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MALPAC
**Malpac Holdings Berhad**
**(197424-V)**

# ANNUAL REPORT 2011

# CONTENTS

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Twenty-Second Annual General Meeting of the Company will be held at Dewan Tuanku Ja'afar, Royal Sungei Ujong Club, 2A, Jalan Dato' Kelana Ma'amor, 70000 Seremban, Negeri Sembilan Darul Khusus on Thursday, 21 June 2012 at 10.00 a.m. for the following purposes:-

**AGENDA**

1. To receive and adopt the audited financial statements for the year ended 31 December 2011 together with the Reports of the Directors and Auditors thereon. **(Resolution 1)**

2. To approve the payment of Directors' Fee of RM60,000.00 for the year ended 31 December 2011. **(Resolution 2)**

3. To re-elect the following Director who retires in accordance with Articles 80 and 82 of the Company's Articles of Association:

   Mr. Lim Hong Liang **(Resolution 3)**

4. To consider and if thought fit, pass the following Resolutions in accordance with Section 129(6) of the Companies Act, 1965:-

   4.1 "That Mr. Chew Loy Chee, retiring pursuant to Section 129(6) of the Companies Act, 1965, be and is hereby re-appointed as Director of the Company to hold office until the next Annual General Meeting." **(Resolution 4)**

   4.2 "That Mr. Tan Chon Sing @ Tan Kim Tieng, retiring pursuant to Section 129(6) of the Companies Act, 1965, be and is hereby re-appointed as Director of the Company to hold office until the next Annual General Meeting." **(Resolution 5)**

5. To appoint Auditors of the Company and to authorize the Directors to fix their remuneration. **(Resolution 6)**

6. As Special Business, to consider and if thought fit, to pass the following resolutions as an Ordinary Resolution:

   6.1 Authority to issue shares pursuant to Section 132(D) of the Companies Act, 1965

   "THAT pursuant to Section 132D of the Companies Act, 1965, and subject to the approval of the relevant governmental/regulatory authorities (if any shall be required), the Directors be and are hereby empowered to allot and issue shares in the Company, from time to time, at such price, upon such terms and conditions, for such purpose and to such person or persons whomsoever as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the issued share capital of the Company for the time being and THAT the Directors be and are hereby also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and THAT such authority shall continue to be in force until conclusion of the next annual general meeting of the Company." **(Resolution 7)**

# NOTICE OF ANNUAL GENERAL MEETING (cont'd)

6.2 Proposed renewal of authority to purchase its own shares by the Company.

"THAT, subject always to the Companies Act, 1965 ("Act"), the provisions of the Memorandum and Articles of Association of the Company and the Listing Requirements ("Listing Requirements") of the Bursa Malaysia Securities Berhad and the approvals of all relevant governmental and/or regulatory authorities, the Company be and is hereby authorised, to the extent permitted by law, to buy-back and/or hold such amount of ordinary shares of RM1.00 each in the Company ("Shares") and to take all such steps as are necessary (including the opening and maintaining of a central depositories account under the Securities Industry (Central Depositories) Act, 1991) and enter into any agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities from time to time and to do all such acts and things in the best interests of the Company, subject further to the following:-

(i) The aggregate number of Shares bought-back and/or held does not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company subject to the restriction that the issued and paid-up capital of the Company does not fall below the applicable minimum share capital requirement of the Listing Requirement;

(ii) The maximum amount to be allocated for the buy-back of the Company's own Shares shall not exceed the retained profits and the share premium account of the Company;

(iii) As prescribed by the act, rules, regulations and orders made pursuant to the act and the requirements of Bursa Securities and any other relevant authority for the time being in force; and

(iv) Upon completion of buy-back by the Company of its own Shares, the Directors of the Company are authorised to deal with the shares so bought-back in any of the following manner:-

(a) cancel the Shares so purchased; or

(b) retain the Shares so purchased as treasury shares and held by the Company; or

(c) retain part of the Shares so purchased as treasury shares and cancel the remainder,

and the treasury shares may be distributed as dividends to the Company's shareholders and /or resold on Securities Exchange and/or subsequently cancelled or any combination of the three and in any other manner.

The approval conferred by this resolution will commence immediately upon the passing of this resolution and will expire at the conclusion of the next annual general meeting of the Company at which time the authority shall lapse unless by ordinary resolution passed at a general meeting, the authority is renewed, either unconditionally or subject to conditions; or the expiration of the period within which the next annual general meeting after that date is required by law to be held; or the revocation or variation by ordinary resolution passed by the shareholders of the Company in a general meeting, whichever is the earliest; **(Resolution 8)**

# NOTICE OF ANNUAL GENERAL MEETING (cont'd)

7. To transact any other ordinary business of which due Notice shall have been received.

By Order Of The Board

NG BEE LIAN
Company Secretary

Seremban
29 May 2012

Notes:

1. A member of the Company who is entitled to attend and vote in the Meeting is entitled to appoint a proxy / proxies to attend and vote in his / her stead. A proxy may but need not be a member of the Company.

   The Form of Proxy must be deposited with the Company Secretary at the registered office of the Company at Chamber E, Lian Seng Courts, 275 Jalan Haruan 1, Oakland Industrial Park, 70200 Seremban, Negeri Sembilan Darul Khusus not less than 48 hours before the time appointed for holding the Meeting.

2. The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under the Seal or under the hand of an officer or attorney duly authorized.

3. Where a member appoints two or more proxies to attend at the same meeting, the appointment shall be invalid unless the holder specified the proportion of his shareholdings to be represented by each proxy.

4. Only members whose names appear in the Record of Depositors as at 13 June 2012 will be entitled to attend and vote at the meeting.

5. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds which is credited with ordinary shares of the Company.

**Explanatory Notes**

Ordinary Resolution No. 7

The Company continues to consider opportunities to broaden its earnings potential. If any of the expansion/diversification proposals involves the issue of new shares, the Directors, under certain circumstances, would have to convene a general meeting to approve the issue of new shares even though the number involved may be less than 10% of the issued capital.

In order to avoid any delay and costs involved in convening a general meeting to approve such issue of share, it is thus considered appropriate that the Directors be empowered to issue shares in the Company, up to any amount not exceeding in total 10% of the issued share capital of the Company for the time being, for such purposes. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company. The renewed authority for allotment of shares will provide flexibility to the Company for the allotment of shares for the purpose of funding future investment, working capital and/or acquisitions.

No shares have been issued and allotted by the Company since obtaining the said authority from its shareholders at the last Annual General Meeting held on 21 June 2011.

Ordinary Resolution No. 8

If passed, will provide the mandate for the Company to buy-back its own shares up to a limit of 10% of the issued and paid-up share capital of the Company.

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.28(2) of the Listing Requirements of Bursa Malaysia Securities Berhad)

**1. Details of Director Standing for Re-Election.**

Director who is standing for re-election at the 22nd Annual General Meeting is as follows:-

Articles 80 and 82 of the Company's Articles of Association:

- Mr Lim Hong Liang

**2. Details of Directors Standing for Re-Appointment.**

Directors standing for re-appointment pursuant to Section 129(6) of the Companies Act, 1965 are as follows:-

- Mr Chew Loy Chee
- Mr Tan Chon Sing @ Tan Kim Tieng

The details of the above Directors standing for re-election/re-appointment are set out in their respective profiles which appear on pages 7 to 9 of the Company's 2011 Annual Report.

**3. Details of Attendances of Directors at Board Meeting.**

A total of five (5) Board of Directors' meetings were held at the Board Room, 4th Floor, Wisma Concorde, No. 2, Jalan Sultan Ismail, 50250 Kuala Lumpur during the financial year. Details of attendances of Directors at the Board Meeting are set out in the Statement on Corporate Governance on pages 15 to 20 of the Annual Report.

# CORPORATE INFORMATION

## Board Of Directors

| | |
|---|---|
| Mr Chew Loy Chee<br>*Deputy Chairman* | - Non-Independent Non-Executive Director |
| Mr Lim Hong Liang | - Non-Independent Executive Director |
| Mr Kan Ah Chun | - Non-Independent Executive Director |
| Mr Tan Chon Sing @ Tan Kim Tieng | - Non-Independent Non-Executive Director |
| Mr Gan Teck Chong @ Gan Kwan Chong | - Non-Independent Non-Executive Director |
| Encik Muhayuddin Bin Musa | - Independent Non-Executive Director |
| Encik Johari Low Bin Abdullah | - Senior Independent Non-Executive Director |

**Chief Executive Officer**
Mr Ang Poo Guan

**Audit Committee**
Chairman: Encik Johari Low Bin Abdullah
Members: Mr Tan Chon Sing @ Tan Kim Tieng
Encik Muhayuddin Bin Musa

**Remuneration Committee**
Chairman: Mr Lim Hong Liang
Members: Encik Muhayuddin Bin Musa
Encik Johari Low Bin Abdullah

**Nomination Committee**
Chairman: Mr Tan Chon Sing @ Tan Kim Tieng
Members: Encik Muhayuddin Bin Musa
Encik Johari Low Bin Abdullah

**Investment Committee**
Chairman: Mr Lim Hong Liang
Members: Mr Tan Chon Sing @ Tan Kim Tieng
Mr Kan Ah Chun
Mr Ang Poo Guan

**Company Secretary**
Ms Ng Bee Lian (MAICSA 7041392)

**Registered Office**
Chamber E, Lian Seng Courts
275 Jalan Haruan 1, Oakland Industrial Park
70200 Seremban
Negeri Sembilan Darul Khusus
Tel : 06-7623339
Fax: 06-7629693

**Principal Place Of Business**
2nd Floor, No. 23, Jalan Kong Sang
70000 Seremban
Negeri Sembilan Darul Khusus
Tel : 06-7653816 & 7653836
Fax: 06-7653815

**Auditors**
Moore Stephens AC
Chartered Accountants (AF. 001826)
A-37-1 Level 37
Menara UOA Bangsar
5 Jalan Bangsar Utama 1
59000 Kuala Lumpur

**Tax Consultant**
Moore Stephens Tax Consultants Sdn Bhd
A-37-1 Level 37
Menara UOA Bangsar
5 Jalan Bangsar Utama 1
59000 Kuala Lumpur

**Solicitors**
Logan Sabapathy & Co

**Share Registrar**
Sectrars Services Sdn Bhd
No. 28-1, Jalan Tun Sambanthan 3
Brickfields, 50470 Kuala Lumpur
Tel : 03-22746133
Fax: 03-22741016

**Principal Bankers**
CIMB Bank Berhad
Hong Leong Islamic Bank Berhad
Alliance Bank Malaysia Berhad

**Stock Exchange Listing**
Bursa Malaysia Securities Berhad Main Market

**Website**
www.malpac.com.my

# PROFILE OF BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER

## MR CHEW LOY CHEE
Deputy Chairman

Mr Chew Loy Chee, Singaporean/Malaysian Permanent Resident, aged 75, is a Non-Independent and Non-Executive Director of Malpac Holdings Berhad. He was appointed to the Board as Deputy Chairman on 31 May 1990.

He was engaged in the commercial banking sector for twenty years prior to being involved in the stockbroking industry and was a member of the KLSE (now known as Bursa Malaysia) from 1976 to 2001. He was a senior partner of Chew & Teo, a former member firm of the KLSE (now known as Bursa Malaysia) from 1976 to March 1987. The firm was converted into a private limited company known as Seremban Securities Sdn. Bhd. (SSSB) in April 1987. The name of SSSB was changed to Malpac Securities Sdn. Bhd. in July 1996 and to Malpac Management Sdn. Bhd. in November 2001. He has been a director of the Company from 1987 till now.

He also sits on the Board of several other companies within the Malpac Group and currently holds a dealer's representative licence under the Securities Industry Act, 1983.

Mr. Chew attended four of the five (5) Board Meetings held in the financial year 2011.

## MR TAN CHON SING @ TAN KIM TIENG

Mr Tan Chon Sing @ Tan Kim Tieng, Malaysian, aged 73, is a Non-Independent and Non-Executive Director of Malpac Holdings Berhad. He was appointed to the Board on 15 May 1990. He is the Chairman of the Nomination Committee and a member of the Investment and Audit Committees of the Company.

He graduated from Nanyang University in 1963 with a Bachelor of Commerce degree and was a banker for eleven years before joining the stockbroking industry in 1976 as Manager in Chew & Teo, a former member firm of the KLSE (now known as Bursa Malaysia). He was admitted as a member of KLSE in 1987 (now known as Bursa Malaysia) and appointed as a Director of Seremban Securities Sdn. Bhd. (SSSB). The name of SSSB was changed to Malpac Securities Sdn. Bhd. in July 1996 and to Malpac Management Sdn. Bhd. in November 2001. He has been a director of the Company from 1987 till now.

His directorship in other public listed company is in Three-A Resources Bhd. He also sits on the Board of several other companies within the Malpac Group as well as a few other private limited companies. He currently holds a dealer's representative licence under the Securities Industry Act, 1983.

Mr Tan attended all of the five (5) Board Meetings held in the financial year 2011.

## MR GAN TECK CHONG @ GAN KWAN CHONG

Mr Gan Teck Chong @ Gan Kwan Chong, Malaysian, aged 65, is a Non-Independent and Non-Executive Director of Malpac Holdings Berhad. He was appointed to the Board on 15 May 1990. He has been in the stockbroking business for more than twenty years. He commenced his career as a remisier with Chua & Co., Melaka, and joined Chew & Teo, a former member firm of the KLSE (now known as Bursa Malaysia), in 1976 as Assistant Manager. He was admitted as a member of the KLSE (now known as Bursa Malaysia) and a partner of Chew & Teo in 1979. The firm was converted into a private limited company known as Seremban Securities Sdn. Bhd. (SSSB) in April 1987. The name of SSSB was changed to Malpac Securities Sdn. Bhd. in July 1996 and to Malpac Management Sdn. Bhd. in November 2001. He has been a director of the Company from 1987 till now.

He also sits on the Board of several other companies within the Malpac Group and currently holds a dealer's representative licence under the Securities Industry Act, 1983.

Mr Gan attended all of the five (5) Board Meetings held in the financial year 2011.

# PROFILE OF BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER (CONT'D)

## MR LIM HONG LIANG

Mr Lim Hong Liang, Malaysian, aged 53, is a Non-Independent and Executive Director of Malpac Holdings Berhad. He was appointed to the Board on 16 October 1990. He is the Chairman of the Remuneration and Investment Committees of the Company.

He holds a Bachelor of Commerce (Accounting) and Master of Commerce from University of New South Wales, Sydney. Before joining Malpac, he was employed in the commercial banking sector for six years.

He is a director of two other public listed companies, Kumpulan Powernet Berhad and APB Resources Berhad, and also sits on the Board of two other companies within the Malpac Group as well as several other private limited companies.

Mr Lim attended all of the five (5) Board Meetings held in the financial year 2011.

## MR KAN AH CHUN

Mr Kan Ah Chun, Malaysian, aged 58, is a Non-Independent and Executive Director of Malpac Holdings Berhad. He was appointed to the Board on 10 September 1996. He is a member of the Investment Committee of the Company.

After graduating from University of Malaya with a Bachelor of Science (Hons) Degree in 1977, he was attached to the teaching profession from 1978 to 1982. He then joined a commercial bank until 1996 when he joined Malpac Securities Sdn. Bhd.

He also sits on the Board of a company within the Malpac Group as well as several other private limited companies.

Mr Kan attended four of the five (5) Board Meetings held in the financial year 2011.

## ENCIK MUHAYUDDIN BIN MUSA

Encik Muhayuddin Bin Musa, Malaysian, aged 49, was appointed to the Board of Malpac Holdings Berhad as an Independent and Non-Executive Director on 9 March 2005. He is also a member of the Audit, Remuneration and Nomination Committees of the Company. He graduated with a Bachelor of Commerce (Hons) degree from the Carleton University, Ottawa, Canada.

He started his career as a Financial Officer with Lembaga Letrik Negara ('LLN') (1985 – 1987). Thereafter, he joined the banking industry and has held various positions in both local and foreign banks. Subsequently, in 1993 he joined Federal Furniture Holdings (M) Berhad as Corporate Affairs Manager and Managing Director of a subsidiary of Federal Furniture Holdings (M) Berhad.

En Muhayuddin is currently the Executive Director/Chief Executive Officer of Computer Forms (Malaysia) Berhad, a post he continues to hold till today since 1998.

Encik Muhayuddin currently sits on the Board of Directors of Computer Forms (Malaysia) Berhad as an Executive Director. He resigned as an Independent Non-Executive Director of APB Resources Berhad on 24 May 2011.

Encik Muhayuddin attended all of the five (5) Board Meetings held in the financial year 2011.

# PROFILE OF BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER (CONT'D)

## ENCIK JOHARI LOW BIN ABDULLAH

Encik Johari Low Bin Abdullah, Malaysian, aged 62, was appointed to the Board of Malpac Holdings Berhad as an Independent and Non-Executive Director on 9 May 2007. He is also the Chairman of the Audit Committee and a member of the Remuneration and Nomination Committees of the Company.

Encik Johari is a Fellow Member of The Institute of Chartered Accountants (England & Wales), the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants. He is also a member of Mensa International.

He was previously an auditor with Coopers Lybrand London and Deloittes Kuala Lumpur, Executive Director of Ambank Group, Group Managing Director of Berjaya Group Berhad, CEO of KFC Holdings (M) Berhad and Deputy Chairman of Anglo Eastern Plantations PLC. He is currently the Chairman of the Rockwills International Group, a leading estate planning group in Malaysia. He is also a director of Kumpulan Powernet Berhad and Amcorp Group Berhad. He resigned as a director of APB Resources Berhad on 24 May 2011 and as a director of Rockwills Trustee Bhd and Rockwills Advisory Services Sdn Bhd on 28 February 2012. He was appointed as a director of Pusat Perubatan Naluri Sdn Bhd on 21 February 2012.

Encik Johari attended four of the five (5) Board Meetings held in the financial year 2011.

## NONE OF THE DIRECTORS HAS:

- Any family relationship with any other Director and/or major shareholder of Malpac Holdings Berhad.
- Any conflict of interest with Malpac Holdings Berhad.
- Any conviction for offences within the past 10 years other than traffic offences.

## MR ANG POO GUAN
Chief Executive Officer

Mr Ang Poo Guan, Malaysian, aged 63, was appointed as Chief Executive Officer of Malpac Holdings Berhad on 1 March 2002. He also holds directorships in a few subsidiary companies of the Group. He is a member of the Investment Committee of the Company.

He graduated from the University of Malaya in 1972 with a Bachelor of Agric. Sc. (Hon.) degree. He joined a plantation management company for a short stint before joining an agricultural development bank in 1973. In 1980 he joined a foreign commercial bank where he rose to the position of Senior Vice President. In 1996, he left the banking sector to join Malpac Management Sdn. Bhd., a subsidiary of Malpac Holdings Berhad, where he was appointed Chief Executive Officer cum Director. He is also a director of a public company, Kai Peng Berhad, and several private limited companies.

Mr Ang attended all of the five (5) Board Meetings held in the financial year 2011.

Mr Ang does not have any family relationship with any director and/or major shareholder of Malpac Holdings Berhad, nor has he any conflict of interest with the Company. He has no convictions for any offences within the past ten years.

# CHAIRMAN'S STATEMENT

## Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you our Annual Report & Audited Financial statement for the financial year ended 31 Dec 2011 (FY2011).

### ECONOMIC REVIEW

Year 2011 was an eventful year. In addition to uncertainties in the world economy, the earthquake and tsunami in Japan in early 2011 further distressed the stock and financial markets as many lives and billions of dollars were destroyed by the natural disaster.

The world economy continues to face challenges as US saw its triple-A credit rating downgraded and the Euro zone is still struggling with its debt crisis quagmire. The oil rich Middle Eastern and North African countries continue to struggle with internal issues and the centre of global manufacturing chain China is fearful of an economic downturn with warnings on potential meltdown of the housing sector.

On the local front, the magnitude of impact on the Malaysia economy is not as severe compared to neighboring countries in year 2011 as Malaysia is a resourceful country with low catastrophe risks. The geographical advantage and several measures like Economic Transform Program (ETP) introduced by our government to improve efficiencies have helped our economy with a creditable growth rate of 5.1% in year 2011.

The Group will retain its risk averse strategy in reviewing new investment proposals and will continue to maintain highly liquid, low risks securities investments while waiting for the right risk-assessed opportunities.

### OVERVIEW OF BUSINESS AND OPERATIONS

***Our Business***

Malpac Holdings Berhad ("Malpac") is an investment holding company whereby the Company, through its subsidiaries, is principally engaged in operation of oil palm plantation and palm oil milling. In addition to the oil palm plantation business, Malpac is also involved in its investing operation whereby the Company is actively exploring and reviewing investment opportunities locally and globally.

***Objectives and Strategies***

Malpac is a lean and green organization whereby the core objectives are to create high values while minimizing waste. In tandem with the lean philosophy and the fact that Malpac is a niche player in the oil palm industry, the management has outsourced its entire oil palm plantation and mill operation to a reliable operator to achieve less time, less human effort, higher operation efficiencies and a highly flexible organization structure. The Company adopt a prudent growth model and a risk-averse investment strategy whereby the management strongly believe in sustainable growth as the key to the Company's success and shareholder value protection is always the first priority.

### REVIEW OF FINANCIAL PERFORMANCE

I am pleased to report that we meet our expected earnings for the year ended 31 December 2011. For the information of shareholders, the Group is involved in a legal suit with the operator of the oil palm plantation pertaining to a lapsed sale and purchase agreement.

Despite the total revenue for the year 2011 improving 19.8% on y-o-y basis to RM 15.1 million, the Board has decided not to recognize the full amount. The Board had taken a prudent stand to recognize only the collected amount of RM 8.1 millions of the plantation income in the books as approximately RM 6.9 million was withheld by the plaintiffs after the unfavorable decision by the Ipoh High Court in May 2011.

Other investments which principally comprised of short term securities investment and fixed deposits generated approx. RM 3.67 million for the Group, whereby the return is worse than the year 2010 performance by approximately 50.4% due principally to a net fair value gain on quoted shares held in 2010 amounting to RM3.4 million.

Due to the lower recognized revenue, PBT declined 79.3% on a y-o-y basis to RM 2.8 million and the net income declined 93.4% on a y-o-y basis to RM 760,832 or RM 0.01 on per share basis.

# CHAIRMAN'S STATEMENT (CONT'D)

On a more positive note, I am pleased to report that upon appeal against the High Court judgment, the Court of Appeal in a unanimous decision in January 2012 ruled in our favor and the Group has demanded payment of the outstanding plantation income from the plaintiffs. The Board has decided to recognize the income once we receive the outstanding amount from the plaintiffs, but will simultaneously make an equivalent provision in the books as the legal suit in now pending in the Federal Court.

## REVIEW OF BUSINESS AND OPERATIONS

### *Plantation Operations*

Due to the on going legal disputes between the Group and the appointed operator, the Group was stuck operationally especially in improvement of the existing operations, replanting of old palms, and did not have full access to production record to analyze and review the plantation operation key performance indicators in year 2011.

The Group however, has increased number of visits to the plantation and oil palm mill and closely monitored the Group's asset to ensure that there is no compromise in operation standards, especially on the mill production efficiencies as well as the upkeep and maintenance of the plantation estate.

### *Investment Operations*

In year 2011, the Group reviewed several local and overseas investment proposals and opportunities. The Group has however decided not to pursue further in investing in any of them due to unfavorable terms and conditions and unfavorable due diligence results.

## PROSPECT, RISKS AND OUTLOOK IN 2012

The Group will continue to focus on our core oil palm production business and expansion of our oil palm acreage should opportunities arise. We envisage that the near term to mid term prospects of the Group will be highly affected by the following factors:

- The Group's near term performance would be highly affected by the Federal Court's ultimate decision. Based on the unanimous decision by the Court of Appeal in our favor and facts of the case which is strongly in our favor, the Board believes that we have a good chance of winning the case;
- CPO price trend will remain bullish due to the increased demand of food, increase in oleochemical sector demand, and the price of the crop is strongly correlated to crude oil prices, weather changes as well as the inflation of fertilizer costs;
- Global economy and monetary policies. The investment operation of the Group is strongly depending on the world economy as the global economy has started to recover slowly since the financial crisis in year 2008. With more fiscal support activities like money printing and low interest rate policies that distorted the real economy, the near term investment outcome of the Group will be highly affected by the policies changes;

The Group is actively reviewing several development and investment proposals locally and abroad and we are in preliminary talks with several interested parties to unlock the values of the Group's existing assets and/or acquire investment properties that will further add value to the Group. The Group will continue to do our best to ensure shareholders that shareholder value will be the highest priority consideration for any future investments and/or corporate actions.

## COMMITMENT TO CORPORATE SOCIAL RESPONSIBILITY

As a responsible corporate citizen, we regard our social responsibility by complying with environmental and pollution standards. We have been managing our plantation in a manner consistent with internationally accepted standards and practices.

## DIVIDEND

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

## APPRECIATION

On behalf of the Board of Directors, I would like to express my appreciation to all the directors, management and staff for their strong commitment and contribution towards the continued success of the Group. My appreciation also goes to our valued shareholders, bankers and business partners for their continued support and confidence in the Group.

**Chew Loy Chee**
Deputy Chairman

# AUDIT COMMITTEE REPORT

## INTRODUCTION

The Board of Directors is pleased to issue the following Report of the Audit Committee and its activities for the financial year ended 31 December 2011.

## COMPOSITION AND MEETINGS

The members of the Audit Committee and attendance at each Audit Committee meeting during the financial year ended 31 December 2011 are as follows:-

| Name | Status | Attendance |
|---|---|---|
| **Chairman** | | |
| Johari Low Bin Abdullah | Senior Independent Non-Executive Director | 4/5 |
| **Members** | | |
| Tan Chon Sing @ Tan Kim Tieng | Non-Independent Non-Executive Director | 5/5 |
| Muhayuddin Bin Musa | Independent Non-Executive Director | 5/5 |

## TERMS OF REFERENCE

### Membership

- The Audit Committee shall be appointed by the Board from among the Directors and shall compose of no fewer than three (3) members, all must be non-executive directors with majority of them being independent directors.
- At least one (1) member of the committee must be:
  i) a member of Malaysian Institute of Accountants (MIA); or
  ii) if non-MIA member, a person who must have at least three (3) years working experience and have passed the examination specified in Part I of the First Schedule of the Accountants Act, 1967 or is a member of one of the associations specified in Part II of the said Schedule; or
  iii) a person who holds a degree/master/doctorate in accounting/finance with three (3) years' post qualification experience; or
  iv) a person with at least seven (7) years experience being Chief Financial Officer.
  v) fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.
- No alternate director shall be appointed as a member of the Audit Committee.
- The members of the Audit Committee shall elect a chairman from among their member who shall be an independent director.
- In the event of any vacancy in the Audit Committee which results in a breach of the Listing Requirements of Bursa Malaysia Securities Berhad, the vacancy must be filled within three (3) months.

### Objective

The objective of the Committee is to assist the Board of Directors in fulfilling its responsibilities especially on the following:

- To oversee and appraise the quality of the audits conducted by the Company's internal and external auditors.
- To determine the adequacy of the Company's administrative, operating and accounting controls.
- To maintain open lines of communications among the Board, the Company's employees and external auditors and to exchange views and information.
- To undertake any other such duties and responsibilities as may be required by the Board.

# AUDIT COMMITTEE REPORT (CONT'D)

**Duties & Responsibilities**

The duties and responsibilities of the Committee shall be:

- To review with the internal auditors, the scope, functions, competency and adequacy of resources, authority, internal audit programme and results, processes or investigation undertaken and the action taken on their recommendations.
- To review the quarterly financial results and annual financial statements before submission to the Board for approval.
- To discuss problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss (in the absence of other directors and management where necessary).
- To review the effectiveness of internal audit function.
- To identify and direct any special projects of investigations deemed necessary.
- To consider any related party transactions that may arise within the Group.
- To review the suitability of the external auditors for recommendation to the Board for re-appointment and the audit fee thereof.
- To review any resignation from external and internal auditors and to nominate external and internal auditors for the Group.

**Authority**

The Audit Committee is empowered to, in accordance with the procedures determined by the Board of Directors and at the cost of the Company:-

- Investigate any matters within its term of reference.
- Have full access to all information in relation to the Company and its subsidiaries.
- Have direct communication channels with the external auditors and internal auditors.
- To convene meetings with the internal auditors without the presence of Executive Directors and employees of the Company, whenever deemed necessary.
- To convene meetings with the external auditors at least twice a year without the presence of the Executive Directors and management staff.
- Obtain independent professional or other advice as necessary.

Notwithstanding anything to the contrary hereinbefore stated, the Committee does not have executive powers and shall report to the Board of Directors on matter considered and its recommendations thereon, pertaining to the Group.

**Meetings**

The Committee will meet at least four times in a year. The quorum for the meeting shall consist of two members of which majority of members present must be Independent directors. The Directors, employees, auditors or others may attend meetings upon the invitation of the Audit Committee.

The Company Secretary shall be the Secretary to the Audit Committee.

**Minutes**

The Secretary shall maintain minutes of the proceedings of the meeting and circulate such minutes to all members of the Audit Committee. The Chairman of the Committee shall report on each meeting to the Board of Directors.

# AUDIT COMMITTEE REPORT (CONT'D)

## SUMMARY OF ACTIVITIES

The following activities were carried out by members of the Audit Committee for the financial year under review:-

- Reviewed the quarterly financial results and the annual financial statements of the Company and made recommendations to the Board of Directors for approval prior to the release of the results to Bursa.
- Reviewed with the external auditors, the audit plan and the nature and scope of audit.
- Reviewed the major findings of internal audit reports and their recommendations relating thereto as well as the management response.
- Reviewed the internal and external audit reports to ensure that appropriate and adequate remedial actions were taken by the Management on significant lapses in controls and procedures that were identified if any.
- Meeting with the external auditors in the absence of the Executive Directors.
- Assessed the performance of the auditors and make recommendations to the Board of Directors for their appointment and removal.
- Reviewed the Audit Committee Report and Statement on Internal Control prior to its inclusion in the Annual Report.
- Evaluated the audit fees payable to the internal auditors and external auditors.

## INTERNAL AUDIT FUNCTION

For Financial Year Ended 31 December 2011, the Group has outsourced its internal audit functions to an independent consulting firm. The principal role of the internal audit function is to undertake independent regular and systematic reviews of the systems of internal control so as to provide reasonable assurance that such systems continued to operate satisfactorily and effectively. The internal audit function reports directly to the Audit Committee and it is the responsibility of the internal audit function to provide the Audit Committee with independent and objective reports for their review and subsequently recommending to the Board for strengthening the internal controls and corporate governance of the Group.

Further details of the activities of the internal audit function are set out in the Statement on Internal Control on pages 21 to 22 of the Annual Report.

# STATEMENT ON CORPORATE GOVERNANCE

The Malaysian Code on Corporate Governance (the Code) sets out basic principles and best practices on structures and processes that companies may adopt in their operations towards achieving the optimal governance framework.

The Board of Directors of Malpac Holdings Berhad is committed to ensure the standards of corporate governance is used as a fundamental basis of the Board in discharging their fiduciary duties and responsibilities to protect and enhance shareholder values and the interests of other stakeholders.

In line with the Listing Requirements of Bursa Malaysia, the Board of Directors presents herewith the report on how the Group has applied the principles of the Code and the extent of compliance with the best practices provision.

## I. THE BOARD OF DIRECTORS

The Board assumes responsibility for leading and controlling the Group towards realising long term shareholder values.

### 1. Composition of the Board

The Board currently has seven members, comprising of two executive non-independent directors, three non-executive non-independent directors and two non-executive independent directors. The Company is in compliance with the Listing Requirements of Bursa Malaysia which requires 1/3 of total number of directors being Independent Directors. The Board acknowledges the importance of distinguishing the roles of the chairman and chief executive officer of the company.

### 2. Board Meetings

The Board meets on a quarterly basis, with additional meetings convened as and when necessary.

During the financial year, the Board met five (5) times. The numbers of meetings attended by each director are as follows:-

| Name of Directors | No. of Meetings Attended |
|---|---|
| Chew Loy Chee | 4/5 |
| Gan Teck Chong @ Gan Kwan Chong | 5/5 |
| Tan Chon Sing @ Tan Kim Tieng | 5/5 |
| Lim Hong Liang | 5/5 |
| Kan Ah Chun | 4/5 |
| Muhayuddin Bin Musa | 5/5 |
| Johari Low Bin Abdullah | 4/5 |

### 3. Board Balance

The Board has an appropriate composition of executive and non-executive directors. All board members have extensive professional and business experience. Essentially, this meets the prerequisites of an effective board where the intimate business knowledge of the executive directors is combined with the broader views and objectivity that non-executive directors bring into the Board's deliberation and decision-making process.

A brief description of the background of each Director is given on pages 7 to 9 of the Annual Report.

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

## I. THE BOARD OF DIRECTORS (CONT'D)

### 3. Board Balance (cont'd)

The Board recognizes the importance for reviewing and adopting a strategic plan and overseeing the conduct of the business in order to ensure that the business is being properly managed. Presently, the function of defining the strategic plan is led by the Investment Committee. This Committee comprises of executive directors and non-executive directors. The significant issues and actions deliberated and decided in the Committee are tabled in the Board for review and approval.

### 4. Board Committees

#### a. Audit Committee

The Group's financial reporting and internal control system is overseen by the Audit Committee, which comprises of two (2) independent non-executive Directors and one (1) non-independent and non-executive Director. The composition, terms of reference and summary of the activities of the Audit Committee during the financial year are disclosed in the Audit Committee Report.

The Audit Committee meets quarterly. Additional meetings are held as and when required. For financial year ended 31 December 2011, five meetings were held.

The Audit Committee's meetings are always held before the Board's meetings. This is to ensure that all critical issues highlighted can be brought to the Board on a timely basis.

#### b. Nomination Committee

The Committee consists entirely of Non-Executive Directors, with majority being Independent Directors. The members of the Nomination Committee are:

(i) Tan Chon Sing @ Tan Kim Tieng - Chairman
(ii) Johari Low Bin Abdullah
(iii) Muhayuddin Bin Musa

The Nomination Committee is to assist the Board in assessing the effectiveness of the Board as a whole and Board Committees, and assessing the contributions of each individual Director including Chief Executive Officer ("CEO") on an annual basis.

The Nomination Committee is also responsible for nominating the right candidates with the required skills, experience and attributes for recommendation to and appointment by the Board wherever the need arises.

The Nomination Committee meets as and when necessary and can also make decisions by way of circular resolution.

#### c. Remuneration Committee

The Committee consists mainly of Non-Executive Directors with majority being Independent Directors. The members of the Remuneration Committee are:-

(i) Lim Hong Liang - Chairman
(ii) Johari Low Bin Abdullah
(iii) Muhayuddin Bin Musa

The Remuneration Committee is responsible for recommending to the Board the remuneration packages of the Executive Directors, whilst the Board as a whole determines the remuneration of the Non-Executive Directors. Individual Directors do not participate in discussions or decisions concerning their own remuneration packages.

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

## I. THE BOARD OF DIRECTORS (CONT'D)

### 4. Board Committees (cont'd)

#### d. Investment Committee

The Committee consists of two Executive Directors, a Non-Executive Director and the Group CEO.

The members of the committee are as follows:-

(i) Lim Hong Liang - Chairman
(ii) Tan Chon Sing @ Tan Kim Tieng
(iii) Kan Ah Chun
(iv) Ang Poo Guan

The role of the Investment Committee is to assist the Board in assessing and approving all significant investment matters which include the capital budget, investment transactions and proposals on new investment capital.

The Investment Committee shall meet as and when required and shall report to the board on its proceeding on all matters within its duties and responsibilities.

### 5. Re-election of Directors

In accordance with the Company's Articles of Association, one-third (1/3) of the Directors shall retire from office, at least once in three (3) years. Retiring directors can offer themselves for re-election. Directors who are appointed by the Board during the financial year are subject to re-election by the shareholders at the next Annual General Meeting held following their appointments. Directors over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

### 6. Supply of Information

Board members are provided with all relevant papers and reports in advance of each Board and Committee Meeting in accordance to the agenda for discussion. This ensures that Directors have sufficient time to appreciate issues deliberated at meetings and expedites the decision making process. Senior management staff are invited to attend Board or Committee Meetings to present the financial performance, reports or other proposals affecting the business areas as at when and where necessary.

The Directors have direct access to the advice and services of the Company Secretary who is responsible for ensuring that Board procedures are followed and the regulatory requirements are met.

The Directors are also given access to seek independent professional advice when necessary at the Company's expense.

### 7. Directors' Training

All the Directors have completed the Mandatory Accreditation Programme and attended various training programmes under the Continuing Education Programmes pursuant to the requirements of Bursa Securities Listing Requirements. All Directors have attended at least one training course each that the Board considered relevant to the discharge of their duties as director. The Board encourages its Directors to attend talks, workshops, seminars and conferences to update and enhance their skills and knowledge to keep abreast with the changing business developments relevant to the industry within which the Group operates.

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

## I. THE BOARD OF DIRECTORS (CONT'D)

### 7. Directors' Training (cont'd)

During the financial year ended 31 December 2011, the board members attended the following programmes:-

| Training Programmes Attended | Date |
|---|---|
| • Global Issues Influencing the Capital Market | 26.03.2011 |
| • Understanding Behavioral Finance and Psychology of Investing | 27.03.2011 |
| • GTP NKRA on Fighting Corruption : Corporate Integrity – Launch of Corporate Integrity Pledge | 31.03.2011 |
| • Sustainability Programme for Consumer Products, Finance, Technology & Closed End Funds | 14.04.2011 |
| • Going World Class – A Preview of Philip Kotler Live in Malaysia | 19.04.2011 |
| • Economics and Capital Markets I: Forces Shaping Global Capital Markets | 25.06.2011 |
| • Corporate Strategic Analytics II: Value Creation Strategies and Take-over Analysis | 26.06.2011 |
| • BDO Budget 2012 Tax Seminar | 18.10.2011 |
| • Key Amendments to Listing Requirements 2011 and Corporate Disclosure Guide 2011 | 02.11.2011 |
| • PLC Directors' Training – Where to Invest During Market Uncertainties | 03.11.2011 |
| • The Age of Integration – a New Dawn for Corporate Reporting | 29.11.2011 |
| • It's All About Balance | 29.11.2011 |
| • Corporate Governance : The Pillar of Business Sustainability | 29.11.2011 |
| • Launch of CG Week & Sustainable Leadership – Standing Apart from Others | 30.11.2011 |
| • Comprehensive Overview of New Accounting Standards | 30.11.2011 – 01.12.2011 |
| • Oxford Union Style CG Debate Motion : Independent Directors are a Myth | 01.12.2011 |
| • Session by Association for Sustainable & Responsible Investment in Asia (ASrIA) Taking Socially Responsible Investment (Sri) Practices Forward | 01.12.2011 |

## II. DIRECTORS' REMUNERATION

The remuneration policy of the Company for Executive Directors is structured to link rewards to corporate and individual performance. As for Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the particular non-executive concerned. The aggregate remuneration paid/payable to the Directors of the Company for the financial year ended 31 December 2011 is as follows:-

| | Fee (RM) | Salaries & Allowance (RM) | Other Emoluments & Benefits (RM) | Total (RM) |
|---|---|---|---|---|
| Executive Directors | 24,000 | 167,040 | 80,800 | 271,840 |
| Non-Executive Directors | 36,000 | 318,060 | 317,500 | 671,560 |

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

## II. DIRECTORS' REMUNERATION (CONT'D)

The number of Directors whose remuneration falls into the respective bands is as follows:-

| Range of Remuneration (RM) | Executive Directors | Non-Executive Directors |
|---|---|---|
| 0 – 50,000 | - | 2 |
| 100,001 – 150,000 | 2 | - |
| 150,001 – 200,000 | - | 3 |

The Board suggests Directors' fee of RM24,000 for Executive Directors and RM36,000 for Non-Executive Directors to be payable for financial year 2011subject to shareholders' approval at the forthcoming AGM.

## III. INVESTORS RELATIONS & SHAREHOLDERS COMMUNICATION

### 1. Shareholders

The Group recognises the importance of accountability to its shareholders and investors through timely and proper communications. Press release and announcements for public dissemination are made as and when there are significant corporate events. The Board ensures timely release of financial results and its quarterly financial results, annual report and all its announcements can be accessed from the Company's corporate website at www.malpac.com.my or Bursa's website at www.bursamalaysia.com.

### 2. Annual General Meeting ("AGM")

Notice of the AGM which is contained in the Annual Report is sent out at least twenty-one (21) days prior to the date of the meeting. The AGM serves as a principal forum for dialogue and interaction with all shareholders who are encouraged to participate in a question and answer session. The Chairman of the meeting or the CEO will facilitate the discussion with the shareholders and provide further information in response to shareholders' queries.

## IV. ACCOUNTABILITY AND AUDIT

### 1. Financial Reporting

In presenting the annual financial statements and quarterly announcements of results to shareholders, the Directors take responsibility to present a balanced and understandable assessment of the Group's position and prospects. The Audit Committee of the Board assists by scrutinizing the information to be disclosed to ensure accuracy and adequacy. A full Directors' Responsibility statement is set out on page 23 of the Annual Report.

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

## IV. ACCOUNTABILITY AND AUDIT (CONT'D)

### 2. Internal Control Statement

The Board has overall responsibilities for corporate governance and the development of sound internal control system for the Group to achieve its objectives within the acceptable risk profile as well as safeguarding shareholders' interest and the Group's assets.

The Statement on Internal Control is set out on page 21 to 22. It provides an overview of the state of internal control within the Group.

### 3. Audit Committee

The Board is assisted by the Audit Committee, whose composition, duties and responsibilities and summary of its activities during the financial year are set out in the Audit Committee Report on pages 12 to 14 of the Annual Report.

### 4. Relationship with the Auditors

The Company has established transparent and appropriate relationship with the Company's internal and external auditors. The Audit Committee has the right to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary. During the financial year the Audit Committee had conducted a meeting with the External Auditors without the presence of the Executive Directors, CEO and the management.

## V. COMPLIANCE WITH BEST PRACTICES

The Company is in compliance with all the material aspects of the Best Practices as set out in Part 2 of the Code.

For the non-disclosure of detailed remuneration of each director, the Board is of the view that the transparency of directors' remuneration has been sufficiently dealt with by 'band disclosure' presented in this statement.

# STATEMENT ON INTERNAL CONTROL

## Board Responsibility

The Board affirms their responsibilities for a sound system of internal control, quality risk management practices and for reviewing the Group's adequacy and integrity in these systems. The principal function of internal control system is intended to identify and to manage significant risks faced by the Group's business operations, which may impede the achievement of the Group's objective. The Board is of the view that the system of internal control in place is sound and sufficient to safeguard the Group's assets.

The Board also acknowledges that these systems are designed to ensure that risks are identified and managed at acceptable levels rather than to eliminate such risks. Hence, systems can only provide reasonable but not absolute assurance against financial losses or uncertainties.

## Risk Management

The Board regards risk management as an integral part of the Group's business operations and has established on-going reviews to be carried out for identifying, evaluating and managing the significant risks faced by the Group. These reviews will constantly be monitored to ensure that risks are actively updated and effectively managed.

Effective 1 July 2011, the Group had suspended recognition of income from the oil palm plantation and oil mill since no income had been received from the oil palm plantation following the Ipoh High Court's decision given in favour of the Plaintiffs (refer Notes 29 in page 73 of the audited financial statement) in the Civil Suit.

On 17 January 2012, the Court of Appeal made a unanimous decision in the Group's favour whereby the Ipoh High Court's decision was overtuned. The Board also decided to recognize the plantation income in its books once the monies are received from the Plaintiffs.

Currently the principal risks faced by the Group are the decision from the Federal Court and the non-collection of oil palm plantation income from the Plaintiffs.

## Investment Committee and Board Review

The Investment Committee was established in February 2010. The role of the Investment Committee is to assist the Board in assessing and approving all significant investment matters which include the capital budget, investment transactions and proposals on new investment capital.

The Board had put in place the review mechanism and defined the terms of reference of the Investment Committee to ensure that the Investment Committee carries out its duties in accordance with the terms of reference conferred by the Board. Currently, the Board's reviews of the investments made by the Investment Committee and its performance are carried out every quarter.

## Internal Control

The outsourced internal auditors have on a semi-annual basis assessed the adequacy and effectiveness of the Group's system of internal control and compliance frameworks, and have subsequently reported their findings to the Audit Committee. The Audit Committee reviewed the internal audit reports and informed the Board on the adequacy and effectiveness of the Group's system of internal control.

For the financial year under review, the Board is satisfied with the adequacy of the Group's system of risk management and internal control. No major weaknesses or uncertainties, which could result in material losses, were identified nor would require separate disclosure.

# STATEMENT ON INTERNAL CONTROL (CONT'D)

**Internal Control (cont'd)**

The key elements of the Group's internal control system are:-

- Organization structure with clearly defined lines of authority and the appropriate levels of delegation.
- Policies and procedures are clearly communicated to all staff members.
- The Chief Executive Officer (CEO) and the senior management meet regularly to discuss the possible risk areas on the Group's operational and management issues.
- The CEO oversees the Group's operations and internal controls and reports to the Board on the key risks.
- The Audit Committee meets on a quarterly basis or as and when required to discuss on internal control and any other matter raised by the CEO.
- All major decisions are subject to detailed appraisal and review. The Board receives regular and comprehensive information covering all decisions within the group.

The Board, together with the management will, when necessary put in place appropriate action plans to further enhance the Group's system of internal control.

# STATEMENT OF DIRECTORS' RESPONSIBILITY

This statement is made pursuant to paragraph 15.27(a) of Listing Requirements of Bursa Malaysia.

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which have been made out in accordance with the applicable approved accounting standards and give a true and fair view of the state of affairs of the Group and of the Company for the financial year.

In preparing the financial statements, the Directors have:

- selected suitable accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensured that all applicable approved accounting standards have been followed; and
- prepared financial statements on the going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Group and of the Company and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

The Directors have overall responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

# OTHER INFORMATION

**1. Material contracts**

There were no material contracts entered into by the Company and/or its subsidiaries which involve Directors' and major shareholders' interests, either still subsisting at the end of the financial year 2011 or which were entered into since the end of the previous financial year.

**2. Options, warrants or convertible securities**

The Company has not issued any options, warrants or convertible securities during the financial year 2011.

**3. Imposition of sanctions/penalties**

Save as disclosed below, there were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies:-

Pursuant to a Listing Circular issued by Bursa Securities on 27 February 2012, Mr Johari Low Bin Abdullah @ Low Han Hing, the Senior Independent Non-Executive Director of the Company, who was the Senior Independent & Non-Executive Director and Chairman of the Audit Committee of Nam Fatt Corporation Berhad (In Liquidation) ("Namfatt") from 28 Oktober 1988 to 31 August 2009, is one of the seven directors who were publicly reprimanded and fined by Bursa Securities for breach of paragraph 16.11(b) (now paragraph 16.13(b)) of the Listing Requirements of Bursa Securities for permitting knowingly, or where they had reasonable means of obtaining such knowledge, Namfatt's failure to comply with the directives of Bursa Securities on 9 October 2008 and 5 November 2008 (breached paragraph 2.19 (now paragraph 2.23) of the Listing Requirements of Bursa Securities) to make an immediate announcement on several material litigation involving Namfatt / Bentini-NF Energy JV (a joint venture company between Namfatt's subsidiary, NF Energy Sdn. Bhd. and Bentini S.p.A) and Malaysian International Trading Corporation (Japan) Sdn. Bhd. since August 2006 to July 2007. Notwithstanding that the said litigations were not disclosed to the Independent Non-Executive Directors at the material time, Mr Johari Low Bin Abdullah @ Low Han Hing was fined RM25,000. For further details, please refer to the said Listing Circular issued by Bursa Securities under Namfatt on 27 February 2012.

**4. Non-audit fees**

There were RM3,000 non-audit fees paid to the external auditors for the financial year ended 31 December 2011.

**5. Variation in results**

There were no variances of 10% or more between the results for the financial year 2011 and unaudited results previously announced.

**6. Profit guarantees**

During the financial year 2011, there was no profit guarantee given by the Company.

**7. American Depository Receipt ('ADR') or Global Depository Receipt ('GDR') Programme**

During the financial year 2011, the Company did not sponsor any ADR or GDR programme.

**8. Recurrent related party transactions of revenue nature**

There were no recurrent related party transactions of revenue nature during the financial year 2011.

**9. Utilisation of proceeds raised from corporate proposal**

There was no corporate proposal involving the raising of funds during the financial year 2011.

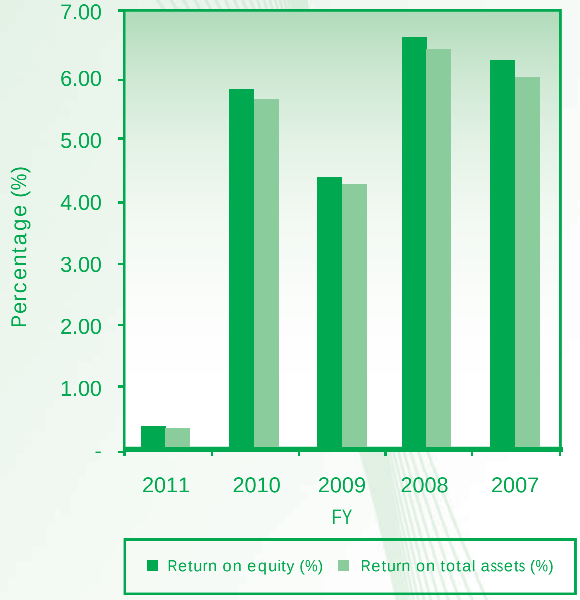
**10. Share buy back**

The Company did not enter into any share buy-back transactions during the financial year.

# 5-YEAR FINANCIAL HIGHLIGHTS

**MHB 5yr Revenue and PBT from 2007 to 2011**


**MHB 5yr ROE and ROA from 2007-2011**




**MHB 5yr Net Assets per share and FY end Share Price from 2007-2011**


**MHB 5yr Total Assets vs Total Liabilities from 2007-2011**

# 5-YEAR FINANCIAL HIGHLIGHTS (CONT'D)

| | | 2011 RM | 2010 RM | 2009 RM | 2008 RM | 2007 RM |
|---|---|---|---|---|---|---|
| **A STATEMENT OF COMPREHENSIVE INCOME** | | | | | | |
| 1 | Revenue | 8,114,757 | 12,617,775 | 10,247,273 | 17,163,036 | 13,509,922 |
| 2 | EBITDA | 561,884 | 11,252,800 | 6,475,867 | 9,804,162 | 8,542,657 |
| 3 | Profit before tax | 2,804,900 | 13,509,305 | 8,709,477 | 11,844,277 | 10,474,061 |
| 4 | Profit after tax | 760,832 | 11,554,699 | 8,205,179 | 11,822,851 | 10,399,258 |
| 5 | Net profit attributable to equity holders | 760,832 | 11,554,699 | 8,205,179 | 11,822,851 | 10,399,258 |
| **B STATEMENT OF FINANCIAL POSITION** | | | | | | |
| 1 | Total assets | 206,523,671 | 206,038,424 | 192,554,647 | 184,046,129 | 173,310,454 |
| 2 | Total liabilities | 7,589,966 | 7,842,856 | 6,510,105 | 6,206,766 | 7,293,942 |
| 3 | Shareholders' equity | 198,933,705 | 198,195,568 | 186,044,542 | 177,839,363 | 166,016,512 |
| **C FINANCIAL INDICATORS** | | | | | | |
| 1 | Return on equity (%) | 0.38 | 5.83 | 4.41 | 6.65 | 6.26 |
| 2 | Return on total assets (%) | 0.37 | 5.61 | 4.26 | 6.42 | 6.00 |
| 3 | Gearing ratio | 0 | 0 | 0 | 0 | 0 |
| 4 | Earnings per share (sen) | 1.00 | 15.40 | 10.90 | 15.80 | 13.90 |
| 5 | Interest cover | N/A | N/A | N/A | N/A | N/A |
| 6 | Net assets per share (RM) | 2.65 | 2.64 | 2.48 | 2.37 | 2.21 |
| 7 | Price earning (PE) ratio (times) | 130.00 | 9.09 | 10.64 | 5.89 | 10.94 |
| 8 | Share price as at the financial year end (RM) | 1.30 | 1.40 | 1.16 | 0.93 | 1.52 |

# FINANCIAL STATEMENTS

# 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 2011.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 12 to the financial statements. There have been no significant changes in the nature of the principal activities during the financial year.

## RESULTS

| | Group RM | Company RM |
|---|---|---|
| Profit for the year, attributable to owners of the parent | 760,832 | 1,057,277 |

## DIVIDEND

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

## RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are shown in the financial statements.

## BAD AND DOUBTFUL DEBTS

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that 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.

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

## CURRENT ASSETS

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

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

## VALUATION METHODS

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

## CONTINGENT AND OTHER LIABILITIES

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

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

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

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

## CHANGE OF CIRCUMSTANCES

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

## ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors:

(i) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature except for the impact from the material litigation as disclosed in Note 29 to the financial statements; and

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

## ISSUE OF SHARES

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

## DIRECTORS OF THE COMPANY

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

CHEW LOY CHEE
TAN CHON SING @ TAN KIM TIENG
GAN TECK CHONG @ GAN KWAN CHONG
LIM HONG LIANG
KAN AH CHUN
MUHAYUDDIN BIN MUSA
JOHARI LOW BIN ABDULLAH

# DIRECTORS' REPORT (cont'd)

## DIRECTORS' INTERESTS

The interests of the Directors in office at the end of the financial year in the shares of the Company and its related corporations during the financial year according to the registers required to be kept under Section 134 of the Companies Act, 1965, are as follow:

| | Number of Ordinary Shares of RM1 each | | | |
|---|---|---|---|---|
| | At 1.1.2011 | Bought | Sold | At 31.12.2011 |
| **Direct Interest** | | | | |
| Chew Loy Chee | 3,152,188 | - | - | 3 ,152,188 |
| Tan Chon Sing @ Tan Kim Tieng | 10,315,393 | - | - | 10,315,393 |
| Gan Teck Chong @ Gan Kwan Chong | 3,917,303 | - | - | 3 ,917,303 |
| Lim Hong Liang | 12,828,008 | 414,000 | - | 13,242,008 |
| Kan Ah Chun | 2,180,260 | - | - | 2,180,260 |
| **Indirect Interest** | | | | |
| Chew Loy Chee * | 230,000 | - | - | 230,000 |
| Tan Chon Sing @ Tan Kim Tieng * | 2,209,300 | - | - | 2,209,300 |
| Gan Teck Chong @ Gan Kwan Chong * | 2,655,800 | - | - | 2,655,800 |
| Lim Hong Liang ** | 3,691,900 | - | - | 3,691,900 |

*  Deemed interested through spouse
** Deemed interested through a corporation in which the director has substantial financial interest.

Lim Hong Liang, by virtue of his interest in shares of the Company, is also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

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

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

## SIGNIFICANT EVENT

Details of significant event during the financial year are disclosed in Note 28 to the financial statements.

## AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 17 April 2012.

**TAN CHON SING @ TAN KIM TIENG** **GAN TECK CHONG @ GAN KWAN CHONG**

# STATEMENT BY DIRECTORS

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

We, Tan Chon Sing @ Tan Kim Tieng and Gan Teck Chong @ Gan Kwan Chong, being two of the Directors of Malpac Holdings Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements as set out on pages 34 to 74, 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 2011 and of their financial performance and cash flows for the year then ended.

The supplementary information set out in Note 30 to the financial statements has been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and presented based on the format as prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 17 April 2012.

**TAN CHON SING @ TAN KIM TIENG**

**GAN TECK CHONG @ GAN KWAN CHONG**

# STATUTORY DECLARATION

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

I, Tan Chon Sing @ Tan Kim Tieng, being the Director primarily responsible for the financial management of the Company, do solemnly and sincerely declare that the financial statements as set out on pages 34 to 74, are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared at
Kuala Lumpur in the Wilayah Persekutuan
on 17 April 2012

**TAN CHON SING @ TAN KIM TIENG**

Before me

**FAUZILAWATI BINTI ISHAK**
No. W 561
Commissioner for Oaths

# INDEPENDENT AUDITORS' REPORT

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

**Report on the Financial Statements**

We have audited the financial statements of Malpac Holdings Berhad, which comprise the statements of financial position as at 31 December 2011 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statement 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 information, as set out on pages 34 to 74.

***Directors' Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the 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 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 of 31 December 2011 and of their financial performance and cash flows for the year then ended.

**Report on Other Legal and Regulatory Requirements**

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

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

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

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

# INDEPENDENT AUDITORS' REPORT (cont'd)

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

## Other Reporting Responsibilities

The supplementary information set out in Note 30 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia.

## Other Matters

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

**MOORE STEPHENS AC**
Chartered Accountants
AF 001826

**DATO' CHONG KWONG CHIN, DIMP., JP**
707/04/12(J/PH)
Chartered Accountant

Kuala Lumpur
Date: 17 April 2012

# STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

| | Note | Group 2011 RM | Group 2010 RM | Company 2011 RM | Company 2010 RM |
|---|---|---|---|---|---|
| Revenue | 4 | 8,114,757 | 12,617,775 | 150,000 | 457,500 |
| Other income | | 3,674,908 | 7,412,642 | 3,067,069 | 13,928,443 |
| Administrative expenses | | (5,947,020) | (6,194,031) | (1,914,127) | (1,878,517) |
| Other operating expenses | | (3,037,745) | (327,081) | (136,685) | (61,911) |
| **Profit before tax** | 5 | 2,804,900 | 13,509,305 | 1,166,257 | 12,445,515 |
| Tax expense | 8 | (2,044,068) | (1,954,606) | (108,980) | (338,523) |
| **Profit for the year, attributable to owners of the parent** | | 760,832 | 11,554,699 | 1,057,277 | 12,106,992 |
| **Other comprehensive income:** | | | | | |
| Net fair value (loss)/gain on available-for-sale financial assets | | (22,695) | 4,951 | (25,531) | 1,262 |
| **Total comprehensive income for the year, attributable to owners of the parent** | | 738,137 | 11,559,650 | 1,031,746 | 12,108,254 |
| **Earnings per share attributable to owners of the parent:** | | | | | |
| Basic earnings per share (sen) | 9 | 1.0 | 15.4 | | |

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

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2011

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2011 RM | 2010 RM | 2011 RM | 2010 RM |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 10 | 59,361,252 | 59,835,850 | 73,427 | 87,187 |
| Prepaid land lease payments | 11 | 36,271,417 | 37,920,118 | - | - |
| Investment in subsidiaries | 12 | - | - | 156,974,383 | 155,404,992 |
| Investment securities | 13 | 8,414,584 | 5 ,183,167 | - | - |
| | | 104,047,253 | 102,939,135 | 157,047,810 | 155,492,179 |
| **Current assets** | | | | | |
| Receivables and deposits | 14 | 254,963 | 2,865,549 | 312,222 | 1,160,020 |
| Tax recoverable | | 63,736 | 28,874 | 49,080 | - |
| Investment securities | 13 | 91,605,801 | 54,359,881 | 43,220,290 | 35,563,626 |
| Cash and bank balances | 15 | 10,551,918 | 45,844,985 | 104,014 | 7,331,850 |
| | | 102,476,418 | 103,099,289 | 43,685,606 | 44,055,496 |
| **Total assets** | | 206,523,671 | 206,038,424 | 200,733,416 | 199,547,675 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity attributable to owners of the parent** | | | | | |
| Share capital | 16 | 75,000,000 | 75,000,000 | 75,000,000 | 75,000,000 |
| Reserves | 17 | 123,933,705 | 123,195,568 | 124,122,619 | 123,090,873 |
| **Total Equity** | | 198,933,705 | 198,195,568 | 199,122,619 | 198,090,873 |
| **Liabilities** | | | | | |
| **Non-current liabilities** | | | | | |
| Deferred tax liabilities | 18 | - | 6,206 | - | 6,206 |
| **Current liabilities** | | | | | |
| Payables and accruals | 19 | 5,090,300 | 5,399,644 | 364,701 | 458,301 |
| Provisions | 20 | 2,470,578 | 1,914,184 | 1,246,096 | 966,475 |
| Tax payable | | 29,088 | 522,822 | - | 25,820 |
| | | 7,589,966 | 7,836,650 | 1,610,797 | 1,450,596 |
| **Total liabilities** | | 7,589,966 | 7,842,856 | 1,610,797 | 1,456,802 |
| **Total Equity and Liabilities** | | 206,523,671 | 206,038,424 | 200,733,416 | 199,547,675 |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

| | ← Non-distributable | | → | Distributable | |
|---|---|---|---|---|---|
| **Group** | **Share Capital RM** | **Shares Premium RM** | **Fair value Adjustment Reserve RM** | **Retained Earnings RM** | **Total Equity RM** |
| **At 1 January 2010** | 75,000,000 | 24,366,593 | - | 87,269,325 | 186,635,918 |
| **Comprehensive income** | | | | | |
| Profit for the year | - | - | - | 11,554,699 | 11,554,699 |
| **Other comprehensive income** | | | | | |
| Net fair value gain on available-for-sale financial assets | - | - | 4,951 | - | 4,951 |
| **Total other comprehensive income** | - | - | 4,951 | - | 4,951 |
| **Total comprehensive income for the year** | - | - | 4,951 | 11,554,699 | 11,559,650 |
| **At 31 December 2010** | 75,000,000 | 24,366,593 | 4,951 | 98,824,024 | 198,195,568 |
| **Comprehensive income** | | | | | |
| Profit for the year | - | - | - | 760,832 | 760,832 |
| **Other comprehensive income** | | | | | |
| Net fair value loss on available-for-sale financial assets | - | - | (22,695) | - | (22,695) |
| **Total other comprehensive income** | - | - | (22,695) | - | (22,695) |
| **Total comprehensive income for the year** | - | - | (22,695) | 760,832 | 738,137 |
| **At 31 December 2011** | 75,000,000 | 24,366,593 | (17,744) | 99,584,856 | 198,933,705 |

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

# STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

| Company | Share Capital RM | Shares Premium RM | Fair value Adjustment Reserve RM | Retained Earnings RM | Total Equity RM |
|---|---|---|---|---|---|
| | ← Non-distributable | | → | Distributable | |
| **At 1 January 2010** | 75,000,000 | 24,366,593 | - | 86,616,026 | 185,982,619 |
| **Comprehensive income** | | | | | |
| Profit for the year | - | - | - | 12,106,992 | 12,106,992 |
| **Other comprehensive income** | | | | | |
| Net fair value gain on available-for-sale financial assets | - | - | 1,262 | - | 1,262 |
| **Total other comprehensive income** | - | - | 1,262 | - | 1,262 |
| **Total comprehensive income for the year** | - | - | 1,262 | 12,106,992 | 12,108,254 |
| **At 31 December 2010** | 75,000,000 | 24,366,593 | 1,262 | 98,723,018 | 198,090,873 |
| **Comprehensive income** | | | | | |
| Profit for the year | - | - | - | 1,057,277 | 1,057,277 |
| **Other comprehensive income** | | | | | |
| Net fair value loss on available-for-sale financial assets | - | - | ( 25,531) | - | (25,531) |
| **Total other comprehensive income** | - | - | ( 25,531) | - | (25,531) |
| **Total comprehensive income for the year** | - | - | (25,531) | 1,057,277 | 1,031,746 |
| **At 31 December 2011** | 75,000,000 | 24,366,593 | (24,269) | 99,780,295 | 199,122,619 |

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

# STATEMENTS OF CASH FLOWS

For the year ended 31 December 2011

| | Note | Group 2011 RM | Group 2010 RM | Company 2011 RM | Company 2010 RM |
|---|---|---|---|---|---|
| **Cash Flows from Operating Activities** | | | | | |
| Profit before tax | | 2,804,900 | 13,509,305 | 1,166,257 | 12,445,515 |
| Adjustments for:- | | | | | |
| Bad debts recovered | | (20,045) | - | - | - |
| Net fair value loss/(gain) on financial instruments: | | | | | |
| - Financial assets at fair value through profit or loss | | 2,623,752 | (3,389,983) | - | - |
| Reversal of impairment losses on investment in subsidiaries | | - | - | (1,649,000) | (12,230,000) |
| Amortisation of prepaid land lease payments | 11 | 1,648,701 | 1,648,701 | - | - |
| Depreciation of property, plant and equipment | 10 | 594,316 | 607,804 | 14,240 | 14,977 |
| Dividend income | | (261,751) | (176,040) | (150,000) | (457,500) |
| Distribution income from available-for-sale financial assets | | (1,625,823) | (316,019) | (782,993) | (44,278) |
| Impairment losses on investment in subsidiaries | | - | - | 79,640 | 60,210 |
| Impairment losses on amounts due from subsidiaries | 14 | - | - | 57,045 | - |
| Net gain on disposal of: | | | | | |
| - Available-for-sale financial assets | | (26,415) | (59,973) | (1,990) | (12,859) |
| - Financial assets at fair value through profit or loss | | (175,605) | (405,180) | - | - |
| - Property, plant and equipment | | - | (85,499) | - | - |
| Interest income | | (1,487,126) | (2,631,098) | (619,981) | (1,341,306) |
| Provisions | | 1,123,331 | 1,758,038 | 299,755 | 827,873 |
| Property, plant and equipment written off | | - | 1,701 | - | 1,701 |
| Operating profit/(loss) before working capital changes | | 5,198,235 | 10,461,757 | (1,587,027) | (735,667) |
| Decrease in receivables | | 2,630,631 | 722,548 | 790,753 | 3,596,261 |
| Decrease in payables | | (309,344) | (704,523) | (93,600) | (489,650) |
| Decrease in provisions | | (566,937) | (228,145) | (20,134) | (23,332) |
| Cash generated from/(used in) operations | | 6,952,585 | 10,251,637 | (910,008) | 2,347,612 |
| Tax refunded | | 10,744 | - | - | - |
| Tax paid | | (2,534,539) | (1,158,340) | (152,586) | (201,307) |
| Net cash from/(used in) operating activities carried down | | 4,428,790 | 9,093,297 | (1,062,594) | 2,146,305 |

# STATEMENTS OF CASH FLOWS (cont'd)
For the year ended 31 December 2011

| | Note | Group 2011 RM | Group 2010 RM | Company 2011 RM | Company 2010 RM |
|---|---|---|---|---|---|
| Net cash from / (used in) operating activities brought down | | 4,428,790 | 9,093,297 | (1,062,594) | 2,146,305 |
| **Cash Flows from Investing Activities** | | | | | |
| Acquisition of subsidiary, net of cash acquired | 12 | - | - | (31) | - |
| Interest received | | 1,487,126 | 2,631,098 | 619,981 | 1,341,306 |
| Distribution income received | | 1,625,823 | 316,019 | 782,993 | 44,278 |
| Dividends received | | 206,676 | 142,729 | 112,500 | 343,125 |
| Purchase of: | | | | | |
| - Property, plant and equipment | | (119,718) | (18,970) | (480) | (2,449) |
| - Available-for-sale financial assets | | (91,632,593) | (29,369,708) | (34,339,816) | (2,567,386) |
| - Financial assets at fair value through profit or loss | | (7,980,187) | (712,325) | - | - |
| - Held-to-maturity investments | | (9,940,389) | (11,213,195) | (9,940,389) | (11,130,501) |
| Proceeds from disposal of: | | | | | |
| - Property, plant and equipment | | - | 180,000 | - | - |
| - Available-for-sale financial assets | | 18,460,001 | 53,751,033 | 1,600,000 | 17,153,258 |
| - Financial assets at fair value through profit or loss | | 3,163,176 | 1,690,845 | - | - |
| - Held-to-maturity investments | | 45,008,228 | 18,026,521 | 35,000,000 | 2,114,973 |
| Additional investment in a subsidiary | | - | - | - | (2,200,000) |
| Net cash (used in)/from investing activities | | (39,721,857) | 35,424,047 | (6,165,242) | 5,096,604 |
| Net (decrease)/increase in cash and cash equivalents | | (35,293,067) | 44,517,344 | (7,227,836) | 7,242,909 |
| Cash and cash equivalents at beginning of the year | | 45,844,985 | 1,327,641 | 7,331,850 | 88,941 |
| **Cash and cash equivalents at the end of the year** | 15 | 10,551,918 | 45,844,985 | 104,014 | 7,331,850 |

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

## 1. CORPORATE INFORMATION

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

The registered office of the Company is located at Chamber E, Lian Seng Courts, 275 Jalan Haruan, 70200 Seremban, Negeri Sembilan Darul Khusus. The principal place of business of the Company is located at 2nd Floor, 23 Jalan Kong Sang, 70000 Seremban, Negeri Sembilan Darul Khusus.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 12. There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a Board of Directors' resolution dated 17 April 2012.

## 2. BASIS OF PREPARATION

### (a) Statement of compliance

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

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

At 1 January 2011, the Group and the Company adopted the following new and revised FRSs, Amendments to FRS, IC Interpretations and TR as follows:-

FRS 1 First-time Adoption of Financial Reporting Standards
FRS 3 Business Combinations (Revised)
FRS 127 Consolidated and Separate Financial Statements (Revised)
Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters (Amendment to FRS 1)
Additional Exemptions for First-time Adopters (Amendments to FRS 1)
Improving Disclosures about Financial Instruments (Amendments to FRS 7)
Amendments to FRS 2 Share-based Payment
Group Cash-settled Share-based Payment Transactions (Amendments to FRS 2)
Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 132 Financial Instruments: Presentation
Amendments to FRS 138 Intangible Assets
Amendments to FRSs contained in the document entitled "Improvements to FRSs (2010)"
IC Interpretation 4 Determining whether an Arrangement contains a Lease
IC Interpretation 12 Service Concession Arrangements
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17 Distributions of Non-cash Assets to Owners
IC Interpretation 18 Transfers of Assets from Customers
Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives
TR i-4 Shariah Compliant Sale Contracts

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

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2011

## 2. BASIS OF PREPARATION (CONT'D)

### (a) Statement of compliance (cont'd)

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

***FRS 3, Business Combinations (Revised) and FRS 127, Consolidated and Separate Financial Statements (Revised)***

The revised FRS 3 introduces a number of significant changes to the accounting for business combinations with greater use of fair value. These changes include recognising all acquisition-related costs as expense, measuring any pre-existing interest at fair value and allowing measurement of non-controlling interest (previously known as minority interest) at either fair value or at its proportionate share of the acquiree's net identifiable assets. The revised FRS 127 requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The revised standard also requires all losses attributable to the non-controlling interests to be absorbed by minority shareholders instead of by the parent even if the losses exceed the non-controlling interests in the subsidiary's equity. The Group has applied the changes of revised FRS 3 and FRS 127 prospectively. There is no financial impact on the financial statements of the Group for the current financial year other than changes in accounting policies.

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

The amendments to FRS 107 expand the disclosures required in respect of fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. The amendment to FRS 107 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

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

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

In addition, reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well as significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures. The fair value measurement disclosures and liquidity risk disclosures are presented in Note 24. The Group has elected not to provide comparative information for these expanded disclosures in current year in accordance with the transitional reliefs offered in these amendments.

***Amendments to FRS 132 Financial Instruments: Presentation***

The amendment addresses the accounting for rights issues (rights, options, or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously such rights issues were accounted for as derivative liabilities. The amendment requires that rights, options, or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount of any currency be treated as equity instruments; regardless of the currency in which the exercise price is denominated, if the entity offers the rights, options, or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. This amendment will not have a material impact on the financial statements of the Group and of the Company.

***Amendments to FRS 7 [Improvements to FRSs (2010)]***

The amendment clarifies that quantitative disclosures of risk concentrations are required if the disclosures made in other parts of the financial statements are not readily apparent. The disclosure on maximum exposure to credit risk is not required for financial instruments whose carrying amount best represents the maximum exposure to credit risk. The Group expects to improve the disclosures on maximum exposure to credit risk upon adoption of these amendments.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2011

## 2. BASIS OF PREPARATION (CONT'D)

### (a) Statement of compliance (cont'd)

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

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

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

***IC Interpretation 4 Determining whether an Arrangement contains a Lease***

The Interpretation provides guidance for determining whether certain arrangements are, or contain, leases that should be accounted for in accordance with FRS 117 Leases. However, it does not provide guidance whether such a lease should be classified as a finance lease or an operating lease. It clarifies that an arrangement, although does not take the legal form of a lease, is a lease when the fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset.

This is the case if the purchaser has the right to operate or direct others to operate or control physical access to the asset. Another condition is that it is remote parties other than the purchaser will take more than an insignificant amount of the asset's output and the price is neither fixed nor at current market price. There is no financial impact on the financial statements of the Group for the current financial year.

**MFRS Framework issued but not yet effective**

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

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

As such, the Group and the Company will prepare their first financial statements using the MFRS Framework for the year ending 31 December 2012. In presenting their first MFRS financial statements, the Group and the Company may be required to restate the comparative financial statements to amounts reflecting the application of the MFRS Framework.

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

### (b) Basis of measurement

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

### (c) Functional and presentation currency

The financial statements of the Group and the Company are presented in Ringgit Malaysia ("RM") which is the Group's and the Company's functional currency. All financial information presented in RM has been rounded to the nearest RM, unless otherwise stated.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2011

## 2. BASIS OF PREPARATION (CONT'D)

### (d) Significant accounting estimates and judgements

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses and assets and liabilities at the reporting date. Actual results may differ from the estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and are recognised in the period on which the estimate is revised and in any future period affected.

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have significant effect on the amounts recognised in the financial statements:

**i. Operating lease commitments – as lessor**

The Group has entered into commercial property leases on its prepaid land lease payment and plant and machinery. The Group has evaluated and determined that it retains all the significant risks and rewards of ownership of the prepaid land lease payment and plant and machinery which are leased out on operating leases, and thus account for the arrangement as operating lease.

**ii. Revenue recognition**

The Group had suspended recognition of income from oil palm plantation and lease rental from oil mill with effect from 1 July 2011 following the Ipoh High Court judgement as mentioned in Note 29. The Group has determined that there is a significant uncertainty as to the probability that the economic benefits associated with the plantation and oil mill will flow to the Group.

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.

(i) Useful lives of property, plant and equipment (Note 10) - The cost of property, plant and equipment is depreciated on a straight line method over the assets' useful lives. Management estimates the useful lives of these property, plant and equipment and to be within 5 to 50 years. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) Impairment loss on receivables (Note 14) - The Group assesses at each reporting date whether there is any objective evidence that a receivable is impaired. Allowances are applied where events or changes in circumstances indicate that the balances may not be collectable. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables at the reporting date.

(iii) Provision for legal fee (Note 20) - the provision is made for legal services in respect of the Group's litigation case as mentioned in Note 29. The amount of provision is estimated based on legal costs incurred in previous years on the same case. It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the provision made.

(iv) Provision for retirement gratuity (Note 20) - the provision is determined based on the number of years of service of the employees and directors at the reporting date and their salaries over the past years. The retirement gratuity payable is vested upon the employees and directors reaching their retirement age.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2011

## 2. BASIS OF PREPARATION (CONT'D)

### (d) Significant accounting estimates and judgements (cont'd)

#### ii. Revenue recognition (cont'd)

(v) Provision for unutilised leave (Note 20) - the provision is made based on the employees salaries over the past years and the unutilised leave at the end of the year and will be reversed once the leave is utilised.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of consolidation

The consolidated financial statements incorporate the audited financial statements of the Company and all of its subsidiary companies which are disclosed in Note 12 made up to the end of the financial year.

All intra-group balances, transactions and resulting unrealised profits and losses (unless cost cannot be recovered) are eliminated on consolidation and the consolidated financial statements reflect external transactions only.

Subsidiary companies are consolidated using the purchase method, 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. Adjustments to those fair values relating to previously held interests are treated as revaluation and recognised in other comprehensive income. The assets, liabilities and contingent liabilities assumed from a subsidiary company are measured at their fair values at the date of acquisition and these values are reflected in the consolidated financial statements. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

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

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

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

Changes in the Company owners' ownership interest in a subsidiary company 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 company. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

The Group has applied the revised FRS 127 prospectively on 1 January 2011 in accordance with the transitional provisions. Accordingly, transactions with non-controlling interests prior to the respective effective date have not been restated to comply with the Standard.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)
For the financial year ended 31 December 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (a) Basis of consolidation (cont'd)

Business combination involving entities under common control are accounted for by applying the pooling-of-interest method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the acquired entity is reflected within equity as reverse acquisition reserve. The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities had always been combined.

### (b) 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. Revenue is not recognised to the extent there are significant uncertainties regarding recovery of consideration due.

**(i) Interest income**
Interest income is recognised using the effective interest method.

**(ii) Dividend income and distribution income**
Dividend income and distribution income are recognised when the Group's right to receive payment is established.

**(iii) Lease income**
Lease 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 lease income over the lease term on a straight-line basis.

**(iv) Oil palm plantation**
Revenue from oil palm plantation is recognised on an accrual basis.

### (c) Employee benefits

**(i) Short term employee benefits**
Wages, salaries, bonuses and social security contributions are recognised as expenses in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

**(ii) 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.

**(iii) Retirement gratuity scheme**
The Company established a retirement gratuity scheme in 2010 for employees and directors of the Group. The amount of retirement gratuity payable is determined by the Board of Directors in relation to the services rendered up to the date of retirement. The retirement gratuity is calculated based on the basic salary over the tenure of employment to date. The retirement gratuity payable is vested upon the employees and directors reaching their retirement and is classified as current liabilities.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (d) Leases

**(i) Operating Lease – the Group as Lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentive provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis. The up-front payment for lease of land represents prepaid land lease payments and are amortised on a straight-line basis over the lease term.

**(ii) Operating Lease – the Group as Lessor**

Assets leased out under operating leases are presented on the statements of financial position according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

### (e) Tax expense

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

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

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

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

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

### (f) Property, plant and equipment and depreciation

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

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (f) Property, plant and equipment and depreciation (cont'd)

Freehold land is not depreciated. All other property, plant and equipment are depreciated on the straight line basis to write off the cost of the property, plant and equipment over their estimated useful lives.

The principal annual rates used for this purpose are:

| | |
|---|---|
| Buildings | 2% |
| Plant and machinery | 10% |
| Renovation, electrical installations, office equipment and furniture and fittings | 10% - 12% |
| Computer equipment | 20% |
| Motor vehicles | 20% |

The residual values, useful lives and depreciation method are reviewed at each reporting date to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

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

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

### (g) Subsidiaries

A subsidiary is an entity in which the Company has the power to exercise control over its financial and operating policies so as to obtain benefits from its activities. In assessing control, the existence and effect of potential voting rights that are currently exercisable are taken into account.

Investments in subsidiaries, which are eliminated on consolidation, are stated at cost less impairment losses, unless the investments are classified as held for sale (or included in a disposal group that is classified as held for sale). Acquisition related costs are recognised as expenses in the period in which the costs are incurred. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

### (h) Impairment of non-financial assets

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

Any subsequent increase in recoverable amount of an asset, other than goodwill, due to a reversal of impairment loss is restricted to the carrying amount that would have been determined (net of accumulated depreciation, where applicable) had no impairment loss been recognised in prior years. The reversal of impairment loss is recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (i) 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.

**(i) Financial assets at FVTPL**

Financial assets are classified as financial assets at FVTPL 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 FVTPL 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 FVTPL do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at FVTPL are recognised separately in profit or loss as part of other losses or other income.

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

The Group classified its investments in quoted equity instruments as financial assets at FVTPL.

**(ii) Loans and receivables**

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

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

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

The Group and the Company classified the following financial assets as loans and receivables:
- cash and cash equivalents; and
- trade and other receivables, including amounts due from subsidiaries.

**(iii) Held-to-maturity**

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.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(i) Financial assets (cont'd)**

**(iii) Held-to-maturity (cont'd)**

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.

The Group classified its investments in unquoted fixed income bonds as held-to-maturity financial assets.

**(iv) Available-for-sale financial assets**

Available-for-sale are financial assets that are designated as available for sale or are not classified in financial assets at FVTPL, held-to-maturity investments and loans and receivables.

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

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

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

The Group classified its investments in unit trusts as available-for-sale financial assets.

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.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or where appropriate, a shorter period to the net carrying amount on initial recognition.

**(j) Impairment of financial assets**

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

**(i) Trade and other receivables and other financial assets carried at amortised cost**

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, 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.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (j) Impairment of financial assets (cont'd)

#### (i) Trade and other receivables and other financial assets carried at amortised cost (cont'd)

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

#### (ii) 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 market are considerations to determine whether there is objective evidence that investment classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current 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 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 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.

### (k) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and deposits with licensed banks which are subject to an insignificant risk of changes in value.

### (l) Share capital

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.

### (m) 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 statements 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (m) Financial liabilities (cont'd)

#### (i) Other financial liabilities

The Group's and the Company's other financial liabilities include other payables.

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

The Group's and the Company's other financial liabilities include other payables.

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

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

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

### (n) Provisions

Provision for liabilities 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 resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. Where 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.

### (o) 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 27, including the factors used to identify the reportable segments and the measurement basis of segment information.

## 4. REVENUE

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | RM | RM | RM | RM |
| Dividend income from a subsidiary | - | - | 150,000 | 457,500 |
| Income from oil palm plantation | 7,964,757 | 12,317,775 | - | - |
| Lease rental from oil mill | 150,000 | 300,000 | - | - |
| | 8,114,757 | 12,617,775 | 150,000 | 457,500 |

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)
For the financial year ended 31 December 2011

## 5. PROFIT BEFORE TAX

| | Group 2011 RM | Group 2010 RM | Company 2011 RM | Company 2010 RM |
|---|---|---|---|---|
| **Profit before tax is arrived at after charging:** | | | | |
| Auditors' remuneration | | | | |
| - statutory | 34,000 | 34,000 | 18,000 | 17,000 |
| - other services | 9,390 | 10,250 | 9,390 | 10,250 |
| Employee benefits expense (Note 6) | 1,816,883 | 1,858,703 | 1,380,679 | 1,330,566 |
| Depreciation of property, plant and equipment (Note 10) | 594,316 | 607,804 | 14,240 | 14,977 |
| Property, plant and equipment written off | - | 1,701 | - | 1,701 |
| Impairment losses on investment in subsidiaries | - | - | 79,640 | 60,210 |
| Impairment losses on amounts due from subsidiaries (Note 14) | - | - | 57,045 | - |
| Amortisation of prepaid land lease payments (Note 11) | 1,648,701 | 1,648,701 | - | - |
| Rental of premises | 212,880 | 212,880 | 193,680 | 193,680 |
| Provisions for legal fee | 800,000 | 800,000 | - | - |
| Reversal of provision for legal fee | - | (200,000) | - | - |
| Net fair value loss on | | | | |
| - Financial assets at fair value through profit or loss | 2,623,752 | - | - | - |
| **and after crediting:** | | | | |
| Bad debts recovered | 20,045 | - | - | - |
| Distribution income from available-for-sale financial assets | 1,625,142 | 315,962 | 782,987 | 44,261 |
| Interest income from:- | | | | |
| - Short term deposits | 865,674 | 689,555 | 82,283 | 118,671 |
| - Financial assets at fair value through profit or loss | 69,611 | 67,615 | - | - |
| - Held-to-maturity investments | 548,665 | 1,872,316 | 535,195 | 1,221,515 |
| - Others | 3,176 | 2,154 | 2,509 | 1,137 |
| Dividend income | 261,751 | 176,040 | - | - |
| Net gain on disposal of:- | | | | |
| - Available-for-sale financial assets | 26,415 | 59,973 | 1,990 | 12,859 |
| - Financial assets at fair value through profit or loss | 175,605 | 405,180 | - | - |
| - Property, plant and equipment | - | 85,499 | - | - |
| Rental income | 59,300 | 46,800 | - | - |
| Net fair value gain on financial intruments:- | | | | |
| - Financial assets at fair value through profit or loss | - | 3,389,983 | - | - |
| Reversal of impairment losses on investment in subsidiaries | - | - | 1,649,000 | 12,230,000 |

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2011

## 6. EMPLOYEE BENEFITS EXPENSE

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM | 2010 RM | 2011 RM | 2010 RM |
| Salaries and allowances | | | | |
| - current year | 1,297,848 | 1,405,431 | 927,578 | 1,034,471 |
| - overprovision in prior year | - | (576,000) | - | ( 576,000) |
| Employees Provident Fund | 156,803 | 117,629 | 123,633 | 92,928 |
| Other employee benefits | 362,232 | 911,643 | 329,468 | 779,167 |
| | 1,816,883 | 1,858,703 | 1,380,679 | 1,330,566 |

Included in employee benefits expense of the Group and of the Company are the following:

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM | 2010 RM | 2011 RM | 2010 RM |
| Directors' remuneration (excluding benefit in kind) (Note 7) | 905,100 | 905,200 | 755,100 | 800,200 |
| Provision for retirement gratuity * | 276,835 | 914,480 | 262,205 | 791,700 |
| Provision for unutilised leave | 46,496 | 43,558 | 37,550 | 36,173 |

* Included in provision for retirement gratuity of the Group and of the Company is a provision for directors of the Company amounting to RM210,000 (2010: RM384,000) and RM210,000 (2010: RM384,000) respectively.

## 7. DIRECTORS' REMUNERATION

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM | 2010 RM | 2011 RM | 2010 RM |
| **Executive Directors:** | | | | |
| Salaries and other emoluments | | | | |
| - Current year | 227,040 | 321,280 | 167,040 | 261,280 |
| - Overprovision in prior year | - | (216,000) | - | (216,000) |
| Fees | 24,000 | 24,000 | 24,000 | 24,000 |
| Retirement gratuity benefits | 12,000 | 204,000 | 12,000 | 204,000 |
| Total executive directors' remuneration (excluding benefit in kind) (Note 6) | 263,040 | 333,280 | 203,040 | 273,280 |
| Estimated monetary value of benefit in kind | 8,800 | 8,800 | - | - |
| Total executive directors' remuneration (including benefit in kind) | 271,840 | 342,080 | 203,040 | 273,280 |

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)
For the financial year ended 31 December 2011

## 7. DIRECTORS' REMUNERATION (CONT'D)

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | RM | RM | RM | RM |
| **Non-executive Directors:** | | | | |
| Salaries and other emoluments | 408,060 | 400,920 | 318,060 | 310,920 |
| Fees | 36,000 | 36,000 | 36,000 | 36,000 |
| Retirement gratuity benefits | 198,000 | 180,000 | 198,000 | 180,000 |
| Total non-executive directors' remuneration (excluding benefit in kind) (Note 6) | 642,060 | 616,920 | 552,060 | 526,920 |
| Estimated monetary value of benefit in kind | 29,500 | 29,500 | - | - |
| Total executive directors' remuneration (including benefit in kind) | 671,560 | 646,420 | 552,060 | 526,920 |
| Total directors' remuneration | 943,400 | 988,500 | 755,100 | 800,200 |

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 | |
|---|---|---|
| | 2011 | 2010 |
| Executive directors: | | |
| RM50,001 - RM100,000 | - | 1 |
| RM100,001 - RM150,000 | 2 | - |
| RM200,001 - RM250,000 | - | 1 |
| | 2 | 2 |
| Non-Executive directors: | | |
| RM0 - RM50,000 | 2 | 2 |
| RM150,001 - RM200,000 | 3 | 3 |
| | 5 | 5 |

## 8. TAX EXPENSE

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | RM | RM | RM | RM |
| **Current tax expense:** | | | | |
| Malaysian income tax | | | | |
| - current year | 1,934,212 | 1,515,862 | 21,400 | 239,963 |
| - underprovison in prior years | 116,062 | 454,183 | 93,786 | 113,999 |
| | 2,050,274 | 1,970,045 | 115,186 | 353,962 |
| **Deferred tax expense:** | | | | |
| Origination and reversal of temporary differences | - | (547) | - | (547) |
| Overprovision in prior years | (6,206) | (14,892) | (6,206) | (14,892) |
| | (6,206) | (15,439) | (6,206) | (15,439) |
| Tax expense recognised in profit or loss | 2,044,068 | 1,954,606 | 108,980 | 338,523 |

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)
For the financial year ended 31 December 2011

## 8. TAX EXPENSE (CONT'D)

The reconciliation of the tax amount at statutory income tax rate to the Group's and the Company's tax expenses are as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM | 2010 RM | 2011 RM | 2010 RM |
| Profit before tax | 2,804,900 | 13,509,305 | 1,166,257 | 12,445,515 |
| Tax at Malaysian statutory tax rate of 25% | 701,200 | 3,377,326 | 291,600 | 3,111,379 |
| Tax effect from: | | | | |
| Income not subject to taxation | (426,800) | (991,783) | (608,500) | (3,071,776) |
| Non-deductible expenses | 864,912 | 949,868 | 267,000 | 121,980 |
| Utilisation of previously unrecognised tax losses | - | (1,897,929) | - | - |
| Deferred tax assets not recognised during the year | 794,900 | 77,833 | 71,300 | 77,833 |
| Overprovision of deferred tax expense in prior years | (6,206) | (14,892) | (6,206) | (14,892) |
| Underprovision of income tax expense in prior years | 116,062 | 454,183 | 93,786 | 113,999 |
| Tax expenses recognised in profit or loss | 2,044,068 | 1,954,606 | 108,980 | 338,523 |

The Group has:

(i) an estimated unutilised tax losses of RM1,115,600 (2010: RM1,115,300) available for set off against future taxable profits.

(ii) an estimated unabsorbed capital allowance of RM 47,100 (2010: RM nil) available for set off against future taxable profits.

## 9. EARNINGS PER SHARE

### (a) Basic

Basic earnings per share is calculated by dividing profit for the year, net of tax, attributable to owners of the parent by the number of ordinary shares of RM1 each in issue during the financial year.

| | Group | |
|---|---|---|
| | 2011 RM | 2010 RM |
| Profit for the financial year, attributable to owners of the parent | 760,832 | 11,554,699 |
| Number of ordinary shares in issue | 75,000,000 | 75,000,000 |
| Basic earnings per share (sen) | 1.0 | 15.4 |

### (b) Diluted

The diluted earnings per ordinary share is equivalent to the basic earnings per ordinary share as the Company does not have any dilutive potential ordinary shares.

There have been no other transactions involving ordinary shares between reporting date and the date of completion of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2011

## 10. PROPERTY, PLANT AND EQUIPMENT

| Group | Freehold land RM | Buildings RM | Motor vehicles RM | Computer equipment RM | Plant and machinery RM | Others * RM | Total RM |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| At 1 January 2011 | 53,785,402 | 3,566,000 | 857,808 | 36,596 | 3,656,887 | 119,310 | 62,022,003 |
| Additions | - | - | - | - | - | 119,718 | 119,718 |
| At 31 December 2011 | 53,785,402 | 3,566,000 | 857,808 | 36,596 | 3,656,887 | 239,028 | 62,141,721 |
| **Accumulated depreciation** | | | | | | | |
| At 1 January 2011 | - | 99,828 | 500,595 | 24,976 | 1,521,691 | 39,063 | 2,186,153 |
| Depreciation charge for the year | - | 71,320 | 135,833 | 5,046 | 365,689 | 16,428 | 5 94,316 |
| At 31 December 2011 | - | 171,148 | 636,428 | 30,022 | 1,887,380 | 55,491 | 2,780,469 |
| **Net carrying amount** | 53,785,402 | 3,394,852 | 221,380 | 6,574 | 1,769,507 | 183,537 | 59,361,252 |

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)
For the financial year ended 31 December 2011

**10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

| Group | Freehold land RM | Freehold land and building RM | Buildings RM | Motor vehicles RM | Computer equipment RM | Plant and machinery RM | Building-in progress RM | Others * RM | Total RM |
|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | |
| At 1 January 2010 | 53,785,402 | 100,000 | 1,350,000 | 1,150,747 | 35,456 | 3,656,887 | 2,200,000 | 119,390 | 62,397,882 |
| Transfer | - | - | 2,200,000 | - | - | - | (2,200,000) | - | - |
| Additions | - | - | 16,000 | - | 1,140 | - | - | 1,830 | 18,970 |
| Disposals | - | (100,000) | - | (292,939) | - | - | - | - | (392,939) |
| Write off | - | - | - | - | - | - | - | (1,910) | (1,910) |
| At 31 December 2010 | 53,785,402 | - | 3,566,000 | 857,808 | 36,596 | 3,656,887 | - | 119,310 | 62,022,003 |
| **Accumulated depreciation** | | | | | | | | | |
| At 1 January 2010 | - | 5,000 | 36,000 | 633,883 | 18,875 | 1,156,002 | - | 27,236 | 1,876,996 |
| Depreciation charge for the year | - | 500 | 63,828 | 159,650 | 6,101 | 365,689 | - | 12,036 | 607,804 |
| Disposals | - | (5,500) | - | (292,938) | - | - | - | - | (298,438) |
| Write off | - | - | - | - | - | - | - | (209) | (209) |
| At 31 December 2010 | - | - | 99,828 | 500,595 | 24,976 | 1,521,691 | - | 39,063 | 2,186,153 |
| **Net carrying amount** | 53,785,402 | - | 3,466,172 | 357,213 | 11,620 | 2,135,196 | - | 80,247 | 59,835,850 |

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)
For the financial year ended 31 December 2011

## 10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| Company | Motor vehicle RM | Computer equipment RM | Others * RM | Total RM |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2011 | 3,700 | 20,251 | 109,431 | 133,382 |
| Additions | - | - | 480 | 480 |
| At 31 December 2011 | 3,700 | 20,251 | 109,911 | 133,862 |
| **Accumulated depreciation** | | | | |
| At 1 January 2011 | 1,172 | 14,908 | 30,115 | 46,195 |
| Depreciation charge for the year | 740 | 2,567 | 10,933 | 14,240 |
| At 31 December 2011 | 1,912 | 17,475 | 41,048 | 60,435 |
| **Net carrying amount** | 1,788 | 2,776 | 68,863 | 73,427 |
| **Cost** | | | | |
| At 1 January 2010 | 3,700 | 19,552 | 109,591 | 132,843 |
| Additions | - | 699 | 1,750 | 2,449 |
| Write off | - | - | (1,910) | (1,910) |
| At 31 December 2010 | 3,700 | 20,251 | 109,431 | 133,382 |
| **Accumulated depreciation** | | | | |
| At 1 January 2010 | 432 | 11,615 | 19,380 | 31,427 |
| Depreciation charge for the year | 740 | 3,293 | 10,944 | 14,977 |
| Write off | - | - | (209) | (209) |
| At 31 December 2010 | 1,172 | 14,908 | 30,115 | 46,195 |
| **Net carrying amount** | 2,528 | 5,343 | 79,316 | 87,187 |

* Others comprise renovation, electrical installation, office equipment and furniture and fittings.

Certain buildings of the Group with a net carrying amount of RM1,678,170 (2010: RM1,705,170) are registered under the name of a company in which a director has interest. The company is holding the assets in trust for the Group.

## 11. PREPAID LAND LEASE PAYMENTS

| | Group 2011 RM | Group 2010 RM |
|---|---|---|
| **Cost** | | |
| At 1 January/31 December | 46,163,622 | 46,163,622 |
| **Accumulated depreciation** | | |
| At 1 January | 8,243,504 | 6,594,803 |
| Amortisation for the year | 1,648,701 | 1,648,701 |
| At 31 December | 9,892,205 | 8,243,504 |
| **Net carrying amount** | 36,271,417 | 37,920,118 |
| Amounts to be amortised: | | |
| - Not later than one year | 1,648,701 | 1,648,701 |
| - Later than one year but not later than five years | 6,594,804 | 6,594,804 |
| - Later than five year | 28,027,912 | 29,676,613 |

The prepaid land lease payments have a remaining tenure of 22 years (2010: 23 years).

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)
For the financial year ended 31 December 2011

## 12. INVESTMENT IN SUBSIDIARIES

| | Company 2011 RM | Company 2010 RM |
|---|---|---|
| Unquoted shares, at costs | 167,215,233 | 167,215,202 |
| Less: Accumulated impairment losses | (10,240,850) | (11,810,210) |
| At 31 December | 156,974,383 | 155,404,992 |

Movement in accumulated impairment losses:

| | Company 2011 RM | Company 2010 RM |
|---|---|---|
| At 1 January | 11,810,210 | 23,980,000 |
| Charge for the year | 79,640 | 60,210 |
| Reversal of impairment losses | (1,649,000) | (12,230,000) |
| At 31 December | 10,240,850 | 11,810,210 |

In the opinion of the Directors, the value of the investment in subsidiaries is not less than the carrying amount reflected in the statement of financial position.

Details of the subsidiaries are as follows:

| Name of Company | Country of Incorporation | Principal Activities | Effective Equity Interest 2011 | Effective Equity Interest 2010 |
|---|---|---|---|---|
| **Held by the Company:** | | | | |
| Malpac Capital Sdn. Bhd. | Malaysia | Cultivation of oil palm | 100% | 100% |
| Malpac Management Sdn. Bhd. | Malaysia | Dormant | 100% | 100% |
| Malpac Assets Management Sdn. Bhd. | Malaysia | Dormant | 100% | 100% |
| Malpac Land Sdn. Bhd. | Malaysia | Dormant | 100% | 100% |
| Discovery Assets Sdn. Bhd. | Malaysia | Dormant | 100% | 100% |
| Precious Way International Limited # | British Virgin Island | Dormant | 100% | - |
| **Held through Malpac Capital Sdn. Bhd.:** | | | | |
| Radiant Response Sdn. Bhd. | Malaysia | Dormant | 100% | 100% |

All subsidiaries are audited by Moore Stephens AC

# Unaudited and consolidated using management financial statements.

<u>Acquisition of subsidiary</u>
On 2 November 2011, the Company acquired 100% equity interest in Precious Way International Limited ("PWIL") for a total cash consideration of RM31. Upon the acquisition, PWIL became a subsidiary of the Group. PWIL, a company incorporated in British Virgin Island. PWIL is a dormant company.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2011

## 12. INVESTMENT IN SUBSIDIARIES (CONT'D)

Acquisition of subsidiary (cont'd)

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

| | Fair value RM | Carrying amount RM |
|---|---|---|
| Cash and cash equivalents | 31 | 31 |
| Net identifiable assets | 31 | 31 |

Total cost of business combination

| | RM |
|---|---|
| The total cost of business combination is as follow: | |
| Cash paid | 31 |

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

| | RM |
|---|---|
| Total cost of the business combination, representing consideration settled in cash | 31 |
| Less: Cash and cash equivalents of subsidiary acquired | (31) |
| Net cash outflows on acquisition | Nil |

## 13. INVESTMENT SECURITIES

| | 2011 | | 2010 | |
|---|---|---|---|---|
| | Carrying amount RM | Market value of quoted investment RM | Carrying amount RM | Market value of quoted investment RM |
| **Group** | | | | |
| **Current** | | | | |
| *Financial assets at fair value through profit or loss* | | | | |
| - Equity instruments (quoted in Malaysia) | 6,484,470 | 6,484,470 | 7,347,023 | 7,347,023 |
| *Held-to-maturity investments* | | | | |
| - Unquoted fixed income bonds | 10,009,203 | 10,019,000 | 45,077,042 | 45,216,000 |
| *Available-for-sale financial assets* | | | | |
| - Unit trust | 75,112,128 | 75,112,128 | 1,935,816 | 1,935,816 |
| Total current investment securities | 91,605,801 | | 54,359,881 | |

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2011

## 13. INVESTMENT SECURITIES (CONT'D)

| | 2011 Carrying amount RM | 2011 Market value of quoted investment RM | 2010 Carrying amount RM | 2010 Market value of quoted investment RM |
|---|---|---|---|---|
| **Group (cont'd)** | | | | |
| **Non-current** | | | | |
| *Financial assets at fair value through profit or loss* | | | | |
| - Equity instruments (quoted in Malaysia) | 8,414,584 | 8,414,584 | 5,183,167 | 5,183,167 |
| **Represented by:** | | | | |
| - Financial assets at fair value through profit or loss | 14,899,054 | 14,899,054 | 12,530,190 | 12,530,190 |
| - Held-to-maturity investments | 10,009,203 | 10,019,000 | 45,077,042 | 45,216,000 |
| - Available-for-sale financial assets | 75,112,128 | 75,112,128 | 1,935,816 | 1,935,816 |
| Total investment securities | 100,020,385 | | 59,543,048 | |
| **Company** | | | | |
| **Current** | | | | |
| *Held-to-maturity investments* | | | | |
| - Unquoted fixed income bonds | 10,009,203 | 10,019,000 | 35,068,814 | 35,157,500 |
| *Available-for-sale financial assets* | | | | |
| - Unit trust | 33,211,087 | 33,211,087 | 494,812 | 494,812 |
| Total investment securities | 43,220,290 | | 35,563,626 | |

## 14. RECEIVABLES AND DEPOSITS

| | Group 2011 RM | Group 2010 RM | Company 2011 RM | Company 2010 RM |
|---|---|---|---|---|
| **Trade receivables** | | | | |
| Third parties | - | 1,324,060 | - | - |
| Loan receivable | 2,291,047 | 2,291,047 | - | - |
| Amounts owing by clients | 23,292,663 | 23,292,663 | - | - |
| | 25,583,710 | 26,907,770 | - | - |
| Less: Allowance for impairment | | | | |
| Loan receivable | (2,291,047) | (2,291,047) | - | - |
| Amounts owing by clients | (23,292,663) | (23,292,663) | - | - |
| | (25,583,710) | (25,583,710) | - | - |
| Trade receivables, net (a) | - | 1,324,060 | - | - |

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)
For the financial year ended 31 December 2011

## 14. RECEIVABLES AND DEPOSITS (CONT'D)

| | | Group 2011 RM | Group 2010 RM | Company 2011 RM | Company 2010 RM |
|---|---|---|---|---|---|
| **Other receivables** | | | | | |
| Amounts due from subsidiaries | (b) | - | - | 231,122 | 102,446 |
| Advances to clients | | 8,508,045 | 8,508,045 | - | - |
| Other receivables | | 180,193 | 1,466,219 | 86,575 | 1,006,004 |
| Deposits | | 74,770 | 75,270 | 51,570 | 51,570 |
| | | 8,763,008 | 10,049,534 | 369,267 | 1,160,020 |
| Less: Allowance for impairment | | | | | |
| Amounts due from subsidiaries | | - | - | (57,045) | - |
| Advances to clients | | (8,508,045) | (8,508,045) | - | - |
| Other receivables, net | | 254,963 | 1,541,489 | 312,222 | 1,160,020 |
| Total trade and other receivables | | 254,963 | 2,865,549 | 312,222 | 1,160,020 |

(a) Trade receivables are non-interest bearing and are generally on 30 days (2010: 30 days) credit terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

<u>Ageing analysis on trade receivables</u>

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

| | Group 2011 RM | Group 2010 RM |
|---|---|---|
| Neither past due nor impaired | - | 1,324,060 |
| Impaired | 25,583,710 | 25,583,710 |
| | 25,583,710 | 26,907,770 |

<u>Receivables that are neither past due nor impaired</u>

Trade receivables that are neither past due nor impaired is mainly arising from a receivable, Sri Ganda Oil Mill Sdn. Bhd. which is a creditworthy debtor with good payment records with the Group.

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

<u>Receivables that are impaired</u>

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

The Group has total allowance for impairment of receivables of RM25,583,710 (2010: RM25,583,710). There is no movement in the allowance for impairment during the year.

(b) Amounts due from subsidiaries are non-trade in nature, unsecured, interest free and repayable on demand in cash.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)
For the financial year ended 31 December 2011

## 15. CASH AND BANK BALANCES

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM | 2010 RM | 2011 RM | 2010 RM |
| Short term deposits with licensed banks | 10,327,368 | 45,611,313 | - | 7,216,895 |
| Cash at banks and on hands | 224,550 | 233,672 | 104,014 | 114,955 |
| Cash and bank balances | 10,551,918 | 45,844,985 | 104,014 | 7,331,850 |

The short-term deposits of the Group and the Company bear effective interest at a rate of 3.85% (2010: 2.00% to 3.45%) and Nil (2010: 2.00% to 3.40%) per annum with maturity period of 365 days (2010: 1 day to 365 days) and nil (2010: 1 day to 365 days), respectively.

## 16. SHARE CAPITAL

| | Group/Company | |
|---|---|---|
| | 2011 RM | 2010 RM |
| Authorised: | | |
| 200,000,000 ordinary shares of RM1 each | 200,000,000 | 200,000,000 |
| Issued and fully paid: | | |
| 75,000,000 ordinary shares of RM1 each | 75,000,000 | 75,000,000 |

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 residual assets.

## 17. RESERVES

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM | 2010 RM | 2011 RM | 2010 RM |
| **Non-distributable** | | | | |
| Share premium | 24,366,593 | 24,366,593 | 24,366,593 | 24,366,593 |
| Fair value adjustment reserve | (17,744) | 4,951 | (24,269) | 1,262 |
| **Distributable** | | | | |
| Retained earnings | 99,584,856 | 98,824,024 | 99,780,295 | 98,723,018 |
| | 123,933,705 | 123,195,568 | 124,122,619 | 123,090,873 |

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

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

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)
For the financial year ended 31 December 2011

## 17. RESERVES (CONT'D)

The Company did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the Section 108 balance as at 31 December 2011 and 2010 to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act, 2007. As at 31 December 2011 and 2010, the Company has sufficient credit in the Section 108 balance to pay franked dividends out of its entire retained earnings.

As at 31 December 2011, the Company has tax exempt profits available for distribution of approximately RM708,300 (2010: RM708,300), subject to the agreement of the Inland Revenue Board.

## 18. DEFERRED TAX LIABILITIES

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM | 2010 RM | 2011 RM | 2010 RM |
| At 1 January | 6,206 | 21,645 | 6,206 | 21,645 |
| Recognised in profit or loss | (6,206) | (15,439) | (6,206) | (15,439) |
| At 31 December | - | 6,206 | - | 6,206 |

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:-

Deferred tax liabilities of the Group and of the Company:-

| | Group | Company |
|---|---|---|
| | Property, plant and equipment RM | Property, plant and equipment RM |
| At 1 January 2011 | 6,206 | 6,206 |
| Recognised in income statement | (6,206) | (6,206) |
| At 31 December 2011 | - | - |
| At 1 January 2010 | 21,645 | 21,645 |
| Recognised in income statement | (15,439) | (15,439) |
| At 31 December 2010 | 6,206 | 6,206 |

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)
For the financial year ended 31 December 2011

## 18. DEFERRED TAX LIABILITIES (CONT'D)

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

| | Group 2011 RM | Group 2010 RM | Company 2011 RM | Company 2010 RM |
|---|---|---|---|---|
| Unabsorbed capital allowance | 47,100 | - | - | - |
| Unutilised business losses | 1,115,600 | 1,115,300 | - | - |
| Fair value adjustment in respect of investment securities | 3,900,900 | 1,277,100 | - | - |
| Deductible temporary differences arising from expenses | 2,113,800 | 1,605,400 | 1,360,300 | 1,075,300 |
| | 7,177,400 | 3,997,800 | 1,360,300 | 1,075,300 |

Deferred tax assets have not been recognised in respect of the above items as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

## 19. PAYABLES AND ACCRUALS

| | Group 2011 RM | Group 2010 RM | Company 2011 RM | Company 2010 RM |
|---|---|---|---|---|
| Other payables | 4,463,580 | 4,681,604 | 1 | 1 |
| Accruals | 626,720 | 718,040 | 364,700 | 458,300 |
| | 5,090,300 | 5,399,644 | 364,701 | 458,301 |

Included in other payables of the Group is deposit received from a third party amounting to RM4,100,000 (2010: RM4,100,000) for the disposal of a subsidiary, Radiant Response Sdn. Bhd. and the leasehold plantation land. The proposed disposal is currently suspended, pending settlement of the litigation as disclosed in Note 29.

## 20. PROVISIONS

| Group | Retirement Gratuity RM | Unutilised leave RM | Legal fee RM | Total RM |
|---|---|---|---|---|
| At 1 January 2011 | 914,480 | 199,704 | 800,000 | 1,914,184 |
| Additional provision | 276,835 | 46,496 | 800,000 | 1,123,331 |
| Utilisation of provision | - | (27,015) | (539,922) | (566,937) |
| At 31 December 2011 | 1,191,315 | 219,185 | 1,060,078 | 2,470,578 |
| At 1 January 2010 | - | 184,291 | 200,000 | 384,291 |
| Additional provision | 914,480 | 43,558 | 800,000 | 1,758,038 |
| Utilisation of provision | - | (28,145) | - | (28,145) |
| Unused amount reversal | - | - | (200,000) | (200,000) |
| At 31 December 2010 | 914,480 | 199,704 | 800,000 | 1,914,184 |

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)
For the financial year ended 31 December 2011

## 20. PROVISIONS (CONT'D)

| Company | Retirement Gratuity RM | Unutilised leave RM | Legal fee RM | Total RM |
|---|---|---|---|---|
| At 1 January 2011 | 791,700 | 174,775 | - | 966,475 |
| Additional provision | 262,205 | 37,550 | - | 299,755 |
| Utilisation of provision | - | (20,134) | - | (20,134) |
| At 31 December 2011 | 1,053,905 | 192,191 | - | 1,246,096 |
| At 1 January 2010 | - | 161,934 | - | 161,934 |
| Additional provision | 791,700 | 36,173 | - | 827,873 |
| Utilisation of provision | - | (23,332) | - | (23,332) |
| At 31 December 2010 | 791,700 | 174,775 | - | 966,475 |

### (a) Retirement gratuity

Provision for retirement gratuity are for employees and directors. The details of the retirement gratuity scheme is disclosed in Note 2(d)(iv).

### (b) Unutilised leave

The provision for unutilised leave is made based on the employees' salaries over the past years and the unutilised leave at the end of the year and will be reversed once the leave is utilised.

### (c) Legal fee

The provision is made for legal services in respect of the Group's litigation case as mentioned in Note 29. The amount of provision is estimated based on legal costs incurred in previous years on the same case.

## 21. RELATED PARTY DISCLOSURES

### (a) Identity of related parties

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

The Company has a related party relationship with its subsidiaries, director related companies and key management personnel. Director related companies refer to companies in which directors of the Company have substantial financial interests.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2011

## 21. RELATED PARTY DISCLOSURES (CONT'D)

### (b) Compensation of key management personnel

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM | 2010 RM | 2011 RM | 2010 RM |
| Salaries and other emoluments | 855,600 | 947,200 | 705,600 | 797,200 |
| Overprovision in prior year | - | (576,000) | - | (576,000) |
| Fee | 60,000 | 60,000 | 60,000 | 60,000 |
| Retirement gratuity benefits | 249,375 | 721,500 | 249,375 | 721,500 |
| Estimated monetary value of benefits-in-kind | 43,600 | 43,600 | - | - |
| | 1,208,575 | 1,196,300 | 1,014,975 | 1,002,700 |

Other key management personnel comprise persons other than the Directors of Group and the Company, having authority and responsibility for planning, directing and controlling the activities of the Group and the Company, either directly or indirectly.

Included in compensation of key management personnel of the Group and of the Company are directors' remuneration as disclosed in Note 7 to the financial statements.

Information regarding outstanding balances arising from related party transactions as at 31 December 2011 is disclosed in Note 14.

## 22. COMMITMENTS

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

In addition to the prepaid lease payments disclosed in Note 11, the Group has entered into non-cancellable operating lease arrangements for the use of buildings. These leases have an average tenure of between 1 and 3 years with option of renewal included in the contracts. There are no restrictions placed upon the Group and the Company by entering into these leases.

Minimum lease payments, including amortisation of prepaid lease payments recognised in profit or loss for the financial year ended 31 December 2011 for the Group and the Company amounted to RM2,005,901 (2010: RM1,861,581) and RM322,800 (2010: RM129,120) respectively.

Future minimum rentals payable under non-cancellable operating leases (excluding prepaid lease payments) at the reporting date are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM | 2010 RM | 2011 RM | 2010 RM |
| Not later than 1 year | 212,880 | 129,920 | 193,680 | 129,120 |
| Later than 1 year and not later than 5 year | 144,320 | - | 129,120 | - |
| | 357,200 | 129,920 | 322,800 | 129,120 |

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)
For the financial year ended 31 December 2011

## 23. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

**(a) Cash and cash equivalents, trade and other receivables and payables**

The carrying amounts of cash and cash equivalents, trade and other receivables and payables are reasonable approximation of fair values due to short term nature of these financial instruments.

**(b) Quoted equity instruments and quoted unit trust**

The fair value of these financial assets is determined by reference to the quoted closing bid price at the reporting date.

The carrying amounts of financial assets and liabilities recognised in the statements of financial position approximate their fair values except for the following:

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | Carrying Amount RM | Fair value RM | Carrying Amount RM | Fair value RM |
| **31 December 2011** | | | | | |
| Held-to-maturity investments - unquoted fixed income bonds | 13 | 10,009,203 | 10,019,000 | 10,009,203 | 10,019,000 |
| **31 December 2010** | | | | | |
| Held-to-maturity investments - unquoted fixed income bonds | 13 | 45,077,042 | 45,216,000 | 35,068,814 | 35,157,500 |

## 24. FAIR VALUE HIERARCHY

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)
For the financial year ended 31 December 2011

## 24. FAIR VALUE HIERARCHY (CONT'D)

As at 31 December 2011 and 2010, the Group only held level 1 financial instruments carried at fair values on the statement of financial position:

**Assets measured at fair value**

| **2011** | **Carrying Amount RM** | **Level 1 Fair value RM** |
|---|---|---|
| **Group** | | |
| Financial assets at fair value through profit or loss | | |
| - Quoted equity instruments | 14,899,054 | 14,899,054 |
| Available-for-sale financial assets | | |
| - Unit trust | 75,112,128 | 75,112,128 |
| | 90,011,182 | 90,011,182 |
| **Company** | | |
| Available-for-sale financial assets | | |
| - Unit trust | 33,211,087 | 33,211,087 |

| **2010** | **Carrying Amount RM** | **Level 1 Fair value RM** |
|---|---|---|
| **Group** | | |
| Financial assets at fair value through profit or loss | | |
| - Quoted equity instruments | 12,530,190 | 12,530,190 |
| Available-for-sale financial assets | | |
| - Unit trust | 1,935,816 | 1,935,816 |
| | 14,466,006 | 14,466,006 |
| **Company** | | |
| Available-for-sale financial assets | | |
| - Unit trust | 494,812 | 494,812 |

During the year ended 31 December 2011 and 2010, there was no transfer between fair value measurement hierarchy.

## 25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, liquidity, credit and market risks. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

It is, and has been throughout the year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken. The Group and the Company do not apply hedge accounting.

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) Interest rate risk

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

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2011

## 25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Interest rate risk (cont'd)

The Group's and the Company's exposure to interest rate risk arises primarily from interest bearing financial assets which are deposits placed with licensed banks. The deposits placed with licensed banks are short term in nature and are not held for speculation purpose but are placed to earn better yield than cash at banks. The deposits at fixed rate expose the Group and the Company to fair value interest rate risk.

(b) Credit risk

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

The Group and the Company do not have any significant exposure to any individual customer at the reporting date. In the previous year, the Group had significant concentration of credit risk arising from one debtor, Sri Ganda Oil Mill Sdn. Bhd., which represents 100% of the total trade receivables at the financial year end.

(c) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations associated with financial liabilities. 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 objective is to maintain continuity of funding so as to ensure that all repayment and funding needs are met. As part of its liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements.

Analysis of financial instruments by remaining contractual maturities

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

| | Carrying amount RM | Total Contractual cash flows RM | On demand or within 1 year RM |
|---|---|---|---|
| **2011** | | | |
| **Group** | | | |
| Financial liabilities: | | | |
| Payables and accruals | 5,090,300 | 5,090,300 | 5,090,300 |
| **Company** | | | |
| Financial liabilities: | | | |
| Payables and accruals | 364,701 | 364,701 | 364,701 |
| **2010** | | | |
| **Group** | | | |
| Financial liabilities: | | | |
| Payables and accruals | 5,399,644 | 5,399,644 | 5,399,644 |
| **Company** | | | |
| Financial liabilities: | | | |
| Payables and accruals | 458,301 | 458,301 | 458,301 |

## 25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's and of the Company's financial instruments will fluctuate because of changes in market prices. The Group and the Company is exposed to market price risk arising from its investment in quoted shares and unit trust. These instruments are classified as financial assets at FVTPL or available-for-sale financial assets. The Group and the Company does not have exposure to commodity price risk.

The Group's objective is to manage investment returns and equity price risk using a mix of investment grade shares with steady dividend yield and non-investment grade shares with higher volatility.

Sensitivity analysis for market price risk
At the reporting date, if the market prices had been 5% higher/lower, with all other variables held constant, the Group's and the Company's profit net of tax would have been RM558,700 and RM nil respectively higher/lower, arising as a result of higher/lower fair value gains on held for trading investments in equity instruments, and the Group's and the Company's other reserve in equity would have been RM2,816,700 and RM1,245,400 respectively higher/lower, arising as a result of an increase/decrease in the fair value of equity instruments classified as available-for-sale.

## 26. CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in business and economic conditions. To maintain or adjust structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or obtaining borrowings.

No changes were made in the objectives, policies or processes during the years ended 2011 and 2010.

There were no bank borrowings for the current and previous financial year. Accordingly calculation of gross debt equity ratio is not meaningful to the Group and the Company.

The Group and the Company are not subject to any externally imposed capital requirements

## 27. SEGMENT INFORMATION

The segment reporting format is determined to be business segments as the Group's risk and rates of return are affected predominantly by differences in the products and services produced. The operating business are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and services.

The Group comprises the following business segments:
(i) Investment holding
(ii) Oil palm plantation

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by business segment.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)
For the financial year ended 31 December 2011

## 27. SEGMENT INFORMATION (CONT'D)

| | Investment holding RM | Oil palm plantation RM | Total RM |
|---|---|---|---|
| **31 December 2011** | | | |
| **Revenue**: | | | |
| Investment holdings | - | - | - |
| Oil palm plantation operation | - | 8,114,757 | 8,114,757 |
| Total revenue | - | 8,114,757 | 8,114,757 |
| **Results:** | | | |
| Loss/(profit) before tax | (3,295,467) | 6,100,367 | 2,804,900 |
| Income tax expense | | | (2,044,068) |
| Profit, net of tax | | | 760,832 |
| **Assets** | | | |
| Segment assets | 168,419,011 | 38,040,924 | 206,459,935 |
| Unallocated assets | | | 63,736 |
| Total assets | | | 206,523,671 |
| **Liailities** | | | |
| Segment liabilities | 2,429,888 | 5,160,078 | 7,589,966 |
| **Other information** | | | |
| Depreciation | 228,627 | 365,689 | 594,316 |
| Amortisation | - | 1,648,701 | 1,648,701 |
| **31 December 2010** | | | |
| **Revenue:** | | | |
| Investment holdings | - | - | - |
| Oil palm plantation operation | - | 12,617,775 | 12,617,775 |
| Total revenue | - | 12,617,775 | 12,617,775 |
| **Results:** | | | |
| Profit before tax | 2,905,920 | 10,603,385 | 13,509,305 |
| Income tax expense | | | (1,954,606) |
| Profit, net of tax | | | 11,554,699 |
| **Assets** | | | |
| Segment assets | 164,630,176 | 41,379,374 | 206,009,550 |
| Unallocated assets | | | 28,874 |
| Total assets | | | 206,038,424 |
| **Liailities** | | | |
| Segment liabilities | 2,770,400 | 5,066,250 | 7,836,650 |
| Unallocated liabilities | | | 6,206 |
| Total liabilities | | | 7,842,856 |
| **Other information** | | | |
| Depreciation | 242,115 | 365,689 | 607,804 |
| Amortisation | - | 1,648,701 | 1,648,701 |

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 December 2011

## 28. SIGNIFICANT EVENT

On 2 November 2011, the Company acquired 100% equity interest in Precious Way International Limited ("PWIL"). Upon the acquisition, PWIL became a subsidiary of the Group. PWIL, a company incorporated in British Virgin Island. PWIL is a dormant company. PWIL has an issued and paid up share capital of USD10 (equivalent to RM31) divided into 10 shares of USD1 (equivalent to RM3.10) each. PWIL is wholly-owned subsidiary of the Company.

## 29. MATERIAL LITIGATION

On 5 April 2002, a wholly owned subsidiary of the Company, Malpac Capital Sdn. Bhd. ("MCSB") entered into a Conditional Sale and Purchase Agreement ("the Agreement") to dispose of its subsidiary, Radiant Response Sdn. Bhd. ("RRSB") together with 2 parcels of leasehold land to Yong Toi Mee and Cheang Kim Leong ("the Purchasers") for a consideration of RM2 and the repayment by the Purchasers of the shareholder's loan of RRSB of RM30,600,000, as part of a composite transaction and encompassing the palm oil mill sited on part of the plantation by a lessee for a total consideration of RM53,000,002.

On 15 November 2002, a Letter of Suspension was executed by both parties recognising the Agreement had lapsed as not all approvals from the relevant authorities had been obtained and also negotiations to acquire the oil mill sited on the subject plantation had not been successful.

On 21 April 2007, the Purchasers (hereinafter referred to as "the Plaintiffs") have filed a writ of summons and statements of claim against MCSB and RRSB seeking for specific performance of the Agreement.

On 5 May 2011, the Ipoh High Court delivered oral judgement in favour of the Plaintiffs and ordered specific performance of the Agreement whereby MCSB and RRSB were required to complete the sale within three months from the date of receipt of the balance purchase price. Costs were ordered against the defendants.

The Plaintiffs tendered full payment of the balance purchase price for the plantation which MCSB's solicitors had rejected and was subsequently returned to the Plaintiffs on the grounds that MCSB's and RRSB's appeal to the Court of Appeals and application for stay of execution in the Ipoh High Court judgement were pending.

Effective 1 July 2011, MCSB had suspended recognition of income from oil palm plantation and oil mill since no income had been received from the oil palm plantation following the Ipoh High Court's decision given in favour of the Plaintiffs in the Civil Suit.

On 17 January 2012, the Court of Appeal made a unanimous decision in allowing MCSB's and RRSB's claim, i.e. the Ipoh High Court's decision allowing for specific performance of the Agreement is overturned with costs awarded to MCSB and RRSB. In view of the Court of Appeal's decision, MCSB and RRSB had withdrawn its stay application filed in the Ipoh High Court.

On 30 January 2012, the Plaintiffs filed an application for leave to appeal to the Federal Court against the Court of Appeal's decision made on 17 January 2012. The Federal Court Registry has fixed the Plaintiff's motion for leave to appeal for further case management on 16 May 2012.

On 24 February 2012, the Board decided to recognise the plantation income as revenue in MCSB's books once the monies are received from the Plaintiffs. The Board also decided to make a simultaneous appropriate provision for such revenue recognised pending a final decision from the Federal Court.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)
For the financial year ended 31 December 2011

## 30. SUPPLEMENTARY INFORMATION – BREAKDOWN OF RETAINED EARNINGS INTO REALISED AND UNREALISED

The following analysis of realised and unrealised retained earnings of the Group and of the Company is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia") 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.

The retained earnings of the Group and of the Company as at reporting date are analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Total retained earnings of the Company and its subsidiaries: | | | | |
| - realised | 89,287 | 83,407 | 99,780 | 98,717 |
| - unrealised | - | 3,607 | - | 6 |
| | 89,287 | 87,014 | 99,780 | 98,723 |
| Add: Consolidation adjustments | 10,298 | 11,810 | - | - |
| Total retained earnings | 99,585 | 98,824 | 99,780 | 98,723 |

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

## 31. COMPARATIVE FIGURES

The comparative figures have been audited by a firm of chartered accountants other than Moore Stephens AC.

The following comparative figures have been reclassified to conform to current years' presentation:

| | As reclassified | As previously classified |
|---|---|---|
| **Group** | RM | RM |
| Payables and accruals | 5,399,644 | 5,515,604 |
| Provisions | 1,914,184 | 1,798,224 |
| **Company** | | |
| Payables and accruals | 458,301 | 17,001 |
| Provisions | 966,475 | 1,407,775 |

# LIST OF PROPERTIES HELD
as at 31 December 2011

| Location | Description (Building Age)/ Existing Use | Tenure | Land Area/ Built-up Area | Net Book Value (RM'000) | Date of Acquisition |
|---|---|---|---|---|---|
| Lot No. 11644<br>Mukim Durian Sebatang<br>Daerah Hilir Perak<br>Perak Darul Ridzuan | Oil palm estate | Leasehold (expiring 24.7.2034) | 1,266.05 hectares | 22,584 | 4.8.2003 |
| Lot No. 6863<br>Mukim Hutan Melintang<br>Daerah Hilir Perak<br>Perak Darul Ridzuan | Oil palm estate | Leasehold (expiring 24.7.2034) | 767.33 hectares | 13,687 | 4.8.2003 |
| Lot P.T.65571<br>Mukim Tebrau<br>Daerah Johor Bahru<br>Johor Darul Takzim | Vacant commercial land | Freehold | 6.74 hectares | 37,364 | 9.9.2003 |
| PTD 58152-58177<br>HS(D) 216990-217015<br>PTD 58179-58211<br>HS(D) 217016-217048<br>PTD 58213-58331<br>HS(D) 217049-217167<br>Mukim of Tebrau<br>Daerah of Johor Bahru<br>Johor Darul Takzim | 178 vacant bungalow lots | Freehold | 113,369.85 sq. metres | 15,118 | 9.9.2003 |
| Lot 491<br>Mukim & Daerah Seremban<br>Negeri Sembilan Darul Khusus | Vacant land | Freehold | 6.481 acres | 679 | 5.10.2004 |
| Lot 5142<br>Bandar & Daerah Seremban<br>Negeri Sembilan Darul Khusus | Vacant land | Freehold | 34.50 poles | 206 | 5.10.2004 |
| Lot No. 618 Geran 18677<br>Town and District of Seremban | Vacant Land | Freehold | 1,295 sq. metres | 418 | 30.6.2007 |
| B-6-10, B-9-10, B-12-3A<br>West Wing<br>10 Semantan<br>No. 10 Jalan Semantan<br>50490 Kuala Lumpur | 3 units of 2-bedroom condominium (3 years)/ Tenanted | Leasehold (expiring 3.6.2108) | 980 sq. feet per unit | 1,260 | 27.6.2008 |
| No. 16.01<br>PT No. 200, Seksyen 1<br>Bandar Tanjong Tokong<br>Daerah Timur Laut<br>Pulau Pinang | A 4-bedroom condominium (2 years)/ Vacant | Freehold | 6,300 sq. feet | 2,135 | 11.2.2009 |

# FINANCIAL CALENDAR

Financial Period From 1 January 2011 to 31 December 2011

**RESULTS**

| | | |
|---|---|---|
| First Quarter ended 31 March 2011 | Announced On | 12 May 2011 |
| Second Quarter ended 30 June 2011 | Announced On | 17 August 2011 |
| Third Quarter ended 30 September 2011 | Announced On | 23 November 2011 |
| Fourth Quarter ended 31 December 2011 | Announced On | 27 February 2012 |
| NOTICE OF ANNUAL GENERAL MEETING | | 29 May 2012 |
| TWENTY-SECOND ANNUAL GENERAL MEETING | | 21 June 2012 |

# ANALYSIS OF SHAREHOLDINGS

as at 25 April 2012

## Share Capital

| | | |
|---|---|---|
| Authorised share capital | : | RM200,000,000.00 |
| Issued and paid-up capital | : | RM75,000,000.00 |
| Class of shares | : | Ordinary shares of RM1.00 each |
| Voting rights | : | 1 vote per ordinary share |
| No. of shareholders | : | 2,383 |

## Directors' Shareholdings

| Name of Directors | Direct Interest | % of Issued Shares | Indirect Interest | % of Issued Shares |
|---|---|---|---|---|
| Lim Hong Liang | 13,242,008 | 17.66 | 3,691,900* | 4.92 |
| Tan Chon Sing @ Tan Kim Tieng | 10,315,393 | 13.75 | 2,209,300** | 2.95 |
| Gan Teck Chong @ Gan Kwan Chong | 3,917,303 | 5.22 | 2,940,300** | 3.92 |
| Chew Loy Chee | 3,152,188 | 4.20 | 230,000** | 0.31 |
| Kan Ah Chun | 2,180,260 | 2.91 | - | - |
| Muhayuddin Bin Musa | - | - | - | - |
| Johari Low Bin Abdullah | - | - | - | - |

*Notes:*

* *Deemed indirect interest by virtue of him being a director and shareholder in Wawasan Lembaran Sdn Bhd which in turn holds 4.92% in Malpac Holdings Berhad.*

** *Indirect interest through family members.*

## Size of Shareholdings

| Size of Holdings | No. of Holders | % of Holders | No. of Shares Held | % of Issued Shares |
|---|---|---|---|---|
| Less than 100 | 12 | 0.50 | 366 | 0.00 |
| 100 - 1,000 | 835 | 35.04 | 814,987 | 1.09 |
| 1,001 - 10,000 | 1,326 | 55.64 | 5,109,400 | 6.81 |
| 10,001 - 100,000 | 166 | 6.97 | 4,676,200 | 6.23 |
| 100,001 - 3,749,999* | 41 | 1.72 | 32,804,146 | 43.74 |
| 3,750,000 and above** | 3 | 0.13 | 31,594,901 | 42.13 |
| | 2,383 | 100 | 75,000,000 | 100 |

* *Less than 5% of issued shares.*

** *5% and above of issued shares.*

# ANALYSIS OF SHAREHOLDINGS (cont'd)

as at 25 April 2012

## Substantial Shareholders

| Name of Substantial Shareholders | Direct Interest | % of Issued Shares | Indirect Interest | % of Issued Shares |
|---|---|---|---|---|
| Lim Hong Liang | 13,242,008 | 17.66 | 3,691,900* | 4.92 |
| Tan Chon Sing @ Tan Kim Tieng | 10,315,393 | 13.75 | 2,209,300** | 2.95 |
| Advance Synergy Capital Sdn Bhd (ASCSB) | 8,037,500 | 10.71 | - | - |
| Advance Synergy Berhad (ASB) | - | - | 8,037,500^ | 10.71 |
| Dato' Ahmad Sebi Bakar | - | - | 8,037,500+ | 10.71 |
| Suasana Dinamik Sdn Bhd | - | - | 8,037,500# | 10.71 |
| Gan Teck Chong @ Gan Kwan Chong | 3,917,303 | 5.22 | 2,940,300** | 3.92 |

*Notes:*

* *Deemed indirect interest by virtue of him being a director and shareholder in Wawasan Lembaran Sdn Bhd which in turn holds 4.92% in Malpac Holdings Berhad.*

*** Indirect interest through family members.*

*^ Deemed interested by virtue of its interest in ASCSB, a wholly-owned subsidiary.*

*+ Deemed interested by virtue of his substantial shareholdings in ASB.*

*# Deemed interested by virtue of its substantial shareholdings in ASB.*

## 30 Largest Shareholders

| No. | Name of Shareholders | No. Of Shares Held | % of Issued Shares |
|---|---|---|---|
| 1. | Lim Hong Liang | 13,242,008 | 17.66 |
| 2. | Tan Chon Sing @ Tan Kim Tieng | 10,315,393 | 13.75 |
| 3. | Advance Synergy Capital Sdn Bhd | 8,037,500 | 10.71 |
| 4. | Wawasan Lembaran Sdn Bhd | 3,691,900 | 4.92 |
| 5. | Chew Loy Chee | 3,152,188 | 4.20 |
| 6. | Gan Teck Chong @ Gan Kwan Chong | 2,917,303 | 3.89 |
| 7. | Ng Faai @ Ng Yoke Pei | 2,209,300 | 2.95 |
| 8. | Kan Ah Chun | 2,180,260 | 2.91 |
| 9. | TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Garth Kevin Albuquerque | 2,001,000 | 2.67 |
| 10. | PM Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mary Tan @ Tan Hui Ngoh | 1,940,300 | 2.59 |
| 11. | JF Apex Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Teo Siew Lai (Margin) | 1,695,300 | 2.26 |

# ANALYSIS OF SHAREHOLDINGS (cont'd)
as at 25 April 2012

## 30 Largest Shareholders (cont'd)

| No. | Name of Shareholders | No. Of Shares Held | % of Issued Shares |
|---|---|---|---|
| 12. | JF Apex Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account For Teo Kwee Hock (Margin) | 1,541,700 | 2.06 |
| 13. | Loh Siew Hooi | 1,420,000 | 1.89 |
| 14. | HLB Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account For Mary Tan @ Tan Hui Ngoh | 1,000,000 | 1.33 |
| 15. | PM Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account For Gan Teck Chong @ Gan Kwan Chong | 1,000,000 | 1.33 |
| 16. | Yee Quek Peng | 933,700 | 1.24 |
| 17. | Goh Siang Kuan | 918,300 | 1.22 |
| 18. | Teo Kwee Hock | 701,200 | 0.93 |
| 19. | Yong Toi Mee | 393,100 | 0.52 |
| 20. | Chin Kian Fong | 370,000 | 0.50 |
| 21. | TA Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account For Soh Chee Wen | 365,000 | 0.50 |
| 22. | Kenanga Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account For Chin Kiam Hsung | 344,000 | 0.46 |
| 23. | Goh Ah Peng | 289,600 | 0.39 |
| 24. | Tong Seow Mei | 257,600 | 0.34 |
| 25. | Looi Lei Chow | 247,700 | 0.33 |
| 26. | Tee Jin Gee Enterprise Sdn Bhd | 245,000 | 0.33 |
| 27. | Tan Akuan | 233,000 | 0.31 |
| 28. | Yap Ah Ngah @ Yap Neo Nya | 230,000 | 0.31 |
| 29. | Yap Ah Eng @ Yap Ah Pin | 210,400 | 0.28 |
| 30. | Affin Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account For Phng Hooi Siang @ Fong Hooi Siang | 210,000 | 0.28 |
| | Total | 62,292,752 | 83.06 |

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**MALPAC** **Malpac Holdings Berhad**
(197424-V)

# PROXY FORM

| Number of Shares Held | |
|---|---|

I/We, ______________________________________________
(PLEASE USE BLOCK LETTERS)

of ______________________________________________

being a member(s) of **MALPAC HOLDINGS BERHAD**, hereby appoint ______________________

______________________ of ______________________________________________

or ______________________ of ______________________________________________

or the Chairman of the meeting to be my/our proxy/proxies to attend and on a poll to vote for me/us on my/our behalf at the Twenty-Second Annual General Meeting of the Company to be held at Dewan Tuanku Ja'afar, Royal Sungei Ujong Club, 2A, Jalan Dato' Kelana Ma'amor, 70000 Seremban, Negeri Sembilan Darul Khusus on Thursday, 21 June 2012 at 10.00 a.m. or at any adjournment thereof.

My/Our proxy/proxies is/are to vote as indicated below:

| Resolution | | For | Against |
|---|---|---|---|
| 1. | To receive and adopt the audited financial statements for the year ended 31 December 2011 together with the Reports of Directors and Auditors thereon. | | |
| 2. | To approve the payment of Directors' Fee of RM60,000.00 for the year ended 31 December 2011. | | |
| 3. | To re-elect Mr Lim Hong Liang who retires pursuant to Article 80 and 82 of the Company's Articles of Association. | | |
| 4. | To re-appoint Mr Chew Loy Chee pursuant to Section 129(6) of the Companies Act 1965. | | |
| 5. | To re-appoint Mr Tan Chon Sing @ Tan Kim Tieng pursuant to Section 129(6) of the Companies Act 1965. | | |
| 6. | To appoint Auditors and to authorize the Directors to fix their remuneration. | | |
| 7. | Special Business: Authority to issue shares pursuant to Section 132(D) of the Companies Act 1965. (Ordinary Resolution) | | |
| 8. | Special Business: Proposed renewal of authority to purchase its own shares by the Company (Ordinary Resolution) | | |

Date __________ day of __________ , 2012

______________________
Signature/Common Seal

**Notes:**

1. A member of the Company who is entitled to attend and vote in the Meeting is entitled to appoint a proxy / proxies to attend and vote in his / her stead. A proxy may but need not be a member of the Company

   The Form of Proxy must be deposited with the Company Secretary at the registered office of the Company at Chamber E, Lian Seng Courts, 275 Jalan Haruan 1, Oakland Industrial Park, 70200 Seremban, Negeri Sembilan Darul Khusus not less than 48 hours before the time appointed for holding the Meeting.

2. The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under the Seal or under the hand of an officer or attorney duly authorized.

3. Where a member appoints two or more proxies to attend at the same meeting, the appointment shall be invalid unless the holder specified the proportion of his shareholdings to be represented by each proxy.

4. Please indicate with an "X" in the appropriate box how you wish your vote to be cast in respect of each resolution. If this proxy is returned without any indication as to how the proxy shall vote, the proxy shall vote or abstain from voting at his discretion.

5 Any alteration made in this form must be initialed by the person who signs it.

FOLD HERE

STAMP

THE COMPANY SECRETARY

**MALPAC HOLDINGS BERHAD**

(197424-V)

Chamber E, Lian Seng Courts
275 Jalan Haruan 1
Oakland Industrial Park
70200 Seremban
Negeri Sembilan Darul Khusus

FOLD HERE