ensures that they are carried out in accordance with the standards set and expected by the Board. There is a structured and formal employee appraisal system that ensures employees are remunerated based on their performance.

The Board has reviewed the Group's budget for the current financial year. The budgeting process includes the preparation of budgets by individual operating units, which are approved at management level and ultimately by the Board. Actual performance and results are monitored against budgets, with reasons for significant variances identified and highlighted to management and the Board for the appropriate corrective measures.

# 9 STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

**Internal Audit Function**

The Board remains committed towards continuous improvement and enhancement of its internal controls to ensure that there is increased certainty of the achievement of business objectives, thus enhancing the shareholders' value.

The Group has outsourced its Internal Audit function to an independent accounting firm, which reports directly to the Audit Committee. The internal audit was carried out based on the Internal Audit plan that was reviewed by the Audit Committee and approved by the Board of Directors. The amount of internal audit fees payable to the internal auditors for the year is RM26,000.

The risk based internal audit approach has examined, evaluated and ensured compliance with the Group's policies, procedures and system of controls. It has also evaluated the effectiveness of the internal control system and assessed the consequences of any potential risks and suggested any improvements required.

**Adequacy and Effectiveness of the Group's Risk Management and Internal Control System**

A number of minor internal control weaknesses were identified during the year, all of which have been or are being addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require a disclosure in the Group's Annual Report. The board confirms that its system of risk management and internal control was operational throughout the financial year and up to the date of approval of the Annual Report.

**Review of Statement by External Auditors**

The external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the annual report of the Group for the year ended 31 December 2012 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of internal controls within the Group.

This Statement on Risk Management and Internal Control is made in accordance with the resolution of the Board dated 25 April 2013.

# Contents

FINANCIAL STATEMENTS

# 10 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 investment holding and provision of management services.

The principal activities of the subsidiaries are operation of oil palm plantation, palm oil mill and trading of fresh fruit bunches. Other activities include investment holding, property letting, provision of management services on purchasing of consumable stores, provision of transportation services, hotelier and fishery.

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

**Results**

| | **Group RM** | **Company RM** |
|---|---|---|
| Profit net of tax | 14,145,004 | 4,621,490 |
| Profit attributable to: | | |
| Owners of the parent | 12,530,968 | 4,621,490 |
| Non-controlling interests | 1,614,036 | - |
| | 14,145,004 | 4,621,490 |

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.

# 10 DIRECTORS' REPORT (CONTINUED)

**Dividends**

The amounts of dividends paid by the Company since 31 December 2011 were as follows:

| | | RM |
|---|---|---|
| (a) | In respect of the financial year ended 31 December 2011 as reported in the Directors' report of that year: | |
| | Final single tier dividend of 2 sen per ordinary share, on 120,000,000 ordinary shares, approved by the shareholders at the Annual General Meeting on 25 June 2012 and paid on 1 August 2012 | 2,400,000 |
| (b) | In respect of the financial year ended 31 December 2012: | |
| | Interim single tier dividend of 2 sen per ordinary share, on 120,000,000 ordinary shares, approved by the Board on 29 August 2012 and paid on 12 October 2012 | 2,400,000 |
| | | 4,800,000 |

(c) At the forthcoming Annual General Meeting, a final single tier dividend in respect of the financial year ended 31 December 2012 of 1 sen per ordinary share on 120,000,000 ordinary shares, amounting to a dividend payable of RM 1,200,000 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2013.

**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:

Loo Ngin Kong
Dato' Seri Tengku Dr. Zainal Adlin Bin Tengku Mahamood
Dato' Loo Pang Kee
Wong Siew Ying
Lim Ted Hing
Dr. Edmond Fernandez
Dato' Sri Koh Kin Lip, JP
Tan Vun Su

# 10 DIRECTORS' REPORT (CONTINUED)

**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 10 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 the director is a member, or with a company in which the director has a substantial financial interest, except as disclosed in Note 29 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 in the Company during the financial year were as follows:

| | **Number of ordinary shares of RM1 each** | | | |
|---|---|---|---|---|
| | **1.1.2012** | **Acquired** | **Sold** | **31.12.2012** |
| **The Company** | | | | |
| Direct Interest: | | | | |
| Loo Ngin Kong | 7,961,724 | - | - | 7,961,724 |
| Dato' Seri Tengku Dr. Zainal Adlin Bin Tengku Mahamood | 1 | - | - | 1 |
| Dato' Loo Pang Kee | 10,206,906 | - | - | 10,206,906 |
| Wong Siew Ying | 3,622,684 | - | - | 3,622,684 |
| Lim Ted Hing | 804,000 | - | - | 804,000 |
| Dr. Edmond Fernandez | 32,300 | - | - | 32,300 |
| Dato' Sri Koh Kin Lip, JP | 19,783,344 | - | - | 19,783,344 |
| Tan Vun Su | 1 | - | - | 1 |
| Indirect Interest: | | | | |
| Dato' Loo Pang Kee | 38,400,000 | - | - | 38,400,000 |
| Wong Siew Ying | 38,400,000 | - | - | 38,400,000 |
| Dato' Sri Koh Kin Lip, JP | 2,817,350 | - | - | 2,817,350 |
| Indirect interest of Loo Ngin Kong and Wong Siew Ying in the Company by virtue of shareholdings of their children | 6,200,000 | - | - | 6,200,000 |
| Indirect interest of Dato' Sri Koh Kin Lip, JP in the Company by virtue of shareholding of his child | 70,000 | - | - | 70,000 |

# 10 DIRECTORS' REPORT (CONTINUED)

**Directors' interest (continued)**

The Directors, Loo Ngin Kong, Dato' Loo Pang Kee, Wong Siew Ying and Dato' Sri Koh Kin Lip, JP by virtue of their interests in shares in the Company, are also deemed to have interest in shares in all of the Company's subsidiaries to the extent the Company has an interest.

**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 there were no known bad debts 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) it necessary to write off any bad debts or the amount of the provision for doubtful debts 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.

# 10 DIRECTORS' REPORT (CONTINUED)

**Other statutory information (continued)**

(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**

In addition to the significant events disclosed elsewhere in this report, other significant events are disclosed in Notes 18 and 34 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.

**Dato' Loo Pang Kee** | **Wong Siew Ying**

# 11 STATEMENT BY DIRECTORS
## Pursuant to Section 169(15) of the Companies Act, 1965

We, Dato' Loo Pang Kee and Wong Siew Ying, being two of the Directors of NPC Resources Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 42 to 121 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 37 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.

Dato' Loo Pang Kee

Wong Siew Ying

# 12 STATUTORY DECLARATION
## Pursuant to Section 169(16) of the Companies Act, 1965

I, Tan Vun Su, being the Director primarily responsible for the financial management of NPC Resources Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 42 to 122 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 Tan Vun Su at Kota Kinabalu
in the State of Sabah on 25 April 2013

Tan Vun Su

Before me,

# 13 INDEPENDENT AUDITORS' REPORT
## to the members of NPC RESOURCES BERHAD
## (Incorporated in Malaysia)

**Report on the financial statements**

We have audited the financial statements of NPC Resources Berhad, which comprise the statements of the financial position as at 31 December 2012 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 42 to 121.

**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 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 of the Group and of the Company for the year then ended.

# 13 INDEPENDENT AUDITORS' REPORT
## to the members of NPC RESOURCES BERHAD (Incorporated in Malaysia) CONTINUED

**Report on other legal and regulatory requirements**

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

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

(b) We have considered the financial statements and the auditors' report of the subsidiary of which we have not acted as auditors, which is indicated in Note 18 to the financial statements, being financial statements that have been included in the consolidated financial statements.

(c) 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.

(d) 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 37 on page 122 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

Yong Voon Kar
1769/04/14(J/PH)
Chartered Accountant

Kota Kinabalu, Malaysia
25 April 2013

# 14 STATEMENTS OF COMPREHENSIVE INCOME
## For the financial year ended 31 December 2012

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2012 RM | 2011 RM | 2012 RM | 2011 RM |
| Revenue | 4 | 400,162,204 | 458,862,880 | 15,459,500 | 14,612,800 |
| Cost of sales | | (337,571,558) | (362,156,421) | - | - |
| **Gross profit** | | 62,590,646 | 96,706,459 | 15,459,500 | 14,612,800 |
| **Other items of income** | | | | | |
| Interest income | 5 | 211,653 | 213,486 | 2,596,932 | 2,183,339 |
| Other income | 6 | 4,988,955 | 3,829,627 | 2,800 | 236,422 |
| **Other items of expense** | | | | | |
| Marketing and distribution | | (32,205,410) | (34,277,608) | - | - |
| Administrative expenses | | (10,888,817) | (11,303,965) | (6,903,325) | (6,881,282) |
| Finance costs | 7 | (4,469,510) | (4,347,925) | (5,123,921) | (4,033,689) |
| Other expenses | | (267,841) | (545,694) | (191,119) | (456) |
| **Profit before tax** | 8 | 19,959,676 | 50,274,380 | 5,840,867 | 6,117,134 |
| Income tax expense | 11 | (5,814,672) | (13,025,566) | (1,219,377) | (383,365) |
| **Profit net of tax** | | 14,145,004 | 37,248,814 | 4,621,490 | 5,733,769 |
| **Other comprehensive (expense)/income:** Foreign currency translation | | (6,545,972) | 238,007 | - | - |
| **Other comprehensive (expense)/income for the year, net of tax** | | (6,545,972) | 238,007 | - | - |
| **Total comprehensive income for the year** | | 7,599,032 | 37,486,821 | 4,621,490 | 5,733,769 |

# 14 STATEMENTS OF COMPREHENSIVE INCOME
## For the financial year ended 31 December 2012
**(CONTINUED)**

| | | Group | | Company | |
|---|---|---|---|---|---|
| | **Note** | **2012 RM** | **2011 RM** | **2012 RM** | **2011 RM** |
| **Profit attributable to:** | | | | | |
| Owners of the parent | | 12,530,968 | 33,716,188 | 4,621,490 | 5,733,769 |
| Non-controlling interests | | 1,614,036 | 3,532,626 | - | - |
| | | 14,145,004 | 37,248,814 | 4,621,490 | 5,733,769 |
| **Total comprehensive income attributable to:** | | | | | |
| Owners of the parent | | 5,984,996 | 33,954,195 | 4,621,490 | 5,733,769 |
| Non-controlling interests | | 1,614,036 | 3,532,626 | - | - |
| | | 7,599,032 | 37,486,821 | 4,621,490 | 5,733,769 |
| **Earnings per share attributable to owners of the parent (sen per share):** | | | | | |
| Basic, for profit for the year | 12 | 10.44 | 28.10 | | |

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

# 15 STATEMENTS OF FINANCIAL POSITION
## As at 31 December 2012

| | Note | Group 2012 RM | Group 2011 RM (Restated) | Company 2012 RM | Company 2011 RM (Restated) |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 14 | 254,974,184 | 180,217,938 | 1,165,824 | 731,295 |
| Land use rights | 15 | 21,659,730 | 13,072,782 | - | - |
| Biological assets | 16 | 131,426,356 | 107,787,204 | - | - |
| Intangible asset | 17 | 4,258,029 | 4,258,029 | - | - |
| Investments in subsidiaries | 18 | - | - | 283,116,520 | 256,222,052 |
| Other receivables | 20 | 35,399,188 | 49,314,316 | - | - |
| Deferred tax assets | 24 | 1,214,985 | 980,887 | 1,210,880 | 980,887 |
| | | 448,932,472 | 355,631,156 | 285,493,224 | 257,934,234 |
| **Current assets** | | | | | |
| Inventories | 19 | 32,379,772 | 32,580,589 | - | - |
| Biological assets | 16 | 2,333,997 | 1,740,706 | - | - |
| Investment deposit | 34(c) | 10,215,146 | 10,215,146 | - | - |
| Trade and other receivables | 20 | 21,534,696 | 23,512,761 | 31,404 | 30,010 |
| Prepayments | | 176,115 | 287,557 | - | - |
| Tax refundable | | 3,399,279 | 1,240,663 | 393,414 | 592,784 |
| Cash and bank balances | 21 | 10,953,997 | 27,077,796 | 1,737,367 | 6,133,095 |
| | | 80,993,002 | 96,655,218 | 2,162,185 | 6,755,889 |
| **TOTAL ASSETS** | | 529,925,474 | 452,286,374 | 287,655,409 | 264,690,123 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Current liabilities** | | | | | |
| Loans and borrowings | 22 | 61,186,382 | 25,901,417 | 38,693,772 | 15,003,678 |
| Trade and other payables | 23 | 38,086,661 | 36,238,929 | 35,283,571 | 75,547,996 |
| Provision for litigation claim | 34(a) | 861,549 | 861,549 | - | - |
| Income tax payable | | 71,965 | 3,010,643 | - | - |
| | | 100,206,557 | 66,012,538 | 73,977,343 | 90,551,674 |
| **Net current (liabilities)/assets** | | (19,213,555) | 30,642,680 | (71,815,158) | (83,795,785) |

# 15 STATEMENTS OF FINANCIAL POSITION As at 31 December 2012 (CONTINUED)

| | Note | Group 2012 RM | Group 2011 RM (Restated) | Company 2012 RM | Company 2011 RM (Restated) |
|---|---|---|---|---|---|
| **Non-current liabilities** | | | | | |
| Loans and borrowings | 22 | 93,997,106 | 52,596,995 | 92,067,127 | 52,349,000 |
| Deferred tax liabilities | 24 | 34,973,822 | 34,522,400 | - | - |
| | | 128,970,928 | 87,119,395 | 92,067,127 | 52,349,000 |
| **Total liabilities** | | 229,177,485 | 153,131,933 | 166,044,470 | 142,900,674 |
| **Net assets** | | 300,747,989 | 299,154,441 | 121,610,939 | 121,789,449 |
| **Equity attributable to owners of the parent** | | | | | |
| Share capital | 25 | 120,000,000 | 120,000,000 | 120,000,000 | 120,000,000 |
| Retained earnings | 26 | 185,186,289 | 177,455,321 | 1,610,939 | 1,789,449 |
| Foreign currency translation reserve | 27 | (7,168,656) | (622,684) | - | - |
| | | 298,017,633 | 296,832,637 | 121,610,939 | 121,789,449 |
| **Non-controlling interests** | | 2,730,356 | 2,321,804 | - | - |
| **Total equity** | | 300,747,989 | 299,154,441 | 121,610,939 | 121,789,449 |
| **TOTAL EQUITY AND LIABILITIES** | | 529,925,474 | 452,286,374 | 287,655,409 | 264,690,123 |

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

# 16 STATEMENTS OF CHANGES IN EQUITY
## For the financial year ended 31 December 2012

| | | ← Attributable to owners of the parent → | | | | | |
|---|---|---|---|---|---|---|---|
| | | ← Non-distributable → | | | | | |
| | Note | Share capital (Note 25) RM | Foreign currency translation reserve (Note 27) RM | Distributable retained earnings (Note 26) RM | Total equity attributable to owners of the parent RM | Non-controlling interests RM | Total equity RM |
| **Group** | | | | | | | |
| **At 1 January 2011** | | 120,000,000 | (860,691) | 148,539,133 | 267,678,442 | 3,389,178 | 271,067,620 |
| **Total comprehensive income** | | - | 238,007 | 33,716,188 | 33,954,195 | 3,532,626 | 37,486,821 |
| **Transactions with owners:** | | | | | | | |
| Dividends | 13 | - | - | (4,800,000) | (4,800,000) | - | (4,800,000) |
| Dividends paid to non-controlling interests | | - | - | - | - | (4,600,000) | (4,600,000) |
| **At 31 December 2011** | | 120,000,000 | (622,684) | 177,455,321 | 296,832,637 | 2,321,804 | 299,154,441 |
| **At 1 January 2012** | | 120,000,000 | (622,684) | 177,455,321 | 296,832,637 | 2,321,804 | 299,154,441 |
| **Total comprehensive income** | | - | (6,545,972) | 12,530,968 | 5,984,996 | 1,614,036 | 7,599,032 |
| **Transactions with owners:** | | | | | | | |
| Acquisition of a subsidiary | | - | - | - | - | 457,971 | 457,971 |
| Dividends | 13 | - | - | (4,800,000) | (4,800,000) | - | (4,800,000) |
| Dividends paid to non-controlling interests | | - | - | - | - | (1,663,455) | (1,663,455) |
| **At 31 December 2012** | | 120,000,000 | (7,168,656) | 185,186,289 | 298,017,633 | 2,730,356 | 300,747,989 |

# 16 STATEMENTS OF CHANGES IN EQUITY
## For the financial year ended 31 December 2012
**(CONTINUED)**

| | Note | Non-distributable share capital (Note 25) RM | Distributable retained earnings (Note 26) RM | Total equity RM |
|---|---|---|---|---|
| **Company** | | | | |
| **At 1 January 2011** | | 120,000,000 | 855,680 | 120,855,680 |
| **Total comprehensive income** | | - | 5,733,769 | 5,733,769 |
| **Transactions with owners:** | | | | |
| Dividends | 13 | - | (4,800,000) | (4,800,000) |
| **At 31 December 2011** | | 120,000,000 | 1,789,449 | 121,789,449 |
| **Total comprehensive income** | | - | 4,621,490 | 4,621,490 |
| **Transactions with owners:** | | | | |
| Dividends | 13 | - | (4,800,000) | (4,800,000) |
| **At 31 December 2012** | | 120,000,000 | 1,610,939 | 121,610,939 |

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

17

# STATEMENTS OF CASH FLOWS
## For The Financial Year Ended 31 December 2012

| | Note | Group 2012 RM | Group 2011 RM | Company 2012 RM | Company 2011 RM |
|---|---|---|---|---|---|
| **Operating activities** | | | | | |
| Profit before tax | | 19,959,676 | 50,274,380 | 5,840,867 | 6,117,134 |
| Adjustments for: | | | | | |
| Interest income | 5 | (211,653) | (213,486) | (2,596,932) | (2,183,339) |
| Gain on disposal of property, plant and equipment | 6 | (167,700) | (59,801) | - | - |
| Finance costs | 7 | 4,469,510 | 4,347,925 | 5,123,921 | 4,033,689 |
| Amortisation of land use rights | 8 | 78,921 | 78,921 | - | - |
| Depreciation of property, plant and equipment | 8 | 11,553,288 | 10,800,266 | 61,899 | 60,947 |
| Loss on disposal of property, plant and equipment | 8 | 650 | 12,282 | 595 | 456 |
| Unrealised foreign exchange loss/(gain) | 8 | 260,156 | (176,217) | 190,524 | (170,667) |
| Total adjustments | | 15,983,172 | 14,789,890 | 2,780,007 | 1,741,086 |
| **Operating cash flows before changes in working capital** | | 35,942,848 | 65,064,270 | 8,620,874 | 7,858,220 |
| Changes in working capital | | | | | |
| Increase in biological assets | | (524,985) | (498,496) | - | - |
| Decrease/(increase) in inventories | | 753,863 | (11,126,612) | - | - |
| Decrease/(increase) in trade and other receivables | | 4,558,331 | (4,900,679) | (1,394) | 1,765 |
| Decrease in prepayments | | 111,442 | 103,906 | - | - |
| Increase in amounts due to subsidiaries | | - | - | - | 73,619 |
| Increase/(decrease) in trade and other payables | | 3,615,068 | (2,065,855) | (677,805) | 156,535 |
| Total changes in working capital | | 8,513,719 | (18,487,736) | (679,199) | 231,919 |
| **Cash flows from operations** | | 44,456,567 | 46,576,534 | 7,941,675 | 8,090,139 |
| Interest received | 5 | 211,653 | 213,486 | 2,596,932 | 2,183,339 |
| Income taxes paid | | (10,983,641) | (14,468,041) | (1,250,000) | (700,000) |
| Interest paid | | (4,260,505) | (4,276,666) | (4,961,643) | (3,963,449) |
| **Net cash flows from operating activities** | | 29,424,074 | 28,045,313 | 4,326,964 | 5,610,029 |

17

# STATEMENTS OF CASH FLOWS
## For The Financial Year Ended 31 December 2012
**(CONTINUED)**

| | Note | Group 2012 RM | Group 2011 RM | Company 2012 RM | Company 2011 RM |
|---|---|---|---|---|---|
| **Investing activities** | | | | | |
| Net repayments from subsidiaries | | - | - | - | 52,219,109 |
| Net cash outflow on acquisition of a subsidiary | 18 | (4,121,744) | - | - | - |
| Subscription of additional shares in a subsidiary | | - | - | (2,350,000) | - |
| Purchase of property, plant and equipment | 14 | (61,412,322) | (9,010,327) | (498,023) | (25,757) |
| Additions of land use rights | 15 | (206,715) | (372,793) | - | - |
| Additions of biological assets | | (16,502,076) | (2,687,703) | - | - |
| Deposits paid for leases of land | | - | (52,357) | - | - |
| Deposits and incidental costs paid for the acquisitions of foreign companies | | - | (5,002,812) | - | - |
| Advances of working capital to foreign companies to be acquired | | (31,192,673) | (15,318,372) | - | - |
| Deposits received for proposed disposal of investment in a foreign company | | - | 6,122,004 | - | - |
| Proceeds from disposal of property, plant and equipment | | 230,965 | 161,589 | 1,000 | 2,209 |
| **Net cash flows (used in)/from investing activities** | | (113,204,565) | (26,160,771) | (2,847,023) | 52,195,561 |
| **Financing activities** | | | | | |
| Net advances to subsidiaries | | - | - | (64,131,087) | (74,476,011) |
| Dividends paid | | (4,800,000) | (4,800,000) | (4,800,000) | (4,800,000) |
| Dividends paid to non-controlling interests | | (1,663,455) | (4,600,000) | - | - |
| Proceeds from drawdown of term loans | | 50,000,000 | 30,000,000 | 50,000,000 | 30,000,000 |
| Net proceeds from drawdown of revolving credits | | 28,000,000 | 1,000,000 | 18,000,000 | 2,000,000 |
| Net proceeds from drawdown/ (repayment) of bankers' acceptances | | 1,246,000 | (1,691,000) | - | - |
| Repayment of bank loans | | (4,940,040) | (5,484,574) | (4,940,040) | (4,940,130) |
| Repayment of hire purchase liabilities | | (181,271) | (1,063,432) | - | - |
| **Net cash flows from/(used in) financing activities** | | 67,661,234 | 13,360,994 | (5,871,127) | (52,216,141) |
| **Net (decrease)/increase in cash and cash equivalents** | | (16,119,257) | 15,245,536 | (4,391,186) | 5,589,449 |
| Effect of exchange rate changes on cash and cash equivalents | | (190,524) | 170,667 | (190,524) | 170,667 |
| **Cash and cash equivalents at beginning of year** | | 27,077,796 | 11,661,593 | 6,133,095 | 372,979 |
| **Cash and cash equivalents at end of year** | 21 | 10,768,015 | 27,077,796 | 1,551,385 | 6,133,095 |

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

18

# NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012

**1. Corporate Information**

NPC Resources Berhad (“the Company) is a public limited liability company incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Lot 9, T3, Taman Tshun Ngen, Mile 5, Jalan Labuk, 90000 Sandakan, Sabah.

The principal activities of the Company are investment holding and provision of management services.

The principal activities of the subsidiaries are operation of oil palm plantation, palm oil mill and trading of fresh fruit bunches. Other activities include investment holding, property letting, provision of management services on purchasing of consumable stores, provision of transportation services, hotelier and fishery.

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 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 a historical basis except as disclosed in the accounting policies below.

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

**2.2 Changes in accounting policies**

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

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

# 18 NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
**(CONTINUED)**

**2. Summary of significant accounting policies (continued)**

**2.2 Changes in accounting policies (continued)**

| **Description** | **Effective for financial periods beginning on or after** |
|---|---|
| Amendments to FRS 7: Mandatory Effective Date of MFRS 9 and Transition Disclosures | Effective Immediately |
| Amendments to FRS 9 (IFRS 9 issued by IASB in November 2009): Mandatory Effective Date of FRS 9 and Transition Disclosures | Effective Immediately |
| Amendments to FRS 9 (IFRS 9 issued by IASB in October 2010): Mandatory Effective Date of FRS 9 and Transition Disclosures | Effective Immediately |
| IC Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments | 1 July 2011 |
| Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirement | 1 July 2011 |
| 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 |
| FRS 124: Related Party Disclosures | 1 January 2012 |

Adoption of the above standards and interpretations did not have any significant effect on the financial performance and position of the Company.

# 18 NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
**(CONTINUED)**

**2. Summary of significant accounting policies (continued)**

**2.3 Standards issued but not yet effective**

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

| Description | Effective for annual periods beginning on or after |
|---|---|
| FRS 101: Presentation of Items of Other Comprehensive Income (Amendments to FRS 101) | 1 July 2012 |
| Amendments to FRS 101: Presentation of Financial Statements (Improvements to FRSs (2012)) | 1 January 2013 |
| 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 Associate and Joint Ventures | 1 January 2013 |
| Amendment to IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments (Improvements to FRSs (2012)) | 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 1: First-time Adoption of Malaysian Financial Reporting Standards – Government Loans | 1 January 2013 |
| Amendments to FRS 1: First-time Adoption of Malaysian Financial Reporting Standards | 1 January 2013 |
| Amendments to FRS 116: Property, Plant and Equipment (Improvements to FRSs (2012)) | 1 January 2013 |
| Amendments to FRS 132: Financial Instruments: Presentation (Improvements to FRSs (2012)) | 1 January 2013 |
| Amendments to FRS134: Interim Financial Reporting (Improvements to FRSs (2012)) | 1 January 2013 |
| Amendments to FRS 10: Consolidated Financial Statements: Transition Guidance | 1 January 2013 |
| Amendments to FRS 11: Joint Arrangements: Transition Guidance | 1 January 2013 |
| Amendments to FRS 12: Disclosure of Interests in Other Entities: Transition Guidance | 1 January 2013 |
| Amendments to FRS 132: Offsetting Financial Assets and Financial Liabilities | 1 January 2014 |
| Amendments to FRS 10, FRS 12 and FRS 127: Investment Entities | 1 January 2014 |
| FRS 9 Financial Instruments | 1 January 2015 |

# 18 NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
**(CONTINUED)**

**2. Summary of significant accounting policies (continued)**

**2.3 Standards issued but not yet effective (continued)**

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

FRS 10: Consolidated Financial Statements

FRS 10 replaces part of FRS 127 Consolidated and Separate Financial Statements that deals with consolidated financial statements and IC Interpretation 112 Consolidation – Special Purpose Entities.

Under FRS 10, an investor controls an investee when (a) the investor has power over an investee, (b) the investor has exposure, or rights, to variable returns from its involvement with the investee, and (c) the investor has ability to use its power over the investee to affect the amount of the investor's returns. Under FRS 127 Consolidated and Separate Financial Statements, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

FRS 10 includes detailed guidance to explain when an investor has control over the investee. FRS 10 requires the investor to take into account all relevant facts and circumstances.

Based on the preliminary analyses performed, FRS 10 is not expected to have any impact on the currently held investments in the Group.

FRS 12: Disclosures 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, FRS 127 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

FRS 13: Fair Value Measurement

FRS 13 establishes a single source of guidance under FRS for all fair value measurements. FRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under FRS when fair value is required or permitted. The Group is currently assessing the impact of adoption of FRS 13.

# 18 NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
**(CONTINUED)**

**2. Summary of significant accounting policies (continued)**

**2.3 Standards issued but not yet effective (continued)**

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

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

FRS 9: Financial Instruments

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

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.

**Malaysian Financial Reporting Standards**

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 the 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 the 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.

# 18 NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
**(CONTINUED)**

**2. Summary of significant accounting policies (continued)**

**2.3 Standards issued but not yet effective (continued)**

**Malaysian Financial Reporting Standards (continued)**

As certain subsidiaries of the Group fall within the scope of Transitioning Entities, the Group will adopt the MFRS Framework for the financial year beginning 1 January 2014. In presenting its first MFRS financial statements, the Group 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 has not completed its 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 financial performance and financial position as disclosed in these financial statements for the year ended 31 December 2012 could be different if prepared under the MFRS Framework.

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

**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 to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

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.

In business combinations achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

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 net identifiable assets.

18

# NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
**(CONTINUED)**

**2. Summary of significant accounting policies (continued)**

**2.4 Basis of consolidation (continued)**

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. The accounting policy for goodwill is set out in Note 2.8. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

**2.5 Transactions with non-controlling interests**

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

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

**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.

# 18 NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
**(CONTINUED)**

**2. Summary of significant accounting policies (continued)**

**2.6 Foreign currency (continued)**

**b) Foreign currency transactions (continued)**

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

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.

**c) Foreign operations**

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

**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.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. 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.

18 NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2012
(CONTINUED)

**2. Summary of significant accounting policies (continued)**

**2.7 Property, plant and equipment (continued)**

Long term leasehold land and its related plantation and fishery infrastructure development expenditure are amortised over the respective leases which range from 99 years to 999 years.

Capital work-in-progress is stated at cost and not depreciated as this asset is not available for use.

Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

| | |
|---|---|
| Buildings | 2% - 10% |
| Mill structure | 5% |
| Plantation infrastructure development expenditure on short term leasehold land | Over remaining lease term of land |
| Oil mill and estate plant and machinery | 8% - 20% |
| Heavy equipment | 8% - 20% |
| Motor vehicles | 8% - 20% |
| Furniture, fittings and equipment | 10% - 20% |
| Platforms, net cages and water tanks | 10% - 20% |
| Renovation | 2% - 10% |
| Hotel plant and machinery | 10% - 20% |

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.

**2.8 Intangible assets**

**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.

# 18 NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
**(CONTINUED)**

**2. Summary of significant accounting policies (continued)**

**2.8 Intangible assets (continued)**

**Goodwill (continued)**

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.

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.6.

Goodwill and fair value adjustments which arose on acquisitions of foreign operation before 1 January 2006 are deemed to be assets and liabilities of the Company and are recorded in RM at the rates prevailing at the date of acquisition.

**2.9 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.

**2.10 Biological assets**

**(i) Oil Palm Planting Expenditure**

New planting expenditure incurred on land clearing and upkeep of palms to maturity is stated at cost and capitalised under biological assets. A portion of the indirect overheads which include general and administrative expenses and interest expense incurred on immature plantation is similarly capitalised under biological assets until such time when the plantation attains maturity.

No amortisation is considered necessary on oil palm planting expenditure as its value is maintained through replanting programme. Replanting expenditure is recognised in the profit or loss in the year in which the expenditure is incurred.

# NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
**(CONTINUED)**

**2. Summary of significant accounting policies (continued)**

**2.10 Biological assets (continued)**

**(ii) Broodstocks**

All costs incurred on immature broodstocks which are accumulated on a project basis, are capitalised until such time when the broodstocks commence breeding. Costs incurred on immature broodstocks consist of the acquisition cost of the mother fish, cost of feeds and medication, direct labour cost and an appropriate proportion of farm operating overheads.

The costs of broodstocks are amortised over the economic egg production lives of 10 years.

Upon the disposal of broodstocks, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement.

**(iii) Fishery Livestock**

Fishery livestock is stated at cost. The cost includes the cost of feeds and medication, direct labour cost and an appropriate proportion of farm operating overheads accumulated on a project basis and is recognised in income statement upon disposal.

**2.11 Impairment of non-financial assets**

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 except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

# 18 NOTES TO THE FINANCIAL STATEMENTS For the financial year ended 31 December 2012 (CONTINUED)

## 2. Summary of significant accounting policies (continued)

### 2.11 Impairment of non-financial assets (continued)

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.

### 2.12 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.

### 2.13 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 near term.

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

# 18 NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
**(CONTINUED)**

**2. Summary of significant accounting policies (continued)**

**2.13 Financial assets (continued)**

**a) Financial assets at fair value through profit or loss (continued)**

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that is held primarily for trading purposes are presented as current whereas financial assets that is 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.

**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 are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

# 18 NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
**(CONTINUED)**

**2. Summary of significant accounting policies (continued)**

**2.13 Financial assets (continued)**

**d) Available-for-sale financial assets (continued)**

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.

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.

**2.14 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.

# 18 NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
**(CONTINUED)**

**2. Summary of significant accounting policies (continued)**

**2.14 Impairment of financial assets (continued)**

**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. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of 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.

**b) Unquoted equity securities carried at cost**

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

**c) 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.

# 18 NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
**(CONTINUED)**

**2. Summary of significant accounting policies (continued)**

**2.14 Impairment of financial assets (continued)**

**c) Available-for-sale financial assets (continued)**

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.

**2.15 Cash and cash equivalents**

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

**2.16 Inventories**

Inventories are stated at lower of cost and net realisable value.

Cost of crude palm oil and milled oil palm produce are determined on the first in, first out method. The cost comprises direct material cost, direct labour cost, other direct charges and an appropriate proportion of factory overheads.

Cost of fresh fruit bunches, consumable stores, culverts, food, beverages, tobacco and operating supplies are determined on the weighted average cost method. The cost comprises the actual cost of purchases and expenses in bringing them into stores.

Cost of oil palm nurseries is determined using the weighted average cost method. The cost comprises the actual cost of seedlings and upkeep expenses.

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

**2.17 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.

# 18 NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
**(CONTINUED)**

**2. Summary of significant accounting policies (continued)**

**2.17 Provisions (continued)**

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.

**2.18 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 an asset, the fair value is recognised as deferred capital grant in the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

**2.19 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 at fair value through profit or loss.

**b) Other financial liabilities**

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

# 18 NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
**(CONTINUED)**

**2. Summary of significant accounting policies (continued)**

**2.19 Financial liabilities (continued)**

**b) Other financial liabilities** (continued)

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 liabilty 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.

**2.20 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.

**2.21 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.

# 18 NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
**(CONTINUED)**

**2. Summary of significant accounting policies (continued)**

**2.22 Employee benefits**

**Defined contribution plans**

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employee 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.

**2.23 Leases**

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfillment of the arrangement is dependent on the usage of a specific asset or assets of the arrangement conveys a right to use the asset, 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 2.24(vii).

# NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
**(CONTINUED)**

**2. Summary of significant accounting policies (continued)**

**2.24 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.

**(i) Sale of fresh fruit bunches, crude palm oil, palm kernel and fish**

Revenue from sale of fresh fruit bunches, crude palm oil, palm kernel and fish are recognised upon the transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

**(ii) Management and transportation fees income**

Revenue from management and transportation services is recognised upon rendering of services to customers.

**(iii) Dividend income**

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

**(iv) Revenue from hotel operations**

Revenue from room sales, and sale of food and beverage, are recognised net of sales taxes and discounts on an accrual basis.

**(v) Sundry sales**

Revenue from usage of telephone, laundry and other related services is recognised upon the rendering of services, net of sales taxes.

**(vi) Interest income**

Interest income is recognised using the effective interest method.

**(vii) Rental income**

Rental income is accounted for on a 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.

# 18 NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
**(CONTINUED)**

**2. Summary of significant accounting policies (continued)**

**2.25 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, associates and interests in joint ventures, 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.

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, associates and interests in joint ventures, 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.

# 18 NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
**(CONTINUED)**

**2. Summary of significant accounting policies (continued)**

**2.25 Income taxes (continued)**

**b) Deferred tax (continued)**

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.

**2.26 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 33, including the factors used to identify the reportable segments and the measurement basis of segment information.

**2.27 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.

# 18 NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
**(CONTINUED)**

**2. Summary of significant accounting policies (continued)**

**2.28 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 estimates**

The preparation of the Group's financial statements requires management to make 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 cost of plant and machinery of agriculture, fishery and hotel equipment is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and machinery to be within 5 to 12.5 years. These are common life expectancies applied in the plantation, fishery and hotel industries respectively. 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 14. A 5% difference in the expected useful lives of these assets from management's estimates would result in approximately 1.8% (2011: 0.6%) variance in the Group's profit for the year.

**b) Impairment of goodwill**

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to 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 17.

# 18 NOTES TO THE FINANCIAL STATEMENTS For the financial year ended 31 December 2012 (CONTINUED)

**3. Significant accounting estimates (continued)**

**Key sources of estimation uncertainty (continued)**

**c) 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 and the Company at 31 December 2012 are disclosed in Note 24. The recognised tax losses, unabsorbed capital, agriculture and reinvestment allowances of the Group and of the Company were RM18,759,928 (2011: RM9,525,612) and RM5,039,580 (2011: RM4,129,376) respectively and the unrecognised tax losses and unabsorbed capital and investment tax allowances of the Group was RM7,607,346 (2011: RM9,812,177).

# 18 NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
**(CONTINUED)**

### 4. Revenue

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM | 2011 RM | 2012 RM | 2011 RM |
| Sale of: | | | | |
| - crude palm oil | 339,152,838 | 375,251,235 | - | - |
| - palm kernel | 45,388,900 | 65,835,099 | - | - |
| - fresh fruit bunches | 7,091,685 | 7,871,169 | - | - |
| - fish | 1,538,132 | 2,708,759 | - | - |
| - room | 3,409,671 | 3,781,902 | - | - |
| - food and beverage | 3,435,125 | 3,325,222 | - | - |
| Hotel sundry sales | 83,763 | 68,709 | - | - |
| Management fees | - | - | 7,459,500 | 6,812,800 |
| Dividend income from subsidiaries | - | - | 8,000,000 | 7,800,000 |
| Transportation income | 62,090 | 20,785 | - | - |
| | 400,162,204 | 458,862,880 | 15,459,500 | 14,612,800 |

### 5. Interest income

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM | 2011 RM | 2012 RM | 2011 RM |
| Interest received on advances given | - | - | 2,566,566 | 2,181,225 |
| Interest received on fixed deposits | 80,368 | 66,148 | 26,814 | - |
| Other interest income received | 131,285 | 147,338 | 3,552 | 2,114 |
| | 211,653 | 213,486 | 2,596,932 | 2,183,339 |

### 6. Other income

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM | 2011 RM | 2012 RM | 2011 RM |
| Gain on disposal of property, plant and equipment | 167,700 | 59,801 | - | - |
| Realised gain on foreign exchange | - | 2,418 | - | - |
| Rental income | 526,069 | 584,933 | - | - |
| Sale of waste products | 3,430,577 | 2,791,471 | - | - |
| Unrealised gain on foreign exchange | - | 176,217 | - | 170,667 |
| Miscellaneous income | 864,609 | 214,787 | 2,800 | 65,755 |
| | 4,988,955 | 3,829,627 | 2,800 | 236,422 |

18 **NOTES TO THE FINANCIAL STATEMENTS**
**For the financial year ended 31 December 2012**
**(CONTINUED)**

**7. Finance costs**

| | Group | | Company | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| | **RM** | **RM** | **RM** | **RM** |
| Interest expense on: | | | | |
| Advances from subsidiaries | - | - | 694,171 | 458,368 |
| Bankers' acceptances | 91,763 | 252,019 | - | - |
| Bank overdrafts | 171,516 | 44,798 | 12,423 | 9,532 |
| Bank loans | 3,543,829 | 2,787,883 | 3,543,829 | 2,776,968 |
| Obligations under finance leases | 15,957 | 42,845 | - | - |
| Revolving credits | 1,408,696 | 1,220,370 | 873,498 | 788,821 |
| Others | - | 10 | - | - |
| Total finance costs | 5,231,761 | 4,347,925 | 5,123,921 | 4,033,689 |
| Less : Interest capitalised under biological assets (Note 16) | (762,251) | - | - | - |
| Net finance costs | 4,469,510 | 4,347,925 | 5,123,921 | 4,033,689 |

**8. Profit before tax**

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| | **RM** | **RM** | **RM** | **RM** |
| Amortisation of land use rights (Note 15) | 78,921 | 78,921 | - | - |
| Auditors' remuneration: | | | | |
| - current year | 201,187 | 183,687 | 30,000 | 30,000 |
| - under/(over)provision in prior years | 13,500 | 20,200 | - | 5,000 |
| - other services | 93,600 | 80,200 | 13,000 | 5,000 |
| Depreciation of property, plant and equipment (Note 14) | 11,553,288 | 10,800,266 | 61,899 | 60,947 |
| Employee benefits expense (Note 9) | 27,144,133 | 25,212,110 | 5,164,828 | 5,404,301 |
| Non-executive Directors' remuneration (Note 10) | 411,747 | 322,108 | 339,747 | 322,108 |
| Rental of premises | 247,613 | 249,380 | 157,000 | 180,000 |
| Lease rental of land | 1,049,465 | 1,934,728 | - | - |
| Loss on disposal of property, plant and equipment | 650 | 12,282 | 595 | 456 |
| Unrealised foreign exchange loss | 260,156 | - | 190,524 | - |

# 18 NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
**(CONTINUED)**

**9. Employee benefits expense**

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM | 2011 RM | 2012 RM | 2011 RM |
| Salaries and wages | 28,607,203 | 24,844,611 | 4,425,201 | 4,669,646 |
| Contributions to defined contribution plans | 1,526,452 | 1,434,244 | 724,054 | 720,359 |
| Social security contributions | 139,539 | 106,902 | 15,573 | 14,296 |
| | 30,273,194 | 26,385,757 | 5,164,828 | 5,404,301 |
| Capitalised in: | | | | |
| - capital work-in-progress | (31,229) | (31,190) | - | - |
| - biological assets | (2,714,701) | (848,044) | - | - |
| - oil palm nurseries | (383,131) | (294,413) | - | - |
| Recognised in profit or loss | 27,144,133 | 25,212,110 | 5,164,828 | 5,404,301 |

Included in employee benefits expense of the Group and of the Company are Executive Directors' remuneration amounting to RM3,759,836 (2011: RM4,035,953) and RM3,553,672 (2011: RM3,825,142) respectively as further disclosed in Note 10.

**10. Directors' remuneration**

The details of remuneration receivable by Directors of the Group and Company during the year are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM | 2011 RM | 2012 RM | 2011 RM |
| **Executive Directors of the Company** | | | | |
| Salaries, bonus and other emoluments | 3,513,672 | 3,785,142 | 3,513,672 | 3,785,142 |
| Fees | 40,000 | 40,000 | 40,000 | 40,000 |
| | 3,553,672 | 3,825,142 | 3,553,672 | 3,825,142 |
| **Executive Directors of a Subsidiary** | | | | |
| Salaries, bonus and other emoluments | 206,164 | 210,811 | - | - |
| Total Executive Directors' remuneration (excluding benefits-in-kind) (Note 9) | 3,759,836 | 4,035,953 | 3,553,672 | 3,825,142 |
| Benefits-in-kind | 60,565 | 57,788 | 60,565 | 57,788 |
| Total Executive Directors' remuneration (including benefits-in-kind) | 3,820,401 | 4,093,741 | 3,614,237 | 3,882,930 |

# 18 NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
**(CONTINUED)**

**10. Directors' remuneration (continued)**

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM | 2011 RM | 2012 RM | 2011 RM |
| **Non-Executive Directors of the Company** | | | | |
| Allowances and other emoluments | 299,747 | 282,108 | 299,747 | 282,108 |
| Fees | 40,000 | 40,000 | 40,000 | 40,000 |
| Total Non-Executive Directors' remuneration | 339,747 | 322,108 | 339,747 | 322,108 |
| **Non-Executive Directors of a subsidiary** | | | | |
| Fees | 72,000 | - | - | - |
| Total Non-Executive Directors' remuneration (Note 8) | 411,747 | 322,108 | 339,747 | 322,108 |
| Total Directors' remuneration | 4,232,148 | 4,415,849 | 3,953,984 | 4,205,038 |

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: | | |
| RM450,001 - RM500,000 | 1 | - |
| RM500,001 - RM550,000 | - | 1 |
| RM550,001 - RM600,000 | 1 | - |
| RM600,001 - RM650,000 | - | 1 |
| RM850,001 - RM900,000 | 1 | - |
| RM900,001 - RM950,000 | - | 1 |
| RM1,700,001 - RM1,750,000 | 1 | - |
| RM1,800,001 - RM1,850,000 | - | 1 |
| Non-Executive directors: | | |
| Below RM50,000 | - | 1 |
| RM50,001 - RM100,000 | 3 | 3 |
| RM100,001 – RM150,000 | 1 | - |

# 18 NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
**(CONTINUED)**

**11. 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** **RM** | **2011** **RM** | **2012** **RM** | **2011** **RM** |
| **Statements of comprehensive income:** | | | | |
| Current Malaysian income tax: | | | | |
| On results for the year | 5,983,121 | 13,077,963 | 1,154,121 | 238,912 |
| Tax credit arising from franked dividend paid by a subsidiary | - | (700,000) | - | - |
| (Over)/underprovision in prior years | (96,774) | 541,384 | 295,249 | - |
| | 5,886,347 | 12,919,347 | 1,449,370 | 238,912 |
| Deferred income tax (Note 24): | | | | |
| Relating to origination and reversal of temporary differences | (204,557) | 78,145 | (251,896) | 68,121 |
| Underprovision in prior years | 132,882 | 28,074 | 21,903 | 76,332 |
| | (71,675) | 106,219 | (229,993) | 144,453 |
| Income tax expense recognised in profit or loss | 5,814,672 | 13,025,566 | 1,219,377 | 383,365 |

# 18 NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
**(CONTINUED)**

**11. Income tax expense (continued)**

Reconciliation between tax expense and accounting profit

The reconciliations 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** | **2011 RM** | **2012 RM** | **2011 RM** |
| Accounting profit before tax | 19,959,676 | 50,274,380 | 5,840,867 | 6,117,134 |
| Taxation at statutory tax rate of 25% (2011: 25%) | 4,989,919 | 12,568,595 | 1,460,217 | 1,529,283 |
| Effect of income not subject to tax | (1,024) | (39,379) | (750,000) | (1,309,106) |
| Effect of expenses not deductible for tax purposes | 713,666 | 580,059 | 192,008 | 86,856 |
| Deferred tax assets not recognised in respect of tax losses and unabsorbed capital allowances | 184,322 | 213,059 | - | - |
| Deferred tax assets recognised on previously unrecognised tax losses | (108,319) | (273,704) | - | - |
| Deferred tax assets recognised on previously unrecognised unabsorbed capital allowances | - | (7,578) | - | - |
| Underprovision of deferred tax in prior years | 132,882 | 28,074 | 21,903 | 76,332 |
| (Over)/underprovision of current income tax expense in prior years | (96,774) | 541,384 | 295,249 | - |
| Reinvestment allowance incentive | - | (584,944) | - | - |
| Income tax expense recognised in profit or loss | 5,814,672 | 13,025,566 | 1,219,377 | 383,365 |

# 18 NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
**(CONTINUED)**

**11. Income tax expense (continued)**

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2011: 25%) of the estimated assessable profit for the year. The corporate tax rate applicable to the Indonesian subsidiary of the Group is 25% (2011: 25%).

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM | 2011 RM | 2012 RM | 2011 RM |
| Tax savings recognised during the year arising from utilisation of tax losses brought forward | - | 68,138 | - | 68,138 |

**12. Earnings per share**

**(a) Basic**

Basic earnings per share amounts are calculated by dividing profit for the year attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial year. The following reflect the profit and share data used in the computation of basic earnings per share for the years ended 31 December 2012 and 2011:

| | Group | |
|---|---|---|
| | 2012 | 2011 |
| Profit attributable to ordinary equity holders of the Company (RM) | 12,530,968 | 33,716,188 |
| Weighted average number of ordinary shares in issue | 120,000,000 | 120,000,000 |
| Basic earnings per share for profit for the year (Sen) | 10.44 | 28.10 |

**(b) Diluted**

The Group has no potential ordinary shares in issue as at statements of financial position date and therefore, diluted earnings per share has not been presented.

# 18 NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
**(CONTINUED)**

**13. Dividends**

| | Group and Company | | | | |
|---|---|---|---|---|---|
| | Dividends in Respect of Year | | | Dividends Recognised in Year | |
| | 2012 RM | 2011 RM | 2010 RM | 2012 RM | 2011 RM |
| **Recognised during the financial year**: | | | | | |
| Interim dividend for 2012: Single tier dividend of 2 sen per ordinary share on 120,000,000 ordinary shares | 2,400,000 | - | - | 2,400,000 | - |
| Final dividend for 2011: Single tier dividend of 2 sen per ordinary share on 120,000,000 ordinary shares | - | 2,400,000 | - | 2,400,000 | - |
| Interim dividend for 2011: Single tier dividend of 2 sen per ordinary share on 120,000,000 ordinary shares | - | 2,400,000 | - | - | 2,400,000 |
| Final dividend for 2010: Single tier dividend of 2 sen per ordinary share on 120,000,000 ordinary shares | - | - | 2,400,000 | - | 2,400,000 |
| | 2,400,000 | 4,800,000 | 2,400,000 | 4,800,000 | 4,800,000 |

| | Group and Company | |
|---|---|---|
| | 2012 RM | 2011 RM |
| Proposed for approval at AGM (not recognised as at 31 December): | | |
| Final dividend for 2012 and 2011: Single tier dividend of 1 sen (2011: 2 sen) per ordinary share on 120,000,000 ordinary shares | 1,200,000 | 2,400,000 |
| | 1,200,000 | 2,400,000 |

At the forthcoming Annual General Meeting, a final single tier dividend in respect of the financial year ended 31 December 2012 of 1 sen per ordinary share on 120,000,000 ordinary shares, amounting to a dividend payable of RM 1,200,000 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2013.

## 14. Property, plant and equipment

| Group | Long Term Leasehold Land, Buildings and Mill Structure RM | Plantation and Fishery Infrastructure Development Expenditure RM | Oil Mill and Estate Plant and Machinery RM | Heavy Equipment and Motor Vehicles RM | Furniture, Fittings and Equipment RM | Platforms, Net Cages and Water Tanks RM | Hotel and Office Renovations RM | Hotel Plant and Machinery RM | Capital Work-in-Progress RM | Total RM |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cost:** | | | | | | | | | | |
| **At 1 January 2011** | 146,242,174 | 18,779,816 | 52,166,309 | 27,708,749 | 9,919,909 | 877,063 | 4,073,006 | 4,281,271 | 5,568,774 | 269,617,071 |
| Additions | 509,498 | 21,527 | 1,118,746 | 2,114,962 | 383,716 | 4,305 | 2,205 | 132,656 | 4,922,712 | 9,210,327 |
| Disposals | - | - | - | (775,363) | (4,221) | - | (7,936) | (11,850) | - | (799,370) |
| Reclassifications | 5,523,663 | 443,506 | 3,609,238 | - | - | - | - | - | (9,576,407) | - |
| Exchange differences | 2,563 | - | - | 9,937 | 2,998 | - | 349 | - | 1,125 | 16,972 |
| **At 31 December 2011 and 1 January 2012** | 152,277,898 | 19,244,849 | 56,894,293 | 29,058,285 | 10,302,402 | 881,368 | 4,067,624 | 4,402,077 | 916,204 | 278,045,000 |
| Additions | 33,092,354 | 431,537 | 723,083 | 15,365,994 | 673,406 | 900 | - | 63,494 | 13,226,954 | 63,577,722 |
| Disposals | (5,000) | - | - | (757,429) | (9,300) | - | - | - | - | (771,729) |
| Reclassifications | 3,552,436 | 977,865 | 530,545 | - | 18,000 | 47,589 | - | - | (5,126,435) | - |
| Acquisition of a subsidiary (Note 18) | 2,278,114 | 2,032,673 | 367,044 | 668,512 | 85,619 | - | 2,667 | - | 18,487,408 | 23,922,037 |
| Exchange differences | (33,737) | (10,964) | (2,260) | (59,022) | (15,526) | - | (1,365) | - | (105,991) | (228,865) |
| **At 31 December 2012** | 191,162,065 | 22,675,960 | 58,512,705 | 44,276,340 | 11,054,601 | 929,857 | 4,068,926 | 4,465,571 | 27,398,140 | 364,544,165 |

**14. Property, plant and equipment (continued)**

| Group | Long Term Leasehold Land, Buildings and Mill Structure RM | Plantation and Fishery Infrastructure Development Expenditure RM | Oil Mill and Estate Plant and Machinery RM | Heavy Equipment and Motor Vehicles RM | Furniture, Fittings and Equipment RM | Platforms, Net Cages and Water Tanks RM | Hotel and Office Renovations RM | Hotel Plant and Machinery RM | Capital Work-in-Progress RM | Total RM |
|---|---|---|---|---|---|---|---|---|---|---|
| Accumulated depreciation | | | | | | | | | | |
| At 1 January 2011 | 31,354,252 | 1,109,806 | 27,785,396 | 19,597,486 | 5,453,828 | 496,149 | 108,969 | 1,602,236 | - | 87,508,122 |
| Depreciation charge for the year: | 3,828,815 | 272,731 | 3,016,122 | 2,110,666 | 732,608 | 104,313 | 362,300 | 573,280 | - | 11,000,835 |
| Recognised in profit or loss (Note 8) | 3,795,110 | 272,019 | 3,016,122 | 2,025,698 | 719,730 | 36,007 | 362,300 | 573,280 | - | 10,800,266 |
| Capitalised in biological assets (Note 16) | 33,705 | 712 | - | 84,968 | 12,878 | 68,306 | - | - | - | 200,569 |
| Disposals | - | - | - | (675,032) | (2,531) | - | (3,176) | (4,561) | - | (685,300) |
| Exchange differences | 218 | - | - | 2,304 | 814 | - | 69 | - | - | 3,405 |
| At 31 December 2011 and 1 January 2012 | 35,183,285 | 1,382,537 | 30,801,518 | 21,035,424 | 6,184,719 | 600,462 | 468,162 | 2,170,955 | - | 97,827,062 |
| Depreciation charge for the year: | 4,373,439 | 296,190 | 3,306,821 | 2,645,103 | 817,989 | 107,164 | 365,347 | 582,786 | - | 12,494,839 |
| Recognised in profit or loss (Note 8) | 4,081,456 | 277,842 | 3,284,166 | 2,127,891 | 794,962 | 38,858 | 365,327 | 582,786 | - | 11,553,288 |
| Capitalised in biological assets (Note 16) | 291,983 | 18,348 | 22,655 | 517,212 | 23,027 | 68,306 | 20 | - | - | 941,551 |
| Disposals | - | - | - | (700,964) | (6,850) | - | - | - | - | (707,814) |
| Exchange differences | (4,299) | (228) | (364) | (31,845) | (6,945) | - | (425) | - | - | (44,106) |
| At 31 December 2012 | 39,552,425 | 1,678,499 | 34,107,975 | 22,947,718 | 6,988,913 | 707,626 | 833,084 | 2,753,741 | - | 109,569,981 |
| Net carrying amount: | | | | | | | | | | |
| At 31 December 2011 | 117,094,613 | 17,862,312 | 26,092,775 | 8,022,861 | 4,117,683 | 280,906 | 3,599,462 | 2,231,122 | 916,204 | 180,217,938 |
| At 31 December 2012 | 151,609,640 | 20,997,461 | 24,404,730 | 21,328,622 | 4,065,688 | 222,231 | 3,235,842 | 1,711,830 | 27,398,140 | 254,974,184 |

18

# NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
**(CONTINUED)**

**14. Property, plant and equipment (continued)**

Long term leasehold land, buildings and mill structure of the Group:

| | Long term Leasehold Land RM | Buildings and Mill Structure RM | Total RM |
|---|---|---|---|
| **Cost:** | | | |
| **At 1 January 2011** | 79,496,997 | 66,745,177 | 146,242,174 |
| Additions | 204,725 | 304,773 | 509,498 |
| Reclassified from capital work-in-progress | - | 5,523,663 | 5,523,663 |
| Exchange differences | - | 2,563 | 2,563 |
| **At 31 December 2011 and 1 January 2012** | 79,701,722 | 72,576,176 | 152,277,898 |
| Additions | 32,905,373 | 186,981 | 33,092,354 |
| Disposal | (5,000) | - | (5,000) |
| Reclassified from capital work-in-progress | - | 3,552,436 | 3,552,436 |
| Acquisition of a subsidiary (Note 18) | - | 2,278,114 | 2,278,114 |
| Exchange differences | - | (33,737) | (33,737) |
| **At 31 December 2012** | 112,602,095 | 78,559,970 | 191,162,065 |
| **Accumulated depreciation:** | | | |
| **At 1 January 2011** | 3,477,229 | 27,877,023 | 31,354,252 |
| Depreciation charge for the year: | 874,909 | 2,953,906 | 3,828,815 |
| Recognised in profit or loss (Note 8) | 858,550 | 2,936,560 | 3,795,110 |
| Capitalised in biological assets (Note 16) | 16,359 | 17,346 | 33,705 |
| Exchange differences | - | 218 | 218 |
| **At 31 December 2011 and 1 January 2012** | 4,352,138 | 30,831,147 | 35,183,285 |
| Depreciation charge for the year: | 1,076,692 | 3,296,747 | 4,373,439 |
| Recognised in profit or loss (Note 8) | 1,076,692 | 3,004,764 | 4,081,456 |
| Capitalised in biological assets (Note 16) | - | 291,983 | 291,983 |
| Exchange differences | - | (4,299) | (4,299) |
| **At 31 December 2012** | 5,428,830 | 34,123,595 | 39,552,425 |
| **Net carrying amount:** | | | |
| At 31 December 2011 | 75,349,584 | 41,745,029 | 117,094,613 |
| At 31 December 2012 | 107,173,265 | 44,436,375 | 151,609,640 |

The buildings of certain subsidiaries are located on several parcels of land leased by the subsidiaries.

# 18 NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
**(CONTINUED)**

**14. Property, plant and equipment (continued)**

**Company**

| | Office Renovation RM | Furniture, Fittings and Equipment RM | Capital Work-in-Progress RM | Total RM |
|---|---|---|---|---|
| **Cost:** | | | | |
| **At 1 January 2011** | 476,026 | 506,037 | - | 982,063 |
| Additions | - | 25,757 | - | 25,757 |
| Disposals | - | (3,740) | - | (3,740) |
| **At 31 December 2011 and 1 January 2012** | 476,026 | 528,054 | - | 1,004,080 |
| Additions | - | 39,831 | 458,192 | 498,023 |
| Disposals | - | (6,600) | - | (6,600) |
| **At 31 December 2012** | 476,026 | 561,285 | 458,192 | 1,495,503 |
| **Accumulated depreciation:** | | | | |
| **At 1 January 2011** | 31,735 | 181,178 | - | 212,913 |
| Depreciation charge for the year (Note 8) | 9,521 | 51,426 | - | 60,947 |
| Disposals | - | (1,075) | - | (1,075) |
| **At 31 December 2011 and 1 January 2012** | 41,256 | 231,529 | - | 272,785 |
| Depreciation charge for the year (Note 8) | 9,521 | 52,378 | - | 61,899 |
| Disposals | - | (5,005) | - | (5,005) |
| **At 31 December 2012** | 50,777 | 278,902 | - | 329,679 |
| **Net carrying amount:** | | | | |
| At 31 December 2011 | 434,770 | 296,525 | - | 731,295 |
| At 31 December 2012 | 425,249 | 282,383 | 458,192 | 1,165,824 |

18

# NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
(CONTINUED)

**14. Property, plant and equipment (continued)**

**(a) Assets held under finance leases**

During the financial year, the Group and the Company acquired property, plant and equipment at aggregate costs of RM63,577,722 and RM498,023 (2011: RM9,207,457 and RM25,757) respectively as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM | 2011 RM | 2012 RM | 2011 RM |
| Property, plant and equipment acquired by means of finance leases | 2,165,400 | 200,000 | - | - |
| Cash payments made for acquisition of property, plant and equipment | 61,412,322 | 9,010,327 | 498,023 | 25,757 |
| | 63,577,722 | 9,210,327 | 498,023 | 25,757 |

Net carrying amounts of property, plant and equipment held under finance leases are as follows:

| | Group | |
|---|---|---|
| | 2012 RM | 2011 RM |
| Heavy equipment | 2,385,950 | 371,388 |
| Motor vehicles | 337,000 | 610,538 |
| | 2,722,950 | 981,926 |

Leased assets are pledged as security for the related finance lease liabilities (Note 22).

**(b) Assets pledged as security**

In addition to assets held under finance leases, the net carrying amounts of property, plant and equipment pledged as securities for borrowings (Note 22) are as follows:

| | Group | |
|---|---|---|
| | 2012 RM | 2011 RM |
| Long term leasehold land | 44,010,908 | 33,366,185 |
| Buildings | 6,103,407 | 2,806,953 |
| Plantation infrastructure development expenditure | 13,494,296 | 10,224,113 |
| Capital work-in-progress | 1,153,440 | 380,998 |
| | 64,762,051 | 46,778,249 |

**(c) Capital work-in-progress**

The Group's capital work-in-progress represents expenditure for construction of buildings, infrastructure and palm oil mill.

# 18 NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
**(CONTINUED)**

**15. Land use rights**

| | Short Term Land Lease RM |
|---|---|
| **Group** | |
| **Cost:** | |
| **At 1 January 2011** | 13,932,165 |
| Additions | 372,793 |
| Exchange differences | 217,788 |
| **At 31 December 2011 and 1 January 2012** | 14,522,746 |
| Additions | 206,715 |
| Acquisition of a subsidiary (Note 18) | 9,821,864 |
| Exchange differences | (1,030,599) |
| **At 31 December 2012** | 23,520,726 |
| **Accumulated amortisation:** | |
| **At 1 January 2011** | 1,035,825 |
| Amortisation for the year | 405,269 |
| Recognised in profit or loss (Note 8) | 78,921 |
| Capitalised in biological assets (Note 16) | 326,348 |
| Exchange differences | 8,870 |
| **At 31 December 2011 and 1 January 2012** | 1,449,964 |
| Amortisation for the year | 480,138 |
| Recognised in profit or loss (Note 8) | 78,921 |
| Capitalised in biological assets (Note 16) | 401,217 |
| Exchange differences | (69,106) |
| **At 31 December 2012** | 1,860,996 |
| **Net carrying amount:** | |
| At 31 December 2011 | 13,072,782 |
| At 31 December 2012 | 21,659,730 |

The Group has land use rights over:

(a) a parcel of leasehold land in Malaysia where a subsidiary's oil mill resides and has a remaining tenure of 32 years (2011: 33 years);

(b) several parcels of leasehold plantation land in Malaysia with remaining tenure of 22 years (2011: 23 years). The leases are renewable for a further term of 30 years;

(c) several parcels of leasehold plantation land in Indonesia with certificates of Hak Guna Usaha issued by the Indonesian authority with tenure of 35 years commencing from 19 February 1998 and 8 February 2010.

# 18 NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
**(CONTINUED)**

## 16. Biological assets

| | Oil Palm Planting Expenditure RM | Broodstock RM | Fishery Livestock RM | Total RM |
|---|---|---|---|---|
| **Group** | | | | |
| **Cost:** | | | | |
| **At 1 January 2011** | 104,157,445 | 519,276 | 1,173,904 | 105,850,625 |
| Additions | 3,186,958 | 41,694 | 2,018,383 | 5,247,035 |
| Disposals | - | (80,070) | (1,445,902) | (1,525,972) |
| Reclassifications | - | 5,679 | (5,679) | - |
| Exchange differences | 25,947 | - | - | 25,947 |
| **At 31 December 2011 and 1 January 2012** | 107,370,350 | 486,579 | 1,740,706 | 109,597,635 |
| Additions | 17,873,327 | 12,334 | 2,341,924 | 20,227,585 |
| Acquisition of a subsidiary (Note 18) | 6,304,596 | - | - | 6,304,596 |
| Disposals | - | (117,305) | (1,732,379) | (1,849,684) |
| Reclassifications | - | 16,254 | (16,254) | - |
| Exchange differences | (441,984) | - | - | (441,984) |
| **At 31 December 2012** | 131,106,289 | 397,862 | 2,333,997 | 133,838,148 |
| **Accumulated amortisation:** | | | | |
| **At 1 January 2011** | - | 61,779 | - | 61,779 |
| Amortisation for the year (Note 8) | - | 7,946 | - | 7,946 |
| **At 31 December 2011 and 1 January 2012** | - | 69,725 | - | 69,725 |
| Amortisation for the year | - | 8,070 | - | 8,070 |
| **At 31 December 2012** | - | 77,795 | - | 77,795 |
| **Net carrying amount:** | | | | |
| At 31 December 2011 | 107,370,350 | 416,854 | 1,740,706 | 109,527,910 |
| At 31 December 2012 | 131,106,289 | 320,067 | 2,333,997 | 133,760,353 |

# 18 NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
**(CONTINUED)**

**16. Biological assets (continued)**

(a) Oil palm planting expenditure capitalised during the financial year included the following:

| | Group | |
|---|---|---|
| | **2012 RM** | **2011 RM** |
| Amortisation of land use rights (Note 15) | 401,217 | 326,348 |
| Depreciation of property, plant and equipment (Note 14) | 873,245 | 132,263 |
| Interest on bank loans (Note 7) | 762,251 | - |

(b) Fishery livestock incurred during the financial year included the following:

| | Group | |
|---|---|---|
| | **2012 RM** | **2011 RM** |
| Amortisation of broodstock | 8,070 | 7,946 |
| Depreciation of property, plant and equipment (Note 14) | 68,306 | 68,306 |
| | 76,376 | 76,252 |

(c) Biological assets with an aggregate carrying value of RM63,529,609 (2011: RM47,290,965) are pledged as securities for borrowings (Note 22).

**17. Intangible asset**

| | Group | |
|---|---|---|
| | **2012 RM** | **2011 RM** |
| **Goodwill** | | |
| **Cost** | | |
| At 1 January and 31 December | 4,375,928 | 4,375,928 |
| **Accumulated impairment loss** | | |
| At 1 January and 31 December | 117,899 | 117,899 |
| **Net carrying amount** | | |
| At 31 December | 4,258,029 | 4,258,029 |

# 18 NOTES TO THE FINANCIAL STATEMENTS For the financial year ended 31 December 2012 (CONTINUED)

**17. Intangible asset (continued)**

Impairment testing of goodwill

Goodwill which arose from business combinations has been allocated to individual cash-generating units ("CGU") for impairment testing as follows:

- Plantation and milling segment
- Fishery segment

The carrying amounts of goodwill for to each CGU are as follow:

| | 2012 RM | 2011 RM |
|---|---|---|
| Segments | | |
| Plantation and milling | 4,258,029 | 4,258,029 |
| Fishery | - | - |
| | 4,258,029 | 4,258,029 |

The recoverable amount of the above CGU has been determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a five-year period. The gross margin and pre-tax discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flows beyond the five-year period are as follows:

| | 2012 % | 2011 % |
|---|---|---|
| Growth rates | 5.00 | 5.00 |
| Pre-tax discount rates | 10.00 | 12.30 |

The calculations of value in use for the CGU are most sensitive to the following assumptions:

Budgeted gross margins – Gross margins are calculated based on the current market outlook of product prices and current cost structure relating to the CGU.

Growth rates – The forecasted growth rates are based on management's expected long term average growth rates and do not exceed the long term average growth rates for the industry relevant to the CGU.

Pre-tax discount rates – Discount rates are calculated based on the weighted average cost of capital ("WACC") of the Group. In determining the cost of equity portion for the WACC, the average rate derived from the dividend growth model and capital asset pricing model is used. The calculation of cost of equity based on dividend growth model takes into account of the expected dividend yield and growth of the Group whereas the capital asset pricing model takes into account of the 3-year Malaysian Government Securities coupon rate as the risk free rate of return, the beta risk of a similar size listed plantation company and the market rate of return.

# 18 NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
**(CONTINUED)**

**17. Intangible asset (continued)**

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of the plantation and mill segment, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying values of the CGU to materially exceed its recoverable amount.

**18. Investments in subsidiaries**

| | Company | |
|---|---|---|
| | 2012 RM | 2011 RM (Restated) |
| Unquoted shares at cost in Malaysia | 186,480,577 | 184,130,577 |
| Amounts due from subsidiaries* | 96,635,943 | 72,091,475 |
| | 283,116,520 | 256,222,052 |

* These amounts are unsecured and subject to interest charge at rates ranging from 4.39% to 7.10% per annum (2011: from 4.53% to 5.08% per annum).

Details of the subsidiaries are as follows:

| Name of Subsidiaries | Principal Activities | Proportion of Ownership Interest 2012 % | 2011 % |
|---|---|---|---|
| **Incorporated in Malaysia** | | | |
| **Held by the Company:** | | | |
| Agrisa Trading Sdn. Bhd. | Oil palm plantation | 100 | 100 |
| Berkat Setia Sdn. Bhd. | Oil palm plantation and palm oil mill | 100 | 100 |
| Ballerina Sdn. Bhd. | Property letting | 100 | 100 |
| Dat Soon Trading Sendirian Berhad | Trading of fresh fruit bunches | 100 | 100 |
| Growth Enterprise Sendirian Berhad | Oil palm plantation | 100 | 100 |
| Intan Ramai Sdn. Bhd. | Oil palm plantation | 100 | 100 |
| Kian Merculaba Sdn. Bhd. | Oil palm plantation | 100 | 100 |
| Kidat Sendirian Berhad | Transportation services | 100 | 100 |
| Sinar Ramai Sdn. Bhd. | Oil palm plantation | 100 | 100 |
| Seraya Plantation Sdn. Bhd. | Oil palm plantation | 100 | 100 |
| Sungai Ruku Oil Palm Plantation Sdn. Bhd. | Palm oil mill | 100 | 100 |
| Syarikat Emashijau Sdn. Bhd. | Management services | 100 | 100 |
| Syarikat Sofrah Sdn. Bhd. | Oil palm plantation | 100 | 100 |
| Transglobe Enterprise Sdn. Bhd. | Oil palm plantation | 100 | 100 |
| Wenow Enterprise Sdn. Bhd. | Trading of fresh fruit bunches | 100 | 100 |
| The Palace Ventures Sdn. Bhd. | Hotelier | 100 | 100 |
| Miracle Display Sdn. Bhd. | Investment holding | 100 | 100 |
| Better Prospects Sdn. Bhd. | Fish rearing | 70 | 70 |

# 18 NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
**(CONTINUED)**

**18. Investments in subsidiaries (continued)**

| Name of Subsidiaries | Principal Activities | Proportion of Ownership Interest 2012 % | 2011 % |
|---|---|---|---|
| **Incorporated in Malaysia** | | | |
| **Held by the Company (continued):** | | | |
| Bintang Kinabalu Plantation Sdn. Bhd. | Investment holding | 100 | 100 |
| Mature Land Sdn. Bhd. | Dormant | 100 | 100 |
| Miasa Plantation Sdn. Bhd. | Dormant | 100 | 100 |
| Natural Plantation Sdn. Bhd. | Dormant | 100 | 100 |
| Permata Alam Sdn. Bhd. | Investment holding | 100 | 100 |
| Soon Tai Enterprise Sdn. Bhd. | Dormant | 100 | 100 |
| Sungai Kenali Sdn. Bhd. | Oil palm plantation | 100 | 100 |
| **Held through Subsidiaries:** | | | |
| Best Borneo Oil Palm Resources Sdn. Bhd. | Dormant | 70 | 70 |
| Telupid Kelapa Sawit Sdn. Bhd. | Investment holding | 70 | 70 |
| Pedoman Hasil Sdn. Bhd. | Dormant | 100 | 100 |
| Bonus Indah Sdn. Bhd. | Oil palm plantation | 70 | 70 |
| **Incorporated in Indonesia:** | | | |
| **Held through Subsidiaries:** | | | |
| PT Enggang Alam Sawita | Oil palm plantation | 95 | 95 |
| PT Borneo Indosubur | Oil palm plantation and palm oil mill | 90 | - |

All the above companies, except for PT Enggang Alam Sawita which is audited by Ernst & Young, Indonesia, are audited by Ernst & Young, Malaysia.

An investment in a subsidiary with a net carrying amount of RM11,307,642 (2011: RM11,307,642) is pledged as securities for borrowings (Note 22).

# 18 NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
**(CONTINUED)**

**18. Investments in subsidiaries (continued)**

**Acquisition of subsidiary in 2012**

On 3 October 2012, a wholly-owned subsidiary, Bintang Kinabalu Plantation Sdn. Bhd. acquired 90% equity interest in PT Borneo Indosubur ("BI"), an unlisted limited liability company incorporated in Indonesia, and involved in operation of oil palm plantation and palm oil mill.

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

| | Fair value RM | Carrying amount RM |
|---|---|---|
| Property, plant and equipment (Note 14) | 23,922,037 | 23,922,037 |
| Land use rights (Note 15) | 9,821,864 | 8,665,876 |
| Biological assets (Note 16) | 6,304,596 | 6,304,596 |
| Inventories | 668,099 | 668,099 |
| Other receivables | 3,291,545 | 3,291,545 |
| | 44,008,141 | 42,852,153 |
| Other payables | (39,139,427) | (39,139,427) |
| Deferred tax liability (Note 24) | (288,999) | - |
| | (39,428,426) | (39,139,427) |
| Net identifiable assets | 4,579,715 | 3,712,726 |
| Less: Non-controlling interests | (457,971) | |
| Group's share of net identifiable assets | 4,121,744 | |

<u>Total cost of business combination</u>

The total cost of the business combination was as follows:

| | RM |
|---|---|
| Cash paid | 4,121,744 |

The net cash outflow on acquisition was equivalent to the total cost of business combination. No goodwill arising on acquisition as the total cost of business combination was equivalent to the Group's share of net identifiable assets.

<u>Impact of acquisition in current financial year's statements of comprehensive income</u>

The acquisition of BI had no significant impact on the Group's current financial year's statements of comprehensive income as BI is at the initial stage of developing its oil palm plantation.

# 18 NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
**(CONTINUED)**

**19. Inventories**

| | Group | |
|---|---|---|
| | **2012** | **2011** |
| | **RM** | **RM** |
| Cost | | |
| Crude palm oil and palm kernel | 24,452,142 | 28,807,632 |
| Consumable stores | 3,097,158 | 2,066,270 |
| Oil palm nurseries | 4,415,268 | 1,304,437 |
| Fish feed | 128,204 | 103,163 |
| Food, beverages and tobacco | 125,851 | 124,397 |
| Operating supplies | 161,149 | 174,690 |
| | 32,379,772 | 32,580,589 |

There were no inventories stated at net realisable value as at 31 December 2012 and 2011. During the year, the amount of inventories recognised as an expense in cost of sales of the Group was RM263,113,381 (2011: RM264,214,323).

**20. Trade and other receivables**

| | Group | | Company | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| | **RM** | **RM** | **RM** | **RM** |
| | | | | **(Restated)** |
| **Current** | | | | |
| **Trade receivables** | | | | |
| Third parties | 10,532,079 | 12,386,965 | - | - |

# 18 NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
**(CONTINUED)**

**20. Trade and other receivables (continued)**

| | Group | | Company | |
|---|---|---|---|---|
| | **2012 RM** | **2011 RM** | **2012 RM** | **2011 RM (Restated)** |
| **Other receivables (continued)** | | | | |
| Proceeds receivable from sale of heavy equipment and motor vehicles | - | 1,114,570 | - | - |
| Advances to contractors (b) | 3,589,321 | 7,401,997 | - | - |
| Advance to a FFB supplier (c) | 3,623,967 | - | - | - |
| Indonesian value added tax refundable | 713,981 | - | - | - |
| Judgment sum refundable from litigation case (Note 34 (a)) | 565,686 | - | - | - |
| Amount due from a fishery lessee (d) | 66,909 | - | - | - |
| Staff loans (e) | 358,200 | 264,063 | 14,079 | 15,010 |
| Sundry deposits | 572,059 | 886,091 | 15,712 | 15,000 |
| Sundry receivables | 1,515,586 | 1,462,167 | 1,613 | - |
| | 11,005,709 | 11,128,888 | 31,404 | 30,010 |
| Less: Allowance for impairment Sundry receivables | (3,092) | (3,092) | - | - |
| | 11,002,617 | 11,125,796 | 31,404 | 30,010 |
| | 21,534,696 | 23,512,761 | 31,404 | 30,010 |
| **Non-current** | | | | |
| **Other receivables** | | | | |
| Foreign companies pending completion of acquisition: | | | | |
| - Deposits paid for purchase consideration and incidental costs | 23,607,263 | 32,302,925 | - | - |
| - Advances for working capital | 8,728,813 | 15,318,372 | - | - |
| Amounts due from foreign subsidiaries' non-controlling interests | 650,465 | 262,125 | - | - |
| Amount due from a fishery lessee | 466,813 | - | - | - |
| Deposits paid for leases of land | 1,422,289 | 1,430,894 | - | - |
| Deposit for shipment of mill machinery and related incidental costs | 523,545 | - | - | - |
| | 35,399,188 | 49,314,316 | - | - |

# 18 NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
**(CONTINUED)**

**20. Trade and other receivables (continued)**

| | Group | | Company | |
|---|---|---|---|---|
| | **2012 RM** | **2011 RM** | **2012 RM** | **2011 RM (Restated)** |
| Total trade and other receivables (current and non-current) | 56,933,884 | 72,827,077 | 31,404 | 30,010 |
| Add: Cash and bank balances (Note 21) | 10,953,997 | 27,077,796 | 1,737,367 | 6,133,095 |
| Total loans and receivables | 67,887,881 | 99,904,873 | 1,768,771 | 6,163,105 |

**(a) Trade receivables**

Trade receivables are non-interest bearing and are generally on 7 to 60 day (2011: 7 to 60 day) term. They are recognised at their original invoice amounts which represent their fair values on intial recognition.

Aging analysis of trade receivables

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

| | Group | |
|---|---|---|
| | **2012 RM** | **2011 RM** |
| Neither past due nor impaired | 9,730,386 | 11,505,416 |
| 1 to 30 days past due not impaired | 209,999 | 517,322 |
| 31 to 60 days past due not impaired | 404,683 | 178,250 |
| 61 to 90 days past due not impaired | 42,683 | 15,171 |
| 91 to 120 days past due not impaired | 63,103 | 625 |
| More than 121 days past due not impaired | 81,225 | 170,181 |
| | 801,693 | 881,549 |
| | 10,532,079 | 12,386,965 |

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. Approximately 78% (2011: 89%) of the Group's trade receivables arise from refinery customers which are subsidiaries of well-established listed plantation groups.

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

18 **NOTES TO THE FINANCIAL STATEMENTS**
**For the financial year ended 31 December 2012**
**(CONTINUED)**

**20. Trade and other receivables (continued)**

**(a) Trade receivables (continued)**

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM801,693 (2011: RM881,549) that are past due at the reporting date but not impaired. These balances are unsecured in nature.

**(b) Advances to contractors**

The advances were made to contractors engaged by the Group's Indonesian subsidiaries for oil palm plantation development and these advances are interest-free and will be deducted against future progress billings for contract work done by the contractors.

**(c) Advance to a FFB supplier**

The advance was made to a major FFB supplier to secure its long term supply of FFB to a subsidiary's palm oil mill. The advance is subject to interest charge at BLR + 1.5% per annum and to be deducted in fourteen monthly instalments by way of set-off or deduction from the monthly FFB purchase considerations commencing October 2012.

**(d) Amount due from a fishery lessee**

The amount is in respect of monthly fishery operating costs incurred since May 2010 which was paid on behalf of a lessee which had entered into a rental agreement with the subsidiary, Better Prospects Sdn. Bhd. to lease a portion of the subsidiary's fish nursery and hatchery building and its equipment. This amount is repayable in 120 monthly instalments and subject to effective interest charge of 8.43% per annum. In the event of the rental agreement is terminated, this amount will be repayable upon demand. The lessee is a Japanese owned company which is currently conducting research and development on fish rearing using indoor fibre tank technology in the subsidiary's fish nursery and hatchery building.

**(e) Staff loans**

The above amount is unsecured and is repayable upon demand.

Other receivables that are impaired

At the reporting date, the Group has provided an allowance of RM3,092 (2011: RM3,092) for impairment of sundry receivables with nominal amounts of RM3,092 (2011: RM3,092). The debts collection from these sundry receivables which are individually determined to be impaired at the reporting date are doubtful. These sundry receivables are not secured by any collateral or credit enhancements.

The movements of the allowance accounts used to record the impairment are as follows:

| | **Group** | |
|---|---|---|
| | **2012 RM** | **2011 RM** |
| At 1 January and 31 December | 3,092 | 3,092 |

# 18 NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
**(CONTINUED)**

**21. Cash and bank balances**

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM | 2011 RM | 2012 RM | 2011 RM |
| Cash on hand and at banks | 10,940,030 | 27,064,273 | 1,737,367 | 6,133,095 |
| Fixed deposits with licensed banks | 13,967 | 13,523 | - | - |
| Cash and bank balances | 10,953,997 | 27,077,796 | 1,737,367 | 6,133,095 |

Cash at certain banks earns interest at floating rates based on daily bank deposit rates. All the fixed deposits of the Group are placed on 12 months tenure on a renewable basis at maturity dates and are held under lien to secure bank guarantees issued in favour of third parties on behalf of the Group. The interest rate of the fixed deposits is 3.20% per annum (2011: 3.30%).

For the purpose of the consolidated statements of cash flow, cash and cash equivalents comprise the following at the reporting date:

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM | 2011 RM | 2012 RM | 2011 RM |
| Cash and bank balances | 10,953,997 | 27,077,796 | 1,737,367 | 6,133,095 |
| Bank overdraft (Note 22) | (185,982) | - | (185,982) | - |
| Total cash and cash equivalents | 10,768,015 | 27,077,796 | 1,551,385 | 6,133,095 |

**22. Loans and borrowings**

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM | 2011 RM | 2012 RM | 2011 RM |
| **Current** | | | | |
| Unsecured: | | | | |
| Bank overdraft (Note 21) | 185,982 | - | 185,982 | - |
| Secured: | | | | |
| Revolving credits | 46,119,170 | 18,027,872 | 28,064,430 | 10,019,858 |
| Bankers' acceptances | 3,988,000 | 2,742,000 | - | - |
| Bank loans | 10,443,360 | 4,983,820 | 10,443,360 | 4,983,820 |
| Obligations under finance leases (Note 28(c)) | 449,870 | 147,725 | - | - |
| | 61,186,382 | 25,901,417 | 38,693,772 | 15,003,678 |
| **Non-current** | | | | |
| Secured: | | | | |
| Bank loans | 92,067,127 | 52,349,000 | 92,067,127 | 52,349,000 |
| Obligations under finance leases (Note 28(c)) | 1,929,979 | 247,995 | - | - |
| | 93,997,106 | 52,596,995 | 92,067,127 | 52,349,000 |

# 18 NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
**(CONTINUED)**

**22. Loans and borrowings (continued)**

| | Group | | Company | |
|---|---|---|---|---|
| | **2012 RM** | **2011 RM** | **2012 RM** | **2011 RM** |
| **Total loans and borrowings** | | | | |
| Bank overdraft (Note 21) | 185,982 | - | 185,982 | - |
| Revolving credits | 46,119,170 | 18,027,872 | 28,064,430 | 10,019,858 |
| Bankers' acceptances | 3,988,000 | 2,742,000 | - | - |
| Bank loans | 102,510,487 | 57,332,820 | 102,510,487 | 57,332,820 |
| Obligations under finance leases (Note 28) | 2,379,849 | 395,720 | - | - |
| | 155,183,488 | 78,498,412 | 130,760,899 | 67,352,678 |

All the above loans and borrowings are denominated in Ringgit Malaysia. The remaining maturities of the loans and borrowings as at 31 December 2012 are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2012 RM** | **2011 RM** | **2012 RM** | **2011 RM** |
| On demand or within one year | 61,186,382 | 25,901,417 | 38,693,772 | 15,003,678 |
| More than 1 year and less than 2 years | 15,434,370 | 10,520,397 | 14,947,360 | 10,443,360 |
| More than 2 years and less than 5 years | 60,913,249 | 36,028,438 | 59,470,280 | 35,857,480 |
| 5 years or more | 17,649,487 | 6,048,160 | 17,649,487 | 6,048,160 |
| | 155,183,488 | 78,498,412 | 130,760,899 | 67,352,678 |

Bank overdraft

Bank overdraft is repayable on demand and bears interest at BLR + 0.50% (2011: BLR + 1.30%) per annum.

Revolving credits

Revolving credits are roll-overed on a monthly basis subject to bank's review and bear interests ranging from Cost of Fund (COF) + 1.00% to COF + 1.50% (2011: from COF + 1.25% to COF + 1.50%) per annum. The revolving credits are secured by legal charges over several parcels of long term leasehold land and biological assets of certain subsidiaries as disclosed in Note 14 and Note 16 to the financial statements and a corporate guarantee given by the Company as disclosed in Note 23 to the financial statements.

Bankers' acceptances

Bankers' acceptances are drawn on 120 days tenure and bear interest at COF + 1.25% (2011: COF + 1.25%) per annum. They are secured by corporate guarantees given by the Company as disclosed in Note 23 to the financial statements.

# 18 NOTES TO THE FINANCIAL STATEMENTS For the financial year ended 31 December 2012 (CONTINUED)

**22. Loans and borrowings (continued)**

Bank loans

The Group's bank loans consist of the following:

(a) five floating rate term loans granted to the Company bearing interest at COF + 1.50% of which two are expected to be fully repaid over approximately 3 years in 2015, another two over approximately 5 years in 2017 and the other one over approximately 6 years in 2018 respectively. These bank loans are secured by:

(i) legal charges over several parcels of long term leasehold land and biological assets of certain subsidiaries as disclosed in Note 14 and Note 16 to the financial statements;
(ii) investment in the unquoted shares of a subsidiary as disclosed in Note 18 to the financial statements; and
(iii) corporate guarantees given by certain subsidiaries.

(b) one floating rate term loan granted to the Company bearing interest at COF + 1.30% and it is expected to be fully repaid over approximately 7 years in 2019. The bank loan is secured by:

(i) legal charges over several parcels of long term leasehold land and biological assets of certain subsidiaries as disclosed in Note 14 and Note 16 to the financial statements; and
(ii) corporate guarantees given by certain subsidiaries.

Obligations under finance leases

These obligations are secured by charges over leased assets as disclosed in Note 14 to the financial statements and corporate guarantees given by the Company as disclosed in Note 23 to the financial statements. The discount rates implicit in the leases range from 4.73% to 6.54% (2011: 4.30% to 6.30%) per annum. These obligations have maturities ranging from 2015 to 2017.

# 18 NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
**(CONTINUED)**

**23. Trade and other payables**

| | Group | | Company | |
|---|---|---|---|---|
| | **2012 RM** | **2011 RM** | **2012 RM** | **2011 RM** |
| **Trade payables** | | | | |
| Third parties | 21,430,472 | 20,480,337 | - | - |
| **Other payables** | | | | |
| Amounts due to related parties: | | | | |
| Subsidiaries | | | | |
| - Balances arising from Group internal restructuring exercise | - | - | 18,916,999 | 26,352,111 |
| - Balances arising from ordinary business activities | - | - | - | 224,321 |
| - Interest-bearing advances | - | - | 15,196,282 | - |
| - Interest-free advances | - | - | - | 47,123,468 |
| | - | - | 34,113,281 | 73,699,900 |
| Sundry deposits | 27,100 | 23,200 | - | - |
| Deposits received for mill's waste products | - | 671,517 | - | - |
| Accruals | 9,463,353 | 6,694,435 | 110,012 | 110,000 |
| Sundry payables | 7,165,736 | 8,369,440 | 1,060,278 | 1,738,096 |
| | 16,656,189 | 15,758,592 | 1,170,290 | 1,848,096 |
| Total trade and other payables | 38,086,661 | 36,238,929 | 35,283,571 | 75,547,996 |
| Add: Loans and borrowings (Note 22) | 155,183,488 | 78,498,412 | 130,760,899 | 67,352,678 |
| Total financial liabilities carried at amortised cost | 193,270,149 | 114,737,341 | 166,044,470 | 142,900,674 |

# 18 NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
**(CONTINUED)**

**23. Trade and other payables (continued)**

**(a) Trade payables**

These amounts are non-interest bearing. Trade payables are normally settled within the trade credit terms granted to the Group ranging from 30 days to 90 days (2011: 30 days to 90 days).

**(b) Amounts due to related parties**

These amounts are unsecured, repayable on demand and subject to interest charge at rates ranging from 4.39% to 5.00% (2011: Nil) per annum.

**(c) Other payables**

These amounts are non-interest bearing. Other payables are normally settled within a term of 6 months (2011: 6 months).

**(d) Financial guarantees**

The fair value of financial guarantees provided by the Company to the banks and a supplier to secure banking/credit facilities granted to subsidiaries as disclosed in Note 22 with nominal amount of RM36,585,200 (2011: RM34,205,300) are negligible as the probability of the financial guarantees being called upon is remote due to the following factors:-

(a) most of the outstanding loans and borrowings are adequately secured by properties, plant and equipment of the subsidiaries in which their market values upon realisation are higher than the outstanding loan and borrowing amounts;

(b) for short term loans and borrowings which are not secured by properties, plant and equipment of the subsidiaries, the respective subsidiaries will be able to meet their short term loans and borrowings obligations as and when they are due as they are in net current assets positions.

## 24. Deferred tax

| | As at 1 January 2011 RM | Recognised in profit or loss (Note 11) RM | Exchange differences RM | As at 31 December 2011 RM | Recognised in profit or loss (Note 11) RM | Acquisition of subsidiary (Note 18) RM | Exchange differences RM | As at 31 December 2012 RM |
|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | |
| **Deferred tax liabilities:** | | | | | | | | |
| Property, plant and equipment, land use rights and biological assets | 35,881,412 | 36,013 | 5,491 | 35,922,916 | 1,895,724 | 668,713 | (38,534) | 38,448,819 |
| **Deferred tax assets:** | | | | | | | | |
| Unabsorbed capital and agriculture allowances | (1,268,572) | 632,728 | (5,491) | (641,335) | (1,719,637) | (379,714) | 38,534 | (2,702,152) |
| Unutilised tax losses | (1,177,546) | (128,503) | - | (1,306,049) | (681,781) | - | - | (1,987,830) |
| Unabsorbed reinvestment allowances | - | (434,019) | - | (434,019) | 434,019 | - | - | - |
| | (2,446,118) | 70,206 | (5,491) | (2,381,403) | (1,967,399) | - | - | (4,689,982) |
| | 33,435,294 | 106,219 | - | 33,541,513 | (71,675) | 288,999 | - | 33,758,837 |

**24. Deferred tax (continued)**

| | As at 1 January 2011 RM | Recognised in profit or loss (Note 11) RM | As at 31 December 2011 RM | Recognised in profit or loss (Note 11) RM | As at 31 December 2012 RM |
|---|---|---|---|---|---|
| **Company** | | | | | |
| **Deferred tax liabilities:** | | | | | |
| Property, plant and equipment | 52,206 | (749) | 51,457 | (2,442) | 49,015 |
| **Deferred tax assets:** | | | | | |
| Unabsorbed capital allowances | - | - | - | (9,899) | (9,899) |
| Unutilised tax losses | (1,177,546) | 145,202 | (1,032,344) | (217,652) | (1,249,996) |
| | (1,177,546) | 145,202 | (1,032,344) | (227,551) | (1,259,895) |
| | (1,125,340) | 144,453 | (980,887) | (229,993) | (1,210,880) |

| | Group 2012 RM | Group 2011 RM | Company 2012 RM | Company 2011 RM |
|---|---|---|---|---|
| Presented after appropriate offsetting as follows: | | | | |
| Deferred tax assets | (1,214,985) | (980,887) | (1,210,880) | (980,887) |
| Deferred tax liabilities | 34,973,822 | 34,522,400 | - | - |
| | 33,758,837 | 33,541,513 | (1,210,880) | (980,887) |

Unrecognised deferred tax assets

Due to uncertainty of recoverability, deferred tax assets have not been recognised in respect of the following items which are available for offsetting against future taxable profits of the respective subsidiaries in which those items arose:

| | Group 2012 RM | Group 2011 RM | Company 2012 RM | Company 2011 RM |
|---|---|---|---|---|
| Unutilised tax losses | 5,701,805 | 5,742,135 | - | - |
| Unabsorbed capital and investment tax allowances | 1,905,541 | 1,561,200 | - | - |
| | 7,607,346 | 7,303,335 | - | - |

# 18 NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
**(CONTINUED)**

**24. Deferred tax (continued)**

Unrecognised deferred tax assets (continued)

The availability of unutilised tax losses and unabsorbed capital and agriculture allowances of the Group for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to no substantial changes in shareholdings of those subsidiaries under the Income Tax Act, 1967 and guidelines issued by the tax authority. The use of tax losses of subsidiary in other country is subject to agreement of the tax authorities and compliance with certain provisions of the tax legislation of the other country in which the subsidiary operates.

The unutilised tax losses in the foreign subsidiaries amounting to RM1,343,833 (2011: RM585,740) are available for carry forward in the jurisdiction in which the foreign subsidiary operates for a period of 5 years from the year in which those tax losses arose.

Tax consequences of proposed dividend

There are no income tax consequences (2011: nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 13).

**25. Share capital**

| | Number of Ordinary Shares of RM1 Each | | Amount | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 RM | 2011 RM |
| **Authorised** | | | | |
| At 1 January and 31 December | 500,000,000 | 500,000,000 | 500,000,000 | 500,000,000 |
| **Issued and fully paid** | | | | |
| At 1 January and 31 December | 120,000,000 | 120,000,000 | 120,000,000 | 120,000,000 |

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's residual assets.

**26. Retained earnings**

The Company has elected for the irrevocable option under the Finance Act 2007 to disregard the 108 balance. Hence, the Company will be able to distribute dividends out of its entire retained earnings as at 31 December 2012 and 2011 under the single tier system.

**27. Foreign currency translation reserve**

The foreign currency translation reserve represents exchange difference from the translation of the financial statements of a foreign subsidiary whose functional currency is different from that of the Group's presentation currency.

# 18 NOTES TO THE FINANCIAL STATEMENTS For the financial year ended 31 December 2012 (CONTINUED)

## 28. Commitments

### (a) Capital commitments

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

| | Group | |
|---|---|---|
| | 2012 RM | 2011 RM |
| Capital expenditure | | |
| | | |
| Approved and contracted for: | | |
| Construction of: | | |
| - estate buildings and infrastructure | 3,499,910 | - |
| - mill buildings and infrastructure | 262,232 | - |
| - fishery infrastructure | 377,567 | - |
| - palm oil mill in an Indonesian subsidiary | 22,048,330 | - |
| Acquisition of: | | |
| - oil mill plant and machinery | - | 130,240 |
| - foreign subsidiaries | 2,686,397 | 2,686,397 |
| | 28,874,436 | 2,816,637 |
| | | |
| Approved but not contracted for: | | |
| Plantation development costs | 19,207,425 | 18,771,839 |
| | 48,081,861 | 21,588,476 |

### (b) Operating lease commitments – as lessee

Details of land use rights and the amortisation of land use rights recognised in profit or loss are disclosed in Note 15 to the financial statements.

# 18 NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
**(CONTINUED)**

**28. Commitments (continued)**

**(c) Finance lease commitments**

The Group has finance leases for certain property, plant and equipment as disclosed in Note 14 to the financial statements. Future minimum lease payments under finance leases together with present value of the net minimum lease payments are as follows:

| | Group | |
|---|---|---|
| | 2012 RM | 2011 RM |
| **Minimum lease payments:** | | |
| Not later than 1 year | 596,628 | 171,617 |
| Later than 1 year and not later than 2 years | 596,628 | 87,744 |
| Later than 2 years and not later than 5 years | 1,573,419 | 180,555 |
| Total minimum lease payments | 2,766,675 | 439,916 |
| Less: Amount representing finance charges | (386,826) | (44,196) |
| Present value of minimum lease payments | 2,379,849 | 395,720 |
| **Present value of payments:** | | |
| Not later than 1 year | 449,870 | 147,725 |
| Later than 1 year and not later than 2 years | 487,010 | 77,037 |
| Later than 2 years and not later than 5 years | 1,442,969 | 170,958 |
| Present value of minimum lease payments | 2,379,849 | 395,720 |
| Less: Amount due within 12 months (Note 22) | (449,870) | (147,725) |
| Amount due after 12 months (Note 22) | 1,929,979 | 247,995 |

# 18 NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
**(CONTINUED)**

**29. Related party transactions**

**(a) Sale and purchase of goods and services**

In addition to the related party information disclosed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties at terms agreed between the parties during the financial year:

| | 2012<br>RM | 2011<br>RM |
|---|---|---|
| **Group** | | |
| **Transactions with a company in which the Directors of the Company, Loo Ngin Kong is a director and shareholder and Wong Siew Ying is a shareholder:** | | |
| Ladang Hassan & Loo Sdn. Bhd. | | |
| - Transportation income | 58,070 | 18,785 |
| - Purchase of fresh fruit bunches | 561,904 | 850,846 |
| **Transactions with companies in which a Director of the Company, Dato' Loo Pang Kee is a director and has interests:** | | |
| Rental expense charged by Piquet Holdings Sdn. Bhd. | 60,000 | 90,000 |
| **Transactions with a Director of the Company, Loo Ngin Kong:** | | |
| Rental expense | 43,200 | 40,800 |
| Purchase of fresh fruit bunches | 29,363 | 65,259 |
| **Transactions with a company in which a Director of the Company, Dr. Edmond Fernandez is a director and shareholder:** | | |
| Klinik Elopura Sdn. Bhd. | | |
| - Medical expenses | 9,098 | 8,191 |
| - Rental income | 5,400 | - |

# 18 NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
**(CONTINUED)**

**29. Related party transactions (continued)**

**(a) Sale and purchase of goods and services (continued)**

| | 2012 RM | 2011 RM |
|---|---|---|
| **Group (continued)** | | |
| **Transactions with a company in which a Director of the Company, Dato' Koh Kin Lip is a director and has indirect interests:** | | |
| Purchase of quarry stones from Sukau Quarry Sdn. Bhd. | 22,848 | 4,899 |
| **Company** | | |
| **Transactions with subsidiaries:** | | |
| Purchasing handling expenses | 14,280 | 14,760 |
| Interest expense on advances and related charges | 694,171 | 458,368 |
| Interest income on advances | 2,566,566 | 2,181,225 |
| Room expenses | 8,945 | 10,638 |
| Management fees income | 7,459,500 | 6,812,800 |
| Rental expense of premises | 90,000 | 90,000 |
| Transportation expenses | 58,730 | 56,195 |

**(b) Compensation of key management personnel**

The remuneration of Directors who are also the members of key management during the year was as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM | 2011 RM | 2012 RM | 2011 RM |
| Short-term employee benefits | 3,286,773 | 3,488,530 | 3,103,853 | 3,300,473 |
| Defined contribution plan | 533,628 | 605,211 | 510,384 | 582,457 |
| | 3,820,401 | 4,093,741 | 3,614,237 | 3,882,930 |

# 18 NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
**(CONTINUED)**

**30. Fair value of financial instruments**

**Determination of fair value**

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

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

| | Note |
|---|---|
| Other receivables (non-current) | 20 |
| Trade and other receivables (current) | 20 |
| Trade and other payables (current) | 23 |
| Loans and borrowings (current) | 22 |
| Loans and borrowings (non-current) | 22 |

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.

The fair values of current loans and borrowings 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.

<u>Amounts due from/to subsidiaries, finance lease obligations and fixed rate bank loan</u>

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.

<u>Financial guarantees</u>

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.

# 18 NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
(CONTINUED)

**31. 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 foreign currency risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Group Finance Department overseen by an Executive Director. The audit committee provides independent oversight to the effectiveness of the risk management process.

It is, and has been throughout the current and previous financial years, the Group did not enter into any derivative contract for hedging.

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

**a) Credit risk**

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty defaults 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 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.

<u>Exposure to credit risk</u>

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; and
- A nominal amount of RM36,585,200 (2011: RM34,205,300) relating to corporate guarantees provided by the Company to the banks and a supplier to secure banking/credit facilities granted to subsidiaries.

# 18 NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
**(CONTINUED)**

**31. Financial risk management objectives and policies (continued)**

**a) Credit risk (continued)**

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date are as follows:

| | Group | | | |
|---|---|---|---|---|
| | 2012 | | 2011 | |
| | RM | % of total | RM | % of total |
| **By industry sectors:** | | | | |
| Plantation and mill | 9,432,641 | 90% | 11,034,707 | 89% |
| Fishery | 299,384 | 3% | 216,473 | 2% |
| Hotel | 800,054 | 7% | 1,135,785 | 9% |
| | 10,532,079 | 100% | 12,386,965 | 100% |

At the reporting date, approximately:

- 78% (2011: 89%) of the Group's trade receivables were due from 3 major customers which are subsidiaries of well-established listed plantation group in Malaysia; and
- almost all (2011: almost all) of the Company's receivables were balances with related parties.

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 20. Deposits with banks that are neither past due nor impaired are placed with or entered into with reputable financial institutions 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 20.

**b) Liquidity risk**

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

# 18 NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
(CONTINUED)

**31. Financial risk management objectives and policies (continued)**

**b) Liquidity risk (continued)**

As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness. At the reporting date, approximately 39% (2011: 33%) of the Group's loans and borrowings and approximately 30% (2011: 22%) of the Company's loans and borrowings (Note 22) 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 and the Company's liabilities at the reporting date based on contractual undiscounted amounts.

| | On demand or within one year RM | One to five years RM | Over five years RM | Total RM |
|---|---|---|---|---|
| **Group** | | | | |
| **2012** | | | | |
| **Financial liabilities:** | | | | |
| Trade and other payables | 38,086,661 | - | - | 38,086,661 |
| Loans and borrowings | 66,192,256 | 87,857,283 | 18,089,386 | 172,138,925 |
| Total undiscounted financial liabilities | 104,278,917 | 87,857,283 | 18,089,386 | 210,225,586 |
| **2011** | | | | |
| **Financial liabilities:** | | | | |
| Trade and other payables | 36,238,929 | - | - | 36,238,929 |
| Loans and borrowings | 28,641,282 | 52,618,773 | 6,174,130 | 87,434,185 |
| Total undiscounted financial liabilities | 64,880,211 | 52,618,773 | 6,174,130 | 123,673,114 |

31. **Financial risk management objectives and policies (continued)**

b) **Liquidity risk (continued)**

**Analysis of financial instruments by remaining contractual maturities (continued)**

| | On demand or within one year RM | One to five years RM | Over five years RM | Total RM |
|---|---|---|---|---|
| **Company** | | | | |
| **2012** | | | | |
| **Financial liabilities**: | | | | |
| Amounts due to related parties | 34,113,281 | - | - | 34,113,281 |
| Other payables, excluding financial guarantees * | 1,170,290 | - | - | 1,170,290 |
| Loans and borrowings | 43,552,888 | 85,687,236 | 18,089,386 | 147,329,510 |
| Total undiscounted financial liabilities | 78,836,459 | 85,687,236 | 18,089,386 | 182,613,081 |
| **2011** | | | | |
| **Financial liabilities:** | | | | |
| Amounts due to related parties | 73,699,900 | - | - | 73,699,900 |
| Other payables, excluding financial guarantees * | 1,848,096 | - | - | 1,848,096 |
| Loans and borrowings | 17,719,651 | 52,350,474 | 6,174,130 | 76,244,255 |
| Total undiscounted financial liabilities | 93,267,647 | 52,350,474 | 6,174,130 | 151,762,251 |

* At the reporting date, the counterparty to the financial guarantees does not have a right to demand cash as the default has not occurred. Accordingly, financial guarantees under the scope of FRS 139 are not included in the above maturity profile analysis.

**31. Financial risk management objectives and policies (continued)**

**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 and advances at floating rates given to/from related parties. The Company's advances at floating rate given to/from related parties form a natural hedge for its floating rate bank loans. All of the Group's and the Company's financial assets and liabilities at floating rates are contractually re-priced at intervals of at least one month (2011: at least one month) from the reporting date.

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

<u>Sensitivity analysis for interest rate risk</u>

At the reporting date, if interest rates had been 25 basis points lower/higher, with all other variables held constant, the Group's profit net of tax would have been RM286,507 higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

**d) Foreign currency risk**

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

The Group and the Company hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the reporting date, such foreign currency balances (mainly in US Dollars ("USD")) amounted to RM1,073,382 (2011: RM5,326,783) for both the Group and the Company.

The Group is exposed to currency translation risk arising from its net investment in Indonesian subsidiaries. The Group's net investment in Indonesia subsidiaries is not hedged as currency position in Indonesian Rupiah is considered to be long-term in nature.

<u>Sensitivity analysis for foreign currency risk</u>

At the reporting date, if the USD had been 5% strengthened/weakened, with all other variables held constant, the Group's and the Company's profit net of tax would have been RM50,850 (2011: RM266,339) higher/lower.

# 18 NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
**(CONTINUED)**

**32. Capital management (continued)**

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 shareholder 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 total loans and borrowings less cash and bank balances divided by equity attributable to equity owners of the parent. The Group's policy is to maintain the Group's net gearing ratio within 75% which is one of the loan covenants imposed by a lending bank. The calculations of the Group's and Company's gearing ratios are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2012 RM** | **2011 RM** | **2012 RM** | **2011 RM** |
| Loans and borrowings (Note 22) | 155,183,488 | 78,498,412 | 130,760,899 | 67,352,678 |
| Less: Cash and bank balances (Note 21) | (10,953,997) | (27,077,796) | (1,737,367) | (6,133,095) |
| | 144,229,491 | 51,420,616 | 129,023,532 | 61,219,583 |
| Equity attributable to the owners of the parent | 298,017,633 | 296,832,637 | 121,610,939 | 121,789,449 |
| **Net gearing ratio** | 48% | 17% | 106% | 50% |

**33. Segment information**

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

(a) The plantation and mill segment is involved in cultivation and sale of oil palm products.
(b) The fishery segment is involved in fish rearing, hatchery and sale of fish and fries.
(c) The hotelier segment is involved in hotel operations.
(d) The corporate segment is involved in Group-level corporate services, treasury and purchasing functions and business investments.

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

# 18 NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
(CONTINUED)

**33. Segment information (continued)**

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.

| | Plantation and milling RM | Fishery RM | Hotelier RM | Corporate RM | Adjustments and eliminations RM | Notes | Per consolidated financial statements RM |
|---|---|---|---|---|---|---|---|
| **2012** | | | | | | | |
| **Revenue:** | | | | | | | |
| External customers | 391,695,513 | 1,538,132 | 6,928,559 | - | - | | 400,162,204 |
| Inter-segment | - | 10,081 | 8,945 | 7,459,500 | (7,478,526) | A | - |
| Total revenue | 391,695,513 | 1,548,213 | 6,937,504 | 7,459,500 | (7,478,526) | | 400,162,204 |
| **Results:** | | | | | | | |
| Interest income | 179,980 | 28,120 | - | 3,553 | - | | 211,653 |
| Depreciation and amortisation | 9,380,968 | 387,733 | 1,783,005 | 80,503 | - | | 11,632,209 |
| Other non-cash expenses | 55 | - | - | 595 | - | B | 650 |
| Segment profit/(loss) | 31,898,600 | 326,302 | (422,693) | - | (11,842,533) | C | 19,959,676 |
| **Assets:** | | | | | | | |
| Additions to non-current assets | 78,683,528 | 2,052,123 | 327,301 | 498,023 | - | D | 81,560,975 |
| Segment assets | 468,678,547 | 11,490,942 | 41,572,366 | 3,569,354 | 4,614,264 | E | 529,925,474 |
| **Segment liabilities** | 29,001,666 | 130,153 | 855,057 | 8,961,334 | 190,229,275 | F | 229,177,485 |
| **2011** | | | | | | | |
| **Revenue:** | | | | | | | |
| External customers | 448,978,288 | 2,708,759 | 7,175,833 | - | - | | 458,862,880 |
| Inter-segment | - | 16,735 | 10,638 | 6,812,800 | (6,840,173) | A | - |
| Total revenue | 448,978,288 | 2,725,494 | 7,186,471 | 6,812,800 | (6,840,173) | | 458,862,880 |
| **Results:** | | | | | | | |
| Interest income | 211,372 | - | - | 2,114 | - | | 213,486 |
| Depreciation and amortisation | 8,656,532 | 359,143 | 1,783,439 | 80,073 | - | | 10,879,187 |
| Other non-cash expenses | 5,732 | - | 899 | 5,650 | - | B | 12,281 |
| Segment profit/(loss) | 61,039,858 | 1,024,687 | (173,222) | - | (11,616,943) | C | 50,274,380 |
| **Assets:** | | | | | | | |
| Additions to non-current assets | 11,927,815 | 444,638 | 413,560 | 25,757 | - | D | 12,811,770 |
| Segment assets | 397,405,299 | 9,246,709 | 41,992,371 | 7,542,449 | 2,221,550 | E | 458,408,378 |
| **Segment liabilities** | 31,057,754 | 223,441 | 991,650 | 10,949,637 | 116,031,455 | F | 159,253,937 |

**33. Segment information (continued)**

A Inter-segment revenues are eliminated on consolidation.

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

| | Note | 2012 RM | 2011 RM |
|---|---|---|---|
| Loss on disposal of property, plant and equipment | 8 | 650 | 12,281 |

C The following items are deducted from segment profit to arrive at "Profit before tax" presented in the consolidated statement of comprehensive income:

| | 2012 RM | 2011 RM |
|---|---|---|
| Finance costs | 4,469,510 | 4,347,925 |
| Unallocated corporate expenses | 7,373,023 | 7,269,018 |
| | 11,842,533 | 11,616,943 |

D Additions to non-current assets consist of:

| | | |
|---|---|---|
| Property, plant and equipment | 63,577,722 | 9,210,327 |
| Biological assets | 17,776,538 | 3,228,650 |
| Land use rights | 206,715 | 372,793 |
| | 81,560,975 | 12,811,770 |

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

| | 2012 RM | 2011 RM |
|---|---|---|
| Deferred tax assets | 1,214,985 | 980,887 |
| Tax refundable | 3,399,279 | 1,240,663 |
| | 4,614,264 | 2,221,550 |

**33. Segment information (continued)**

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

| | 2012 RM | 2011 RM |
|---|---|---|
| Deferred tax liabilities | 34,973,822 | 34,522,400 |
| Income tax payable | 71,965 | 3,010,643 |
| Loans and borrowings | 155,183,488 | 78,498,412 |
| | 190,229,275 | 116,031,455 |

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

| | Revenues | | Non-current assets | |
|---|---|---|---|---|
| | 2012 RM | 2011 RM | 2012 RM | 2011 RM |
| Malaysia | 400,162,204 | 458,862,880 | 330,433,835 | 289,300,104 |
| Indonesia | - | - | 81,884,464 | 16,035,849 |
| | 400,162,204 | 458,862,880 | 412,318,299 | 305,335,953 |

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

| | 2012 RM | 2011 RM |
|---|---|---|
| Property, plant and equipment | 254,974,184 | 180,217,938 |
| Land use rights | 21,659,730 | 13,072,782 |
| Biological assets | 131,426,356 | 107,787,204 |
| Intangible assets | 4,258,029 | 4,258,029 |
| | 412,318,299 | 305,335,953 |

Information about major customers

Revenue from four (2011: four) major customers amount to RM384,541,738 (2011: RM431,082,160) arising from sale of crude palm oil and palm kernel by the plantation and mill segment.

# 18 NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
**(CONTINUED)**

**34. Significant events**

(a) On 20 January 2010, the High Court of Sabah awarded a judgment sum of RM565,686.44 being the claim by Atlantic Plantation Sdn. Bhd. (“Atlantic”) against Mature Land Sdn. Bhd. (“MLSB”), a wholly-owned subsidiary of the Company for alleged failure of delivery of vacant possession of 51.37 acres, a portion of the leasehold land being disposed by MLSB to Atlantic in October 2004. The judgment also states that upon full payment of the judgment sum and all interests imposed in the judgment, ownership of the said 51.37 acres shall revert to MLSB. MLSB has submitted a notice of appeal to the Court of Appeal on 11 February 2010. A conditional stay of judgment has been granted by the High Court of Sabah on 7 January 2011. The Court of Appeal had on 10 October 2012 allowed the appeal and set aside the High Court Order. The judgment sum of RM565,686.44 that was paid to the Court has been refunded to MLSB together with interest thereon on 28 February 2013.

However, Atlantic had on 9 November 2012 filed an application for leave to appeal to the Federal Court. The date of hearing has yet been fixed by the Federal Court.

(b) On 26 June 2012, the Company had announced to Bursa Malaysia that the Company’s wholly owned subsidiary, Sungai Kenali Sdn Bhd had successfully won the bid for the sale of 9,905.8 acres of agricultural land at Banggi Island, District of Kudat in the state of Sabah (“the Land”) of RM29,700,000 which was submitted at a public auction held by the Assistant Collector of Land Revenue Kudat on 20 June 2012 (“Auction Date”). The bid purchase price has been capitalised in the financial statements of SKSB during the financial year.

(c) On 7 July 2011, a wholly-owned subsidiary, Permata Alam Sdn. Bhd. (“PERMATA”) together with PT Rimba Melawai Mahakam, Ir. Heppy Trenggono and Hj. Rima Melati (collectively referred to as “the Sellers”) entered into a Conditional Sale And Purchase Agreement (“the CSPA”) with PT Jaya Prima Sentosa (“the Purchaser”) in relation to the Proposed Disposal of 5,000 fully paid up shares of IDR 1,000,000 each, representing 100% equity interests in PT Prasetia Utama (“PU”) at a consideration of USD6,368,176.50 (“the Proposed Disposal”). PERMATA has 90% beneficial interests in the equity of PU. Upon completion of the Proposed Disposal, PERMATA shall no longer pursue the application for approval from the Ministry of Law and Human Rights of the Republic of Indonesia to convert PU into a foreign investment company in order to ultimately acquire PU as a subsidiary. The completion of the Proposed Disposal is still pending for payment of the final instalment of the consideration by the Purchaser.

As at 31 December 2012, PERMATA has received a total amount of USD2 million (RM6,122,004). Subsequent to year end, PERMATA received an additional amount of USD1.5 million (RM4,573,000). The remaining disposal consideration is expected to be received in the financial year ending 31 December 2013.

# 18 NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
**(CONTINUED)**

**35. Comparatives**

The presentation and classification of items in the current year financial statements have been consistent with the previous financial year except that certain comparative amounts as at 31 December 2011 have been reclassified to conform with current year's presentation as follows:

| | As previously stated RM | Reclassifications RM | As restated RM |
|---|---|---|---|
| **Statements of financial position of the Group:** | | | |
| Investment in a foreign company held for sale | 16,337,150 | (6,122,004) | 10,215,146 |
| Trade and other payables | (42,360,933) | 6,122,004 | (36,238,929) |
| **Statement of financial position of the Company:** | | | |
| Investments in subsidiaries | 184,130,577 | 72,091,475 | 256,222,052 |
| Trade and other receivables | 72,121,485 | (72,091,475) | 30,010 |

**36. 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.

18

# NOTES TO THE FINANCIAL STATEMENTS
## For the financial year ended 31 December 2012
**(CONTINUED)**

**37. 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 and 2011 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 or 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 RM | 2011 RM | 2012 RM | 2011 RM |
| Total retained earnings or accumulated losses of the Company and its subsidiaries | | | | |
| - Realised | 300,899,583 | 294,002,384 | 419,916 | 637,895 |
| - Unrealised | (16,692,045) | (16,543,980) | 1,191,023 | 1,151,554 |
| | 284,207,538 | 277,458,404 | 1,610,939 | 1,789,449 |
| Less: Consolidation adjustments | (99,021,249) | (100,003,083) | - | - |
| Retained earnings as per financial statements | 185,186,289 | 177,455,321 | 1,610,939 | 1,789,449 |

19

# SHAREHOLDING STATISTICS as at 30 April 2013

## SHARE CAPITAL

| | | |
|---|---|---|
| Paid-Up & Issued Share Capital | : | 120,000,000 |
| Authorised Share Capital | : | 500,000,000 |
| Type of Shares | : | Ordinary shares of RM1.00 each |
| No. of shareholders | : | 923 |
| Voting Rights | : | One vote per ordinary share |

## DISTRIBUTION OF SHAREHOLDINGS

| Size of holdings | No. of Holders | % of Holders | Total Holdings | % of Holdings |
|---|---|---|---|---|
| 1 to 99 | 44 | 4.77 | 782 | 0.00 |
| 100 to 1,000 | 579 | 62.73 | 117,808 | 0.10 |
| 1,001 to 10,000 | 221 | 23.94 | 898,602 | 0.74 |
| 10,001 to 100,000 | 39 | 4.23 | 1,182,400 | 0.99 |
| 100,001 to 5,999,999* | 35 | 3.79 | 43,521,534 | 36.27 |
| 6,000,000 and above** | 5 | 0.54 | 74,278,874 | 61.90 |
| **Total** | 923 | 100.00 | 120,000,000 | 100.00 |

Notes: * Less than 5% of issued holdings
** 5% and above of issued holdings

## SUBSTANTIAL SHAREHOLDERS

According to the Register maintained under Section 69L of the Companies Act, 1965, the substantial shareholders' interests in shares of the Company (excluding bare trustees) are as follows:-

| | Ordinary shares of RM1.00 each | | | |
|---|---|---|---|---|
| | Direct interests | % | Indirect interests | % |
| Jubilant Ventures Sdn Bhd | 38,400,000 | 32.00 | - | - |
| Dato' Sri Koh Kin Lip, JP | 19,783,344 | 16.49 | 2,887,350*1 | 2.41 |
| Dato' Loo Pang Kee | 10,206,906 | 8.51 | 38,400,000*2 | 32.00 |
| Loo Ngin Kong | 7,961,724 | 6.63 | 6,950,000*3 | 5.79 |
| Wong Siew Ying | 2,872,684 | 2.39 | 45,350,000*4 | 37.79 |

Notes:
*1: Deemed interest via shareholdings of Rickoh Corporation Sdn. Bhd. in the Company pursuant to Section 6A(4), Companies Act, 1965 and via shareholdings of his daughter, Koh Se Gay, in the Company.
*2: Deemed interest via shareholdings of Jubilant Ventures Sdn. Bhd. in the Company pursuant to Section 6A(4), Companies Act, 1965.
*3: Deemed interest via shareholdings of his children, Loo Pang Chieng, Loo Pang How and Loo Mun May, in the Company.
*4: Deemed interest via shareholdings of Jubilant Ventures Sdn Bhd and via shareholdings of her children, Loo Pang Chieng, Loo Pang How and Loo Mun May, in the Company.

# 19 SHAREHOLDING STATISTICS as at 30 April 2013 (CONTINUED)

**DIRECTORS' INTERESTS**

According to the Register maintained under Section 134 of the Companies Act, 1965, the directors' interests in shares of the Company are as follows:-

| | Ordinary shares of RM1.00 each | | | |
|---|---|---|---|---|
| | **Direct interests** | **%** | **Indirect interests** | **%** |
| **Name of Directors** | | | | |
| Loo Ngin Kong | 7,961,724 | 6.63 | 6,950,000*1 | 5.79 |
| Dato' Seri Tengku Dr. Zainal Adlin Bin Tengku Mahamood | 1 | 0.00 | - | - |
| Dato' Loo Pang Kee | 10,206,906 | 8.51 | 38,400,000*2 | 32.00 |
| Wong Siew Ying | 2,872,684 | 2.39 | 45,350,000*3 | 37.79 |
| Lim Ted Hing | 804,000 | 0.67 | - | - |
| Dr. Edmond Fernandez | 32,300 | 0.03 | - | - |
| Dato' Sri Koh Kin Lip, JP | 19,783,344 | 16.49 | 2,887,350*4 | 2.41 |
| Tan Vun Su | 1 | 0.00 | - | - |

Notes:
*1: Deemed interest via shareholdings of his children, Loo Pang Chieng, Loo Pang How and Loo Mun May, in the Company.
*2: Deemed interest via shareholdings of Jubilant Ventures Sdn. Bhd. in the Company pursuant to Section 6A(4), Companies Act, 1965.
*3: Deemed interest via shareholdings of Jubilant Ventures Sdn. Bhd. in the Company pursuant to Section 6A(4), Companies Act, 1965 and via shareholdings of her children, Loo Pang Chieng, Loo Pang How and Loo Mun May, in the Company.
*4: Deemed interest via shareholdings of Rickoh Corporation Sdn. Bhd. in the Company pursuant to Section 6A(4), Companies Act, 1965 and via shareholdings of his daughter, Koh Se Gay, in the Company.

# SHAREHOLDING STATISTICS as at 30 April 2013 (CONTINUED)

**Thirty (30) Largest Securities Account Holders as at 30 April 2013**

| No. | Name | No. of Shares Held | % |
|---|---|---|---|
| 1 | Jubilant Ventures Sdn Bhd | 38,400,000 | 32.00 |
| 2 | UOBM Nominees (Asing) Sdn Bhd<br>Exempt An for Societe Generale Bank & Trust, Singapore Branch (Cust Asset) | 12,167,150 | 10.14 |
| 3 | Kenanga Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Dato' Sri Koh Kin Lip, JP | 10,750,000 | 8.96 |
| 4 | Loo Ngin Kong | 6,961,724 | 5.80 |
| 5 | Amsec Nominees (Tempatan) Sdn Bhd<br>Pledged Securites Account - AmBank (M) Berhad for Dato' Loo Pang Kee | 6,000,000 | 5.00 |
| 6 | Maybank Nominees (Tempatan) Sdn Bhd<br>Amanahraya Investment Management Sdn Bhd for Mutual Yield Sdn Bhd (C318-240203) | 5,452,500 | 4.54 |
| 7 | Loo Pang Chieng | 4,200,000 | 3.50 |
| 8 | Dato' Sri Koh Kin Lip, JP | 3,818,344 | 3.18 |
| 9 | Wong Siew Ying | 2,872,684 | 2.39 |
| 10 | Seah Sen Onn @ David Seah | 2,717,500 | 2.26 |
| 11 | AmSec Nominees (Tempatan) Sdn Bhd<br>Pledged Securites Account - AmBank (M) Berhad for Dato' Loo Pang Kee | 2,500,000 | 2.08 |
| 12 | Kenanga Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Junior Koh Siew Hui | 2,043,700 | 1.70 |
| 13 | Alliancegroup Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Dato' Sri Koh Kin Lip, JP (8058900) | 2,000,000 | 1.67 |
| 14 | EB Nominees (Tempatan) Sendirian Berhad<br>Pledged Securities Account for Dato' Sri Koh Kin Lip, JP (SFC 2) | 2,000,000 | 1.67 |
| 15 | Lai Ming Chun @ Lai Poh Lin | 2,000,000 | 1.67 |

# 19 SHAREHOLDING STATISTICS as at 30 April 2013 (CONTINUED)

**Thirty (30) Largest Securities Account Holders as at 30 April 2013 (cont'd)**

| No. | Name | No. of Shares Held | % |
|---|---|---|---|
| 16 | Loo Pang How | 2,000,000 | 1.67 |
| 17 | Cimsec  Nominees (Tempatan) Sdn Bhd<br>CIMB Bank for Rickoh Corporation Sdn Bhd (MY0507) | 1,500,000 | 1.25 |
| 18 | Rickoh Corporation Sdn Bhd | 1,317,350 | 1.10 |
| 19 | Cimsec Nominees (Tempatan) Sdn Bhd<br>CIMB Bank for Dato' Sri Koh Kin Lip, JP (MY0502) | 1,215,000 | 1.01 |
| 20 | AMMB Nominees (Tempatan) Sdn Bhd<br>AmBank (M) Berhad for Dato' Loo Pang Kee | 1,000,000 | 0.83 |
| 21 | Loo Ngin Kong | 1,000,000 | 0.83 |
| 22 | Loo Mun May | 750,000 | 0.63 |
| 23 | AmSec Nominees (Tempatan) Sdn Bhd<br>Pledged Securites Account - AmBank (M) Berhad<br>for Dato' Loo Pang Kee | 706,906 | 0.59 |
| 24 | Lim Ted Hing | 604,000 | 0.50 |
| 25 | Amsec Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account - AmBank (M) Berhad<br>for Kirana Senja Sdn Bhd | 600,000 | 0.50 |
| 26 | Koh Siew Boon | 515,800 | 0.43 |
| 27 | Public Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Lai Tan Kiong (E-SDK) | 352,100 | 0.29 |
| 28 | Citigroup Nominees (Asing) Sdn Bhd<br>Exempt An for UBS AG Singapore (Foreign) | 332,000 | 0.28 |
| 29 | Rosalind Lo Nyit Ying | 288,000 | 0.24 |
| 30 | Lie Tjie Moh @ Lee Chee Hiong | 265,000 | 0.22 |

20

# LIST OF PROPERTIES as at 31 December 2012

| Description/ Title/Location | Land area Hectares (unless otherwise stated) | Tenure (years) | Age of buildings (years) | Usage | Net book value as at 31.12.2012 RM | Date Acquired |
|---|---|---|---|---|---|---|
| **Plantation land** | | | | | | |
| Growth estate, KM 70, Sandakan-Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah | 183.05 | 99 years lease expiring 31 December 2077 and 31 December 2086 | N/A | Oil palm plantation | 4,849,651 | 2002 |
| Soon Tai estate, KM 71, Sandakan-Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah | 38.03 | 99 years lease expiring 31 December 2077 | N/A | Oil palm plantation | 980,864 | 2002 |
| Jejco estate, KM 71, Sandakan-Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah | 40.71 | 99 years lease expiring 31 December 2077 | N/A | Oil palm plantation | 1,913,846 | 2002 |
| Bintang estate, KM 71, Sandakan-Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah | 195.47 | 99 years lease expiring 31 December 2078 | N/A | Oil palm plantation | 5,433,731 | 2002 |
| SROPP estate, KM 73, Sandakan-Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah | 224.94 | 99 years lease expiring 31 December 2077 and 31 December 2080 | N/A | Oil palm plantation | 4,904,015 | 2002 |
| Teh estate, KM 75, Sandakan-Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah | 242.81 | 99 years lease expiring 31 December 2077 and 31 December 2079 | N/A | Oil palm plantation | 7,491,983 | 2005 |
| Ballerina estate, KM 80, Sandakan-Telupid-Kota Kinabalu Highway, District of Kinabatangan, Sabah | 163.13 | 99 years lease expiring 31 December 2077 | N/A | Oil palm plantation | 4,073,886 | 2002 |

# 20 LIST OF PROPERTIES as at 31 December 2012 (CONTINUED)

| Description/ Title/Location | Land area Hectares (unless otherwise stated) | Tenure (years) | Age of buildings (years) | Usage | Net book value as at 31.12.2012 RM | Date Acquired |
|---|---|---|---|---|---|---|
| **Plantation land (Cont'd.)** | | | | | | |
| Sebuda estate, KM 80, Sandakan-Telupid-Kota Kinabalu Highway, District of Kinabatangan, Sabah | 316.00 | 99 years lease expiring 31 December 2078 | N/A | Oil palm plantation | 6,733,866 | 2002 |
| Telupid estates, KM 80 & KM 100, Sandakan-Telupid-Kota Kinabalu Highway, Districts of Kinabatangan & Labuk-Sugut, Sabah | 1,379.95 | 99 years lease expiring 31 December 2078 | N/A | Oil palm plantation | 33,730,272 | 2002 |
| Berkat estate, Mile 62, Sandakan-Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah | 101.71 | 99 years lease 31 December 2096 | N/A | Oil palm plantation | 1,747,840 | 2002 & 2005 |
| Bonus Indah estate, KM 111, Sandakan-Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah | 999.60 | 99 years lease expiring 31 December 2091 | N/A | Oil palm plantation | 25,089,746 | 2002 |
| Berkat estate, KM 111, Sandakan-Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah | 432.50 | 99 years lease expiring 31 December 2083 and 31 December 2093 | N/A | Oil palm plantation | 8,241,495 | 2002 |
| Kian Merculaba estate, KM 113, Sandakan-Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah | 498.40 | 99 years lease expiring 31 December 2091 | N/A | Oil palm plantation | 8,193,503 | 2003 |
| Natural estate, KM 124, Sandakan-Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah | 102.19 | 99 years lease expiring 31 December 2079 | N/A | Oil palm plantation | 2,562,762 | 2002 |

20

# LIST OF PROPERTIES as at 31 December 2012 (CONTINUED)

| Description/ Title/Location | Land area Hectares (unless otherwise stated) | Tenure (years) | Age of buildings (years) | Usage | Net book value as at 31.12.2012 RM | Date Acquired |
|---|---|---|---|---|---|---|
| **Plantation land (Cont'd.)** | | | | | | |
| Miasa estate, KM 124, Sandakan-Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah | 440.90 | 99 years lease expiring 31 December 2079 and 31 December 2081 | N/A | Oil palm plantation | 9,871,130 | 2002 |
| Seraya estate, KM 124, Sandakan-Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah | 181.79 | 99 years lease expiring 31 December 2080 | N/A | Oil palm plantation | 4,291,806 | 2002 |
| Transglobe estate, KM 124, Sandakan-Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah | 302.80 | 99 years lease expiring 31 December 2082 | N/A | Oil palm plantation | 7,719,954 | 2002 |
| Sinar Ramai estate, KM 143, Sandakan-Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah | 192.30 | 99 years lease expiring 31 December 2086 | N/A | Oil palm plantation | 4,876,420 | 2002 |
| Intan Ramai estate, KM 143, Sandakan-Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah | 228.10 | 99 years lease expiring 31 December 2086 | N/A | Oil palm plantation | 4,419,855 | 2002 |
| Deltafort estate, KM 87, Segaliud Lokan, District of Kinabatangan, Sabah | 400.30 | 99 years lease expiring 31 December 2087 | N/A | Oil palm plantation & plantable reserve | 7,021,609 | 2002 |
| SROPP estate, KM87, Segaliud Lokan, District of Kinabatangan, Sabah | 40.47 | 99 years lease expiring 31 December 2077 | N/A | Oil palm plantation | 1,123,722 | 2002 |

# LIST OF PROPERTIES
## as at 31 December 2012 (CONTINUED)

| Description/ Title/Location | Land area Hectares (unless otherwise stated) | Tenure (years) | Age of buildings (years) | Usage | Net book value as at 31.12.2012 RM | Date Acquired |
|---|---|---|---|---|---|---|
| **Plantation land (Cont'd.)** | | | | | | |
| SROPP estate, KM30, Labuk Road, District of Sandakan, Sabah | 39.02 | 99 years lease expiring 31 December 2060 | N/A | Oil palm plantation | 1,660,151 | 2002 |
| Permata Alam estate, KM87, Sandakan-Lahad Datu Highway, District of Kinabatangan, Sabah | 200.30 | 99 years lease expiring 31 December 2085 | N/A | Oil palm plantation | 5,493,867 | 2003 |
| Sungai Kenali estate, KM87, Sandakan-Lahad Datu Highway, District of Kinabatangan, Sabah | 197.90 | 99 years lease expiring 31 December 2085 | N/A | Oil palm plantation | 3,538,569 | 2003 |
| Banggi estate, CL055324797 & PL056290085 Pulau Banggi District of Kudat, Sabah | 4,008.82 | 99 years lease expiring 31 December 2068 | N/A | Oil palm plantation | 32,977,412 | 2012 |
| **Other landed properties** | | | | | | |
| Ballerina, 2 adjoining double storey shophouses with a built-up area of 782.13m$^2$, Lot 8 & 9, Taman Tshun Ngen, Mile 5, Labuk Road, District of Sandakan, Sabah | 395.55m$^2$ | 999 years lease expiring 9 July 2887 | 38 | Office buildings | 848,295 | 2002 |
| Ballerina, 1 double storey shophouse with a built-up area of 391.07m$^2$, Lot 11, Taman Tshun Ngen, Mile 5, Labuk Road, District of Sandakan, Sabah | 197.78 m$^2$ | 999 years lease expiring 9 July 2887 | 38 | Office building | 280,604 | 2003 |
| Berkat, 1 double storey detached house, Lot 134, Taman Tshun Ngen, Mile 5, Labuk Road, District of Sandakan, Sabah | 11,120 sq ft | 999 years lease expiring 9 July 2887 | 30 | Employees' accomodation | 594,762 | 2007 |

20

# LIST OF PROPERTIES as at 31 December 2012 (CONTINUED)

| Description/ Title/Location | Land area Hectares (unless otherwise stated) | Tenure (years) | Age of buildings (years) | Usage | Net book value as at 31.12.2012 RM | Date Acquired |
|---|---|---|---|---|---|---|
| **Other landed properties (Cont'd.)** | | | | | | |
| SROPP palm oil mill with a built-up area of 6,232m², KM 87, Segaliud-Lokan, Sandakan-Lahad Datu Highway, District of Kinabatangan, Sabah | 35.39 | 99 years lease expiring 31 December 2077 | 18 | Palm oil mill | 7,313,232 | 2002 |
| Berkat palm oil mill, with a built-up area of 4,193.80m², KM 70, Sandakan-Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah | 4.05 | 60 years lease expiring 31 December 2044 | 27 | Palm oil mill | 7,217,940 | 2002 |
| Palace Hotel, 8 storey hotel building with 151 rooms and ancillary buildings together with hotel facilities, an open car park for visitors and a staff quarter with total floor area of 8,673 m², No. 1, Jalan Tangki, Karamunsing, Kota Kinabalu | 1.789 | 999 years lease expiring 31 December 2907, 12 June 2913 and 2 October 2915 and 99 years lease expiring 28 April 2065 | 18 | Hotel | 31,419,886 | 2007 & 2008 |
| Palace Ventures, three-storey shoplot with total floor area of 7,800 sq ft, Lot No. 56, Lorong Berjaya 5, Bandaran Berjaya, Kota Kinabalu, Sabah | 1,700 sq ft | 999 years lease expiring 21 January 2901 | 40 | Rental property | 2,272,842 | 2008 |
| Better Prospects, Sungai Obar, Mile 7, Off Airport Road, 90000 Sandakan, Sabah | 16.31 | 99 years lease expiring 31 December 2077 | 4 | Fish ponds, hatchery & nursery building | 5,433,224 | 2007, 2008 & 2012 |
| **TOTAL** | | | | | **254,322,740** | |

NPC RESOURCES BERHAD

(Company No. 502313-P)

(Incorporated in Malaysia under the Companies Act, 1965)

# APPENDIX A

## Details of the Proposed Amendments to the Articles of Association of the Company are as follows

(Note: Deletions are struckthrough and additions are underlined)

| Article No. | Existing Provisions | Proposed Provisions |
|---|---|---|
| **89.** | **Form of Proxy**<br><br>Notes:<br><br>(a) A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act, shall not apply to the Company.<br><br>**New Provision**<br><br>~~(c)~~ The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if such appointor is a corporation, either under its Common Seal or the hands of its officers or attorney duly authorised.<br><br>~~(d)~~ The instrument appointing a proxy shall be deposited at the Registered Office of the Company not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof. | **Form of Proxy**<br><br>Notes:<br><br>(a) A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act, shall not apply to the Company and there shall be no restriction as to the qualification of the proxy.<br><br>(c) Where a Member of the Company is an exempt authorised nomineee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominees may appoint in respect of each omnibus account it holds.<br><br>(d) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if such appointor is a corporation, either under its Common Seal or the hands of its officers or attorney duly authorised.<br><br>(e) The instrument appointing a proxy shall be deposited at the Registered Office of the Company not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof. |
| **176.** | ~~**Payment by post and discharge**~~<br><br>Any ~~dividend, interest~~ or other money payable in cash in respect of ~~shares~~ may be paid by cheque or warrant sent through the post direct to the registered address of the holder or by directly crediting the ~~shareholders' dividend entitlements into their~~ bank accounts as provided to the Depository from time to time. Every such cheque or warrant or direct crediting shall be made payable to the order of the person to whom it is sent. Where the ~~shareholders~~ have provided to the Depository the relevant contact details for purposes of electronic notifications, the Company shall notify them electronically once the Company has paid the cash ~~dividends~~ out of its accounts. Every such cheque or warrant or direct crediting shall be sent or made at the risk of the person entitled to the money thereby presented. | **Electronic payment of cash distributions**<br><br>Any cash distributions as prescribed by the Exchange from time to time which include:<br><br>(a) cash dividends;<br>(b) payments of interest or profit rates on debt securities or sukuk respectively;<br>(c) income distributions made by collective investment schemes;<br>(d) capital repayment; and<br>(e) cash payments in lieu of odd lots arising from distributions in specie<br><br>or other money payable in cash in respect of securities may be paid by cheque or warrant sent through the post direct to the registered address of the holder or by directly crediting the payments into the securities holders'bank accounts as provided to the Depository from time to time. Every such cheque or warrant or direct crediting shall be made payable to the order of the person to whom it is sent. Where the securities holders have provided to the Depository the relevant contact details for purposes of electronic notifications, the Company shall notify them electronically once the Company has paid the cash distributions out of its accounts. Every such cheque or warrant or direct crediting shall be sent or made at the risk of the person entitled to the money thereby presented. |

THIS PAGE IS INTENTIONALLY LEFT BLANK

THIS PAGE IS INTENTIONALLY LEFT BLANK

NPC Resources Berhad (502313-P)

# PROXY FORM

I/We, ____________________________________________

of ____________________________________________

being a member/members of NPC RESOURCES BERHAD, hereby appoint ____________________

of ____________________________________________

or failing him, ____________________________________________

of ____________________________________________

or failing him the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Thirteenth Annual General Meeting of the Company, to be held at the Conference Room 3, 6th Floor, The Palace Hotel, No. 1, Jalan Tangki, Karamunsing, 88100 Kota Kinabalu, Sabah on Tuesday, 25 June 2013 at 11.00 am or 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.

| No. | Resolutions | For | Against |
|---|---|---|---|
| 1 | To receive and adopt the Directors' Report and Audited Financial Statements for the financial year ended 31 December 2012. | | |
| 2 | To declare a final single tier dividend of 1 sen per share. | | |
| 3 | To re-appoint Mr Loo Ngin Kong as Director. | | |
| 4 | To re-appoint Dato' Seri Tengku Dr. Zainal Adlin Bin Tengku Mahamood as Director. | | |
| 5 | To re-elect Dato' Loo Pang Kee as Director. | | |
| 6 | To re-elect Mr Lim Ted Hing as Director. | | |
| 7 | To retain Mr Lim Ted Hing as Independent Non-Executive Director. | | |
| 8 | To retain Dr Edmond Fernandez as Independent Non-Executive Director. | | |
| 9 | To approve the payment of Directors' fees. | | |
| 10 | To re-appoint Messrs Ernst & Young as Auditors and to authorize the Directors to fix their remuneration. | | |
| 11 | Authority to issue shares pursuant to Section 132D, Companies Act, 1965. | | |
| 12 | Proposed Renewal of the Existing Shareholders' Mandate for Recurrent Related Party Transactions. | | |
| 13 | Proposed Renewal of Share Buy-Back Authority. | | |
| 14 | Proposed Amendments to the Articles of Association. | | |

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

Dated this day of 2013

| NO. OF SHARES HELD | |
|---|---|

_________________________
Signature(s) of Member(s)

*Notes:*

a) *A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965, shall not apply to the Company.*

b) *A member shall be entitled to appoint one (1) but not more than two (2) proxies to attend and vote at the same meeting and where a member appoints two (2) proxies to attend and vote instead of him at the same Meeting, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*

c) *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if such appointor is a corporation, either under its Common Seal or the hands of its officers or attorney duly authorised.*

d) *The instrument appointing a proxy shall be deposited at the Registered Office of the Company at Lot 9, T3, Taman Tshun Ngen, Mile 5, Jalan Labuk, 90000 Sandakan, Sabah, not less than forty-eight (48) hours before the time for holding the Meeting or any adjournment thereof.*

Fold this flap for sealing

Affix
Stamp

The Company Secretary
**NPC RESOURCES BERHAD**(Company No. 502313-P)
Lot 9, T3
Taman Tshun Ngen
Mile 5, Jalan Labuk
90000 Sandakan
Sabah

Then fold here

**NPC Resources Berhad**
Lot 9, T3, Taman Tshun Ngen, Mile 5, Jalan Labuk, 90000 Sandakan, Sabah MALAYSIA
Tel : **6-089-274488** Fax : **6-089-226711** Email : **info@npc.com.my**

www.npc.com.my