KPS Consortium Bhd (143816-V)

ANNUAL REPORT
2012

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NOTICE OF ANNUAL GENERAL MEETING

KPS CONSORTIUM BERHAD
(Company No. 143816-V)
Incorporated in Malaysia

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty Seventh Annual General Meeting of the Company will be held at Klang Executive Club, Persiaran Bukit Raja 2, Bandar Baru Klang, 41150 Klang, Selangor Darul Ehsan on Saturday, 22 June 2013 at 11.00 am for the following purposes:-

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AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2012 together with the Reports of the Directors and Auditors thereon. (Please refer to Note 1).

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

   Mr. Lau Fook Meng **Ordinary Resolution 1**

3. To approve the payment of Directors' fees for the financial year ended 31 December 2012.

   Ordinary Resolution 2

4. To re-appoint Messrs SJ Grant Thornton as Auditors of the Company and to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to fix the Auditors' remuneration.

   Ordinary Resolution 3

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary and Special Resolutions:-

5. **AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965**

   "THAT pursuant to Section 132D of the Companies Act, 1965, and subject to the approval from other relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company at the date of this Annual General Meeting and that such authority shall continue in force until the conclusion of the next annual general meeting of the Company AND THAT the Directors be and are hereby also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation of the additional shares so issued."

   Ordinary Resolution 4

6. **PROPOSED AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION**

   "THAT the Proposed Amendments to the Company's Articles of Association as set out in Appendix 1 of the Annual Report 2012 be and are hereby approved and adopted AND THAT the Directors and Secretaries of the Company be and are hereby authorized to take all steps as are necessary and expedient in order to implement, finalise and give full effect to the Proposed Amendments to the Company's Articles of Association."

   Special Resolution 1

7. To transact any other business which may properly be transacted at an Annual General Meeting for which due notice shall have been given.

By order of the Board

LIM SECK WAH (MAICSA 0799845)
M. CHANDRASEGARAN A/L S.MURUGASU (MAICSA 0781031)
Company Secretaries

Selangor Darul Ehsan

Dated this 31 May 2013

NOTES:-

1. The Agenda No. 1 is meant for discussion only as the Company's Articles of Association provides that the audited financial statements are to be laid in the general meeting only does not require a formal approval of shareholders. Hence, is not put forward for voting.

2. For the purpose of determining a member who shall be entitled to attend, speak and vote at the Annual General Meeting, the Company shall be requesting the Record of Depositors as at 18 June 2013. Only a depositor whose name appears on the Record of Depositors as at 18 June 2013 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her stead.

3. A member shall be entitled to appoint more than one (1) proxy to attend and vote in his place. A proxy needs not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

4. Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

5. i) 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 in respect of each securities account it holds with ordinary shares of the company standing to the credit of the said securities account.

   ii) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.

6. If the appointer is a corporation, the proxy form must be executed under its Common Seal or under the hand of its attorney.

7. The instrument appointing a proxy and the power of attorney, if any, under which it is signed or a certified copy thereof must be deposited at the Company's Registered Office, Lot 765, Jalan Haji Sirat Off Jalan Meru, 42100 Klang, Selangor Darul Ehsan not less than 48 hours before the time set for holding the Meeting or any adjournment thereof.

8. Explanatory notes on the Special Business

   8.1 The proposed Ordinary Resolution 4 is primarily to give flexibility to the Board of Directors to issue and allot shares not more than 10% of the issued capital at any time in their absolute discretion and for such purposes as they consider would be in the interest of the Company without convening a general meeting. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next annual general meeting of the Company.

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 circumstance when the opportunity arises, 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 shares, 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. 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 23 June 2012.

8.2 The proposed Special Resolution 1 is to streamline the Company's Articles of Association to be in line with the recent amendments to the Bursa Malaysia Securities Berhad Main Market Listing Requirements. Please refer to the Appendix 1 which is attached to this Annual Report for details of the proposed amendments.

APPENDIX 1

PROPOSED AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION

The existing Articles are proposed to be amended by the alterations, modifications, deletions and/or additions, wherever necessary, whereby the affected existing Articles are reproduced here with the proposed amendments, in bold, alongside it, as follows:

Article No.	Existing Article	Amended Article
2	New Interpretation	**Exempt Authorised Nominee** **– an authorised nominee defined under the Central Depositories Act which is exempted from compliance with provisions of subsection 25A(1) of the Central Depositories Act.**
68	Subject to any rights or restrictions for the time being attached to any classes of shares, at meetings of members or classes of members each member entitled to vote may vote in person or by proxy or by attorney and on a show of hands every person who is a member or representative or proxy of a member shall have one (1) vote, and on a poll every Member present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for each share he holds. A proxy shall be entitled to vote on a show of hands on any question at any general meeting and the provision of Section 149(1)(a) of the Act shall not apply to the Company.	Subject to any rights or restrictions for the time being attached to any classes of shares, at meetings of members or classes of members each member entitled to vote may vote in person or by proxy or by attorney and on a show of hands every person who is a member or representative or proxy of a member shall have one (1) vote, and on a poll every Member present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for each share he holds. A proxy shall be entitled to vote on a show of hands on any question at any general meeting and the provision of Section 149(1)(a) of the Act shall not apply to the Company. **A proxy appointed to attend and vote at the meeting of the Company shall have the same rights as the member to speak at the meeting and there shall be no restriction as to the qualification of the proxy.**
74(d)	New provision	**Where a member is an Exempt Authorised Nominee which holds Securities for multiple beneficial owners in one (1) Securities Account ("Omnibus Account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds. Where an Exempt Authorised Nominee appoints more than one (1) proxy in respect of each Omnibus Account, the appointment shall not be valid unless the Exempt Authorised Nominee specifies the proportion of the shareholding to be represented by each of the proxy.**

CORPORATE INFORMATION

BOARD OF DIRECTORS	Koh Poh Seng Chairman/ Group Managing Director Lau Fook Meng Executive Director Faun Chee Yarn Independent and Non-Executive Director Tan Kong Ang Independent and Non-Executive Director Lim Choon Liat Independent and Non-Executive Director
COMPANY SECRETARIES	Lim Seck Wah (MAICSA 0799845) M. Chandrasegaran a/l S.Murugasu (MAICSA 0781031)
AUDIT COMMITTEE **Chairman** **Member**	 Faun Chee Yarn Tan Kong Ang Lim Choon Liat
NOMINATION COMMITTEE **Chairman** **Member**	 Faun Chee Yarn Tan Kong Ang Lim Choon Liat
REMUNERATION COMMITTEE **Chairman** **Member**	 Faun Chee Yarn Koh Poh Seng Tan Kong Ang Lim Choon Liat
REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS	Lot 765, Jalan Haji Sirat Off Jalan Meru, 42100 Klang, Selangor Tel: (603) 3291 5566 Fax: (603) 3291 4489
REGISTRAR	Mega Corporate Services Sdn Bhd (187984 H) Level 15-2, Bangunan Faber Imperial Court Jalan Sultan Ismail 50250 Kuala Lumpur Tel: (603) 2692 4271 Fax: (603) 2732 5388

AUDITORS	SJ Grant Thornton (Member of Grant Thornton International Ltd) Level 11, Sheraton Imperial Court Jalan Sultan Ismail 50250 Kuala Lumpur Tel: (603) 2692 4022 Fax: (603) 2732 5119
PRINCIPAL BANKERS	Ambank (Malaysia) Berhad Malayan Banking Berhad HSBC Bank (Malaysia) Berhad
SOLICITORS	Soo Thien Ming & Nashrah Rhiza & Richard, Advocates & Associates
STOCK EXCHANGE LISTING	Bursa Malaysia Securities Berhad, Main Market Stock code: 9121
WEBSITE	http://www.kpscb.com.my
E-MAIL ADDRESS	enquiry@kpscb.com.my

PROFILE OF THE BOARD OF DIRECTORS

The Board of Directors of KPS Consortium Berhad ("KPSCB" or "the Company") comprising the Chairman/ Group Managing Director, one (1) Executive Director and three (3) Independent Non-Executive Directors.

The Board meets quarterly and additional Board Meetings are held as and when required. The Board met four (4) times during the financial year ended 31 December 2012.

Particulars of the Directors are as follows:

KOH POH SENG, Malaysian, age 57, is the founder and Managing Director of KPS Plywood Sdn Bhd ("KPSP") and was appointed as the Chairman and Group Managing Director of KPS Consortium Berhad ("KPSCB") on 18 September 2002. He has more than twenty years of experience in trading of plywood and wood related products. In 1990, KPSP was set up by Mr Koh to undertake the business of trading in plywood. KPSP ventured into the trading of cement and steel bars since 1998.

Presently, Mr Koh is also a director of various other private companies, whereby their principal activities are that of construction and timber.

He is a member of the Remuneration Committee.

LAU FOOK MENG, Malaysian, age 61, was appointed Executive Director of KPSCB on 19 September 2002. He is a chartered accountant who has obtained his Fellowship from the Institute of Chartered Accountant of England & Wales. Upon graduation, he joined Asiatic Development Bhd in 1981 as an Accountant until 1983. In 1984, he joined Unico Holdings Bhd as the Group Accountant and left in 1992. From 1993 to 2002, he was the General Manager of Nichmurni Sdn Bhd.

FAUN CHEE YARN, Malaysian, age 53, was appointed as an Independent and Non-Executive Director of KPSCB on 1 November 2008. He is a Fellow Member of the Malaysian Institute of Accountants and certified member of the Financial Planning Association of Malaysia.

He has many years of experiences in private sector as an Auditor, Accountant, Finance Manager and General Manager in various sectors including software, insurance agency, recycling and vehicle fleet management. He was the Finance Manager of a renowned recycling company in Malaysia before re-designated as Financial Controller since 2009.

He is a Chairman of the Audit Committee, Nomination Committee and Remuneration Committee.

TAN KONG ANG, Malaysian, age 53, was appointed as an Independent and Non-Executive Director of KPSCB on 26 May 2009. He has been a Member of Chartered Institute of Marketing UK for more than 20 years.

He is a professional manager with more than 26 years of working experiences in sale, marketing, purchasing, operation, administration and management. He possesses extensive working experiences in the textile industry, electrical and electronic, agencies house, wholesaler, retailer, distributor, oil and gas, hardware, building material, chemical, steel industry, financial products, life and general insurance organizations.

He is a member of the Audit Committee, Nomination Committee and Remuneration Committee.

LIM CHOON LIAT, Malaysian, age 52, was appointed as an Independent and Non-Executive Director of KPSCB on 26 May 2009. He obtained Bachelor of Science (Forestry) from Faculty of Forestry, University Pertanian Malaysia, Serdang, Selangor Darul Ehsan.

Between 1986 and 1991, he worked as a Technical Training Officer at Malaysian Timber Industry Board (MTIB), Ministry of Primary Industries. He organized technical training courses at national level for the Malaysian furniture industries/timber industrialist, in the area of furniture production technology, furniture finishing, furniture design, furniture marketing and technical aspects of timber i.e. preservation of timber, kiln drying of timber, identification of timber and grading of timber.

Between 1991 and 1995, he was appointed as the Executive Director in Furnicom Machinery Sdn Bhd, Camycom Sdn Bhd and Camycom Engineering Sdn Bhd.

From 1995 to present, he is the Managing Director of Bonaprimo Resources Sdn Bhd, a woodworking machinery business and consultancy services in the furniture industries. He is also an Associate Senior Consultant of Sage Forestry & Timber Consultants Sdn Bhd. He is involved in providing consultancy services for Pengurusan Danaharta, in assessing the assets of failed furniture companies with non performing loans and in the study for MIDA on the Impact of AFTA and AIA on the wood/cane/bamboo-based Industry in Malaysia.

He is a member of the Audit Committee, Nomination Committee and Remuneration Committee.

Note:

All the above-named Directors of the Company have no family relationship with the other directors or substantial shareholders of the Company; and have not been convicted of any criminal offences (other than ordinary traffic offences, if any) and do not have any conflict of interest in the Company.

The Board of KPS Consortium Berhad (the "Company") recognises the importance of adopting high standards of corporate governance in the Company in order to safeguard stakeholders' interests as well as enhancing shareholders' value.

Pursuant to Paragraph 15.25 of the Listing requirements of Bursa Malaysia Securities Berhad, this corporate governance statement (the "Statement") sets out how the Company has applied the 8 Principles of the Malaysian Code on Corporate Governance ("MCCG 2012) and observed the 26 Recommendations supporting the Principles during the financial year under review, following the release of the MCCG 2012 by the Securities Commission in late March 2012. Where a specific Recommendation of the MCCG 2012 has not been observed during the financial year under review, the non-observation, including the reasons thereof, is mentioned in this Statement.

Principle 1 - Establish clear Roles and Responsibilities of the Board and Management

The Board recognises the key role it plays in charting the strategic direction of the Company and has assumed the following principal responsibilities in discharging its fiduciary and leadership functions:

- reviewing and adopting a strategic plan for the Company, addressing the sustainability of the Group's business;
- overseeing the conduct of the Group's business and evaluating whether or not its businesses are being properly managed;
- identify principal business risks faced by the Group and ensuring the implementation of appropriate internal controls and mitigating measures to address such risks;
- ensuring that all candidates appointed to senior management positions are of sufficient calibre, including the orderly succession of senior management personnel;
- overseeing the development and implementation of a shareholder communications policy, including an investor relations programme for the Company; and
- reviewing the adequacy and integrity of the Group's internal control and management information systems.

To assist in the discharge of its stewardship role, the Board has established Board Committees, namely the Audit Committee, Nominating Committee and Remuneration Committee, to examine specific issues within their respective terms of reference as approved by the Board and report to the Board with their recommendations. The ultimate responsibility for decision making, however, lies with the Board.

Board Charter

The Board has established a Board Charter to ensure that all Board members acting on behalf of the Company are aware of their duties and responsibilities as Board members and the various legislations and regulations affecting their conduct and that the principles and practices of good Corporate Governance are applied in all their dealings in respect and on behalf of the Company. The Board Charter is reviewed periodically to ensure their relevance and compliance.

The Board Charter addresses, among others, the following matters:-
- Objective
- The Board
- Executive Chairman and Managing Director
- Board Committees
- General Meetings
- Investor Relations and Shareholder Communication
- Relationship with other Stakeholders
- Company Secretary

The Board Charter, which serves as a referencing point for Board's activities to enable Directors carry out their stewardship role and discharge their fiduciary duties towards the Company, also seeks to include a formal schedule of matters reserved to the Board for deliberation and decision so that the control and direction of the Company are in its hands. The Charter is made publicly available on the Company's website at www.kpscb.com.my.

Code of Conduct and Whistle-Blower Policy

The Board recognizes the importance of formalizing a Code of Conduct, setting out the standards of conduct expected from Directors and employees, to engender good corporate behavior. It will allow the whistle-blower the opportunity to raise concern outside the Management line.

Sustainability of Business

The Board is mindful of the importance of business sustainability and, in conducting the Group's business, the impact on the environmental, social and governance aspects is taken into consideration. The Board will continue to expand its business and evaluate business risk before diversifying into new era of business.

Supply of, and Access to, Information

The Board is supplied with relevant information and reports on financial, operational, corporate, regulatory, business development and audit matters, by way of Board reports or upon specific requests, for decisions to be made on an informed basis and effective discharge of Board's responsibilities.

Good practices have been observed for timely dissemination of meeting agenda, including the relevant Board and Board Committee papers to all Directors prior to the Board and Board Committee meetings, to give effect to Board decisions and to deal with matters arising from such meetings. The Executive Directors and/or other relevant Board members furnish comprehensive explanation on pertinent issues and recommendations by Management. The issues are then deliberated and discussed thoroughly by the Board prior to decision making.

In addition, the Board members are updated on the Company's activities and its operations on a regular basis. All Directors have access to all information of the Company on a timely basis in an appropriate manner and quality necessary to enable them to discharge their duties and responsibilities.

Directors have unrestricted access to the advice and services of the Company Secretary to enable them to discharge their duties effectively. The Board is regularly updated and advised by the Company Secretary who is qualified, experienced and competent on statutory and regulatory requirements, and the resultant implications of any changes therein to the Company and Directors in relation to their duties and responsibilities. The Company Secretary, who oversees adherence with board policies and procedures, briefs the Board on the proposed contents and timing of material announcements to be made to regulators. The Company Secretary ensures that meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained accordingly. The removal of Company Secretary, if any, is a matter for the Board, as a whole, to decide.

Principle 2 - Strengthen Composition of the Board

During the financial year under review, the Board consisted of five (5) members, comprising two (2) Executive Directors and three (3) Independent Non-Executive Directors. This composition fulfills the requirements as set out under the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa"), which stipulate that at least two (2) Directors or one-third of the Board, whichever is higher, must be Independent. The profile of each Director is set out in this Annual Report. The Directors, with their differing backgrounds and specializations, collectively bring with them a wide range of experience and expertise in areas such as finance; accounting and audit; corporate affairs; and marketing and operations.

Nomination Committee – Selection and Assessment of Directors

A Nomination Committee has been established, with specific terms of reference, by the Board, comprising exclusively Independent Non-Executive Directors as follows:

1. Faun Chee Yarn – Chairman (Independent Non-Executive Director)
2. Tan Kong Ang – Member (Independent Non-Executive Director)
3. Lim Choon Liat – Member (Independent Non-Executive Director)

The Nominating Committee is primarily responsible for recommending suitable appointments to the Board, taking into consideration the Board structure, size, composition and the required mix of expertise and experience which the Director should bring to the Board. It assesses the effectiveness of the Board as a whole, the Board Committees and the contribution of each Director, including Non-Executive Directors.

The final decision on the appointment of a candidate recommended by Nomination Committee rests with the whole Board. The Board is entitled to the services of the Company Secretary who would ensure that all appointments are properly made upon obtaining all necessary information from the Directors.

In accordance with the Articles of Association of the Company, at least one-third of the Directors shall retire by rotation at each Annual General Meeting and offer themselves for re-election at the Annual General Meeting ("AGM"). Directors who are appointed by the Board to fill casual vacancies or as additional directors during the financial year are subject to re-election by shareholders at the next AGM following their appointment. All Directors shall retire from office at least once in every three years, but shall be eligible for re-election.

During the financial year, the Nomination Committee met once, attended by all members, to assess the balance composition of Board members based on merits, Directors' contribution and Board effectiveness. The Company has no policy on gender diversity or target set but believes in merits and commitment of its Board members. The Nomination Committee assesses the Board members on an objective basis for both genders.

Directors' Remuneration

A Remuneration Committee has been established by the Board, comprising a majority of Non-Executive Directors as follows:

1. Faun Chee Yarn - Chairman (Independent Non-Executive Director)
2. Tan Kong Ang- Member (Independent Non-Executive Director)
3. Lim Choon Liat - Member (Independent Non-Executive Director)
4. Koh Poh Seng - Member (Chairman/Group Managing Director)

The Remuneration Committee has been entrusted by the Board to determine that the levels of remuneration are sufficient to attract and retain Directors of quality required to manage the business of the Group. The Remuneration Committee is entrusted under its terms of reference to assist the Board, amongst others, to recommend to the Board the remuneration of the Executive Directors. In the case of Non-Executive Directors, the level of remuneration shall reflect the experience and level of responsibilities undertaken by the Non-Executive Directors concerned. In all instances, the deliberations are conducted, with the Directors concerned abstaining from discussions on their individual remuneration. During the financial year under review, the Committee met once attended by all members.

Details of Directors' remuneration for the financial year ended 31 December 2012 are as follows:

	Executive Directors (RM)	Non-Executive Directors (RM)
Directors' fees	48,000	30,000
Salaries & other emoluments	152,004	-
Total	**200,004**	**30,000**

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

Range of Remuneration (RM)	Executive	Non-Executive
50,000 and below	2	3
50,001 – 100,000	-	-
100,001 – 150,000	-	-

Principle 3 – Reinforce Independence of the Board

The roles of the Chairman and Group Managing Director are held by the same Director. This departs from Recommendation 3.4 of the MCCG 2012 which stipulates that the positions of Chairman and Chief Executive Officer should be held by different individuals, and the Chairman must be a Non-Executive member of the Board. The Board believes that for its current size, it is more expedient for the two roles to be held by the same person as long as there are pertinent checks and balance to ensure no one person in the Board has unfettered powers to make major decisions for the Company unilaterally. As such, the Board is of the view that the significant composition of Independent Non-Executive Directors, which is made up of half the current Board's size, provides for the relevant check and balance.

The Chairman is responsible for ensuring the adequacy and effectiveness of the Board's governance process and acts as a facilitator at Board meetings to ensure that contributions from Directors are forthcoming on matters being deliberated and that no Board member dominates discussion. As the Group Managing Director, he implements the Group's strategies, policies and decision adopted by the Board and oversees the operations and business development of the Group.

The Independent Non-Executive Directors bring to bear objective and independent views, advice and judgment on interests, not only of the Group, but also of shareholders and stakeholders. Independent Non-Executive Directors are essential for protecting the interests of shareholders and can make significant contributions to the Company's decision making by bringing in the quality of detached impartiality. In the opinion of the Board, the appointment of a Senior Independent Non-Executive Director to whom any concerns should be conveyed is not necessary. The Board operates in an open environment in which opinions and information are freely exchanged and in these circumstances any concerns need not be focused on a single director as all members of the Board fulfill this role individually and collectively.

The Board recognizes the importance of establishing criteria on independence to be used in the annual assessment of its Independent Non-Executive Directors. Although the definition on independence according to the Listing requirements of Bursa Malaysia Securities is used, the Board will take pertinent measures to formalize such independence criteria to, inter-alia, include the nine (9)-year tenure for Independent Non-Executive Directors. Procedures on the extension for Independent Non-Executive Directors to serve beyond the nine (9)-year limit will also be formalized in line with the Recommendation of the MCCG 2012 even though at the date of this Statement, all the Company's Independent Non-Executive Directors have not reached the nine (9)-year limit.

Principle 4 – Foster commitment of Directors

The Board ordinarily meets at least four (4) times a year, scheduled well in advance before the end of the preceding financial year to facilitate the Directors in planning their meeting schedule for the year. Additional meetings are convened when urgent and important decisions need to be made between scheduled meetings. Board and Board Committee papers which are prepared by Management, provide the relevant facts and analysis for the convenience of Directors. The meeting agenda, the relevant reports and Board papers are furnished to Directors and Board Committee members well before the meeting to allow the Directors sufficient time to peruse for effective discussion and decision making during meetings. At the quarterly Board meetings, the Board reviews the business performance of the Group and discusses major operational and financial issues. The Chairman of the Audit Committee informs the Directors at each Board meetings of any salient matters noted by the Audit Committee and which require the Board's attention or direction. All pertinent issues discussed at Board meetings in arriving at the decisions and conclusions are properly recorded by way of minutes of meetings.

Board Meetings

There were four (4) Board meetings held during the financial year ended 31 December 2012, with details of Directors' attendance set out below:

	Name of Director	Attendance
(a)	Mr. Koh Poh Seng	4/4
(b)	Mr. Lau Fook Meng	4/4
(c)	Mr. Faun Chee Yarn	4/4
(d)	Mr. Tan Kong Ang	4/4
(e)	Mr. Lim Choon Liat	4/4

It is the practice of the Company for Directors to devote sufficient time and efforts to carry out their responsibilities. In addition, the Board recognizes the need to formalize a policy in its Board Charter, requiring Directors to notify the Chairman before accepting any new directorships notwithstanding that the Listing Requirements of Bursa allow a Director to sit on the boards of 5 listed issuers. Such notification is expected to include an indication of time that will be spent on the new appointment.

Directors' Training – Continuing Education Programmes

The Board is mindful of the importance for its members to undergo continuous training to be apprised on changes to regulatory requirements and the impact such regulatory requirements have on the Group.

All Directors have completed the Mandatory Accreditation Programme. During the financial year, Board Members have attended pertinent training as follows:

Mr. Koh Poh Seng
- Case Studies for Boardroom Excellence: Related Party Transaction – Doing It Right For Results

Mr. Lau Fook Meng
- Mastering The New MFRS Seminar
- Bursa Malaysia: Advocacy Sessions on Disclosure for CEOs and CFOs
- Malaysian Budget 2013 and Transfer Pricing Updates

Mr. Faun Chee Yarn
- Enterprise Risk Management – What A Director Must Know
- Mastering The New MFRS Seminar
- MIA – Detecting Financial Statement Fraud: Detecting Red Flags In Creative Accounting
- MIA – Case Studies In Corporate Fraud
- MIA – Evolution of Corporate Fraud
- MIA – Corporate Fraud In Corporate Finance
- MIA – Budget 2013: Highlights On Tax Changes and Its Implication On Business
- ISO 9001:2008 Awareness Training
- ISO 9001:2008 Internal Quality Auditor Training

Mr. Tan Kong Ang
- Enterprise Risk Management – What A Director Must Know
- Case Studies for Boardroom Excellence: Related Party Transaction – Doing It Right For Results

Mr. Lim Choon Liat
- Bursa Malaysia – Governance, Risk Management and Compliance: What Directors Should Know

Throughout the year, Directors also received updates and briefings, particularly on regulatory, industry and legal developments, including information on significant changes in business and procedures instituted to mitigate such risks.

The External Auditors also briefed the Board members on any changes to the Malaysian Financial Reporting Standards that would affect the Group's financial statements during the financial year under review. The Directors continue to undergo relevant training programmes to further enhance their skills and knowledge in the discharge of their stewardship role.

Principle 5 – Uphold integrity in financial reporting by Company

It is the Board's commitment to present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of each reporting period and financial year, primarily through the quarterly announcement of Group's results to Bursa, the annual financial statements of the Group and Company as well as the Chairman's statement and review of the Group's operations in the Annual Report, where relevant. A statement by the Directors of their responsibilities in the preparation of financial statements is set out in the ensuing paragraph.

Statement of Directors' Responsibility for Preparing Financial Statements

The Board is responsible to ensure that the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group as at the end of the financial year and of the results and cash flows of the Group for the financial year then ended.

The Directors are satisfied that in preparing the financial statements of the Group for the year ended 31 December 2012, the Group has adopted suitable accounting policies and applied them consistently, prudently and reasonably. The Directors also consider that all applicable approved accounting standards have been followed in the preparation of the financial statements, subject to any material departures being disclosed and explained in the notes to the financial statements. The financial statements have been prepared on the going concern basis.

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

Audit Committee

In assisting the Board to discharge its duties on financial reporting, the Board has established an Audit Committee, comprising wholly Independent Non-Executive Directors, with Mr. Faun Chee Yarn as the Committee Chairman. The composition of the Audit Committee, including its roles and responsibilities, are set out in the Audit Committee Report of this Annual Report. One of the key responsibilities of the Audit Committee in its specific terms of reference is to ensure that the financial statements of the Group and Company comply with applicable financial reporting standards in Malaysia. Such financial statements comprise the quarterly financial report announced to Bursa and the annual statutory financial statements.

As the Board understands its role in upholding the integrity of financial reporting by the Company, it will take steps to revise the Audit Committee's terms of reference by formalizing a policy on the types of non-audit services permitted to be provided by the external auditors of the Company so as not to compromise their independence and objectivity, including the need for the Audit Committee's approval in writing before such services can be provided by the external auditors.

In assessing the independence of external auditors, the Audit Committee will in future require written assurance by the external auditors, confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the International Federation of Accountants and the Malaysian Institute of Accountants.

Principle 6 – Recognise and manage risks of the Group

During the financial year under review, the Board had yet to establish a structured risk management framework to manage business risks, although Management has a process to identify and evaluate significant risks faced by the Group. This represents a departure from Recommendation 6.1 of the MCCG 2012 which stipulates the need for the Board to establish a sound framework to actively identify, assess and monitor key business risks faced by the Group to safeguard shareholder's investment and the Group's assets. In the absence of such a structured framework, issues on risks were discussed at Board meetings where the Group Managing Director would articulate risks associated with projects and investment, including any risk exposure that the Group faced in its operations. The Board is aware of the importance of such a framework and will take measures to formalize one, which is expected to consider the risk appetite of various companies in the Group as well as the Group itself.

The internal audit function of the Group is outsourced to an independent professional firm, whose work is performed with impartially, proficiency and due professional care, and in accordance with the International Professional Practices Framework of the Institute of Internal Auditors, Incorporated, which sets out professional standards on internal audit. It undertakes regular reviews of the adequacy and effectiveness of the Group's system of internal controls and risk management process, as well as appropriateness and effectiveness of the corporate governance practices. The Internal Audit reports directly to the Audit Committee. Further details on the internal audit function can be seen in the Audit Committee Report and the Internal Control Statement in this Annual Report.

Principle 7 – Ensure timely and high quality disclosure

The Board is aware of the need to establish corporate disclosure policies and procedures to enable comprehensive, accurate and timely disclosures relating to the Company and its subsidiaries to be made to the regulators, shareholders and stakeholders. On this basis, the Board is not only to comply with the disclosure requirements as stipulated in the Listing Requirements of Bursa, but also setting out the persons authorised and responsible to approve and disclose material information to regulators, shareholders and stakeholders.

To augment the process of disclosure, the Board will earmark a dedicated section for corporate governance on the Company's website where information on the Company's announcements to the regulators, the Board Charter, rights of shareholders and the Company's Annual Report may be accessed.

Principle 8 – Strengthen relationship between the Company and its shareholders

Shareholder participation at general meeting

The Annual General Meeting ("AGM"), which is the principal forum for shareholder dialogue, allows shareholders to review the Group's performance via the Company's Annual Report and pose questions to the Board for clarification. At the AGM, shareholders participate in deliberating resolutions being proposed or on the Group's operations in general. At the last AGM, a question & answer session was held where the Chairman invited shareholders to raise questions with responses from the Board.

The Notice of AGM is circulated at least twenty one (21) days before the date of the meeting to enable shareholders to go through the Annual Report and papers supporting the resolutions proposed. Shareholders are invited to ask questions both about the resolutions being proposed before putting a resolution to vote as well as matters relating to the Group's operations in general. All the resolutions set out in the Notice of the last AGM were put to vote by show of hands and duly passed. The outcome of the AGM was announced to Bursa on the same meeting day. Going forward, the Board will adopt poll voting for related party transactions, if any, which require specific approvals, including the announcement of the detailed results showing the number of votes cast for and against each resolution.

Communication and engagement with shareholders

The Board recognises the importance of being transparent and accountable to the Company's investors and, as such, has various channels to maintain communication with them. The various channels of communications are through the quarterly announcements on financial results to Bursa, relevant announcements and circulars, when necessary, the Annual and Extraordinary General Meetings and through the Group's website at where shareholders can access pertinent information concerning the Group.

OTHER INFORMATION REQUIRED PURSUANT TO PART A, APPENDIX 9C OF THE BMSB LISTING REQUIREMENTS

In conformance with the Bursa Malaysia Securities Berhad Listing Requirements, the following information is provided:

- **Utilisation of Proceeds**
  No proceeds were raised from any corporate proposal during the financial year.

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

- **Option, Warrants and Convertible Securities**
  The Company has not issued any options, warrants or convertible securities during the financial year.

- **American Depository Receipt ("ADR") / Global Depository Receipt ("GDR")**
  During the financial year, the Company did not sponsor any ADR or GDR programme.

- **Sanctions and/or Penalties**
  There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management staff by the relevant regulatory bodies during the financial year.

- **Non-Audit Fee**
  There was no non-audit fee payable to the external auditors by the Company and its subsidiaries for the financial year ended 31 December 2012.

- **Variance from Profit Forecast or Unaudited Results Previously Made**
  There were no variances exceeding 10% from the unaudited results previously released by the Company.

- **Profit Guarantee**
  During the financial year, there were no profit guarantees given by the Company.

- **Material Contracts**
  There were no material contracts (not being contracts entered into in the ordinary course of business) subsisting as at or entered into since the end of the previous financial year, by the Company or its subsidiaries, which involved the interests of the Directors and major shareholders.

- **Recurrent related party transactions of a revenue nature**
  There were no recurrent related party transactions of a revenue nature during the year.

- **Corporate Social Responsibility**
  The Group looks after the welfare of the employees such as providing lodging and food for the employees. The Group heeds the save the environment by involving in recycling of papers for the production of jumbo toilet rolls and serviette. The factories preserve environment and nature by make good use of waste wood, oil palm waste (bio-slab) and sawdust.

  The Group emphasizes on Environment, Health and Safety and provides safety measurements to the factory members.

AUDIT COMMITTEE

1. Members

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

- Mr Faun Chee Yarn
  Chairman / Independent and Non-Executive Director

- Mr Tan Kong Ang
  Member / Independent and Non-Executive Director

- Mr Lim Choon Liat
  Member / Independent and Non-Executive Director

The Audit Committee consists of three (3) members all of whom are Independent Non-Executive directors. The Company has complied with Paragraph 15.09(1)(b) of Bursa Malaysia Securities Berhad's Listing Requirements, which requires the Audit Committee members must be non-executive directors, with a majority of them being independent directors.

2. Terms of Reference

The terms of reference of the Audit Committee had been revised to conform to the Main Market Listing Requirements.

Composition

The Audit Committee shall be appointed from among their members and should consist of no fewer than three (3) members and must be all Non-Executive Directors of whom the majority must be Independent Directors.

At least one (1) member of the Committee:-

i) must be a member of the Malaysian Institute of Accountants ("MIA"); or

ii) if he is not a member of the MIA, he must have at least 3 years' working experience and:-

- he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1968; or

- he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967

- fulfils such other requirements as prescribed or approved by the Exchange.

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

The Chairman of the Committee shall be an Independent Non-Executive Director appointed by the Board.

In the event of any vacancy in the Audit Committee resulting in the number of members being reduced to below three, the Company must fill the vacancy within three (3) months.

The terms of office and performance of the Audit Committee and each of its members shall be reviewed by the Board at least once every three (3) years.

3. Audit Committee Meetings Attendance

The Audit Committee had conducted four (4) meetings for the financial year ending 31 December 2012. Details of attendance of the Audit Committee members during this financial period are set out as below:

Name of Committee Member	No. of meetings attended/ held during member's tenure
Mr Faun Chee Yarn	4/4
Mr Tan Kong Ang	4/4
Mr Lim Choon Liat	4/4

Attendance At Meetings

The Committee shall meet at least four (4) times a year and such additional meetings as the Chairman shall decide in order to fulfill its duties. In addition, the Chairman may call a meeting of the Audit Committee if a request is made by any committee member, any Executive Director, or the external auditors.

In order to form a quorum, the majority of members present must be independent directors.

Frequency Of Meetings

Meetings shall be held not less than four (4) times a year to review the quarterly results and year-end financial statements. Other meetings may be held as and when required.

4. Activities Of The Audit Committee

The principal activities undertaken by the Audit Committee during the financial period were summarized as follows:

(a) Reviewed the quarterly financial results and announcements for the financial quarters prior to the Board of Directors for consideration and approval;

(b) Reviewed the audited financial statements for the financial year ended 31 December 2012;

(c) Reviewed the external auditors' reports for the financial year ended 31 December 2012 in relation to audit and accounting issues arising from the audit;

(d) Reviewed the external auditors' audit plan for the year ended 31 December 2012;

(e) Considered the nomination of external auditors for recommendation to the Board for reappointment;

(f) Reviewed the internal audit plan, findings, reports and management implementation of audit recommendations;

(g) Reviewed the disclosure statements on Corporate Governance, Audit Committee Report and the Statement on Internal Control and recommended to the Board for adoption;

5. Internal Audit Function

The internal audit function is essential in assisting the Audit Committee in reviewing the state of the system of internal control maintained by the management.

The Company outsourced its internal audit function to an internal audit consulting company. The audit team members are independent of the activities audited by them. The internal auditors review and assess the Group's system of internal control and report to the Committee functionally.

The Committee approves the annual internal audit plan before the commencement of the internal audit reviews for each financial year. During the financial year, the internal auditors conducted reviews on the operations of the Group and presented their reports to the Audit Committee. Areas of improvement identified were communicated to the management for further action.

6. Authority

The Committee is authorised by the Board:-

(i) To investigate any matter within its terms of reference;

(ii) To have the resources which are required to perform its duties;

(iii) To have full and unrestricted access to any information pertaining to the Company;

(iv) To have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);

(v) To obtain independent professional or other advice; and

(vi) To convene meetings with the external auditors, the internal auditors or both excluding the attendance of other directors and employees, whenever deemed necessary.

7. Functions

The functions of the Committee are as follows:-

(a) The Committee shall review, appraise and report to the Board on:

- the discussion with the external auditors, prior to the commencement of audit, the audit plan which states the nature and scope of the audit and to ensure co-ordination of audit where more than one audit firm is involved;
- the review with the external auditors, his evaluation of the system of internal controls, his management letter and management's response;
- the discussion of problems and reservations arising from the external audits, the audit report and any matters the external auditors may wish to discuss;
- the assistance given by the employees of the Group to the external and internal auditors;
- any related party transaction and conflict of interest situation that may arise within the Group or Company, including any transaction, procedure or course of conduct that raises questions of management integrity.

(b) To review where appropriate whether there is a reason to believe that the Group's external auditors is not suitable for re-appointment;

(c) To consider any question of resignation or dismissal of the external auditors;

(d) To review quarterly reporting and year end financial statements of the Group before submission to the Board, focusing particularly on:-

- changes in or implementation of major accounting policy;
- significant adjustments arising from the audit;
- the going concern assumption; and
- compliance with accounting standards and other legal requirements.

(e) To review the following in respect of internal audit function:-

- Adequacy of the scope, functions, competency and resources of the Internal Audit Department and that it has the necessary authority to carry out its work;
- Internal audit programmes;
- The major findings of internal audit investigations and management's responses, and ensure that appropriate actions are taken on the recommendations of the Internal Audit Department;
- Appraisal or assessments of the performance of the senior staff of the Internal Audit Department;
- Approval of any appointment or termination of senior staff member of the Internal Audit Department;
- Resignations of senior internal audit staff members and providing the resigning staff member an opportunity to submit his/her reason for resignation;

(f) To consider the major findings of internal audit investigations and management's response;

(g) To recommend the nomination and appointment of external auditors as well as the audit fee;

(h) To promptly report any matters resulting in breach of the Bursa Securities Listing Requirements to the Board. Where the Committee is of the opinion that such matter reported by it to the Board has not been satisfactorily resolved, the Committee shall promptly report such matter to Bursa Securities; and

(i) Any other function that may be mutually agreed upon by the Committee and the Board, which would be beneficial to the Company and ensure the effective discharge of the Committee's duties and responsibilities.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

It is a requirement of the Malaysian Code of Corporate Governance that the Board of Directors should maintain a sound system of internal controls and effective risk management to safeguard shareholders' investments and the Group's assets.

Pursuant to paragraph 15.26(b) of the Main Market Listing Requirements and Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, the Board of Directors are pleased to present the Statement on Risk Management and Internal Control of the Group comprising KPS Consortium Berhad and its subsidiaries for the financial year ending 31 December 2012.

BOARD RESPONSIBILITY

The Board of Directors Board affirms its responsibility in maintaining a sound system of internal control and risk management procedures within the Group and for reviewing its adequacy and integrity. The Board also recognises that reviewing of the Group's system of risk management and internal controls is a concerted and continuing process and the objective of risk management and systems of internal control is to manage rather than eliminate the risk of failure to achieve business objectives. It shall be noted that all risk management and internal controls can only provide reasonable and not absolute assurance against material misstatement or loss. Nonetheless, in striving for continuous improvement, the Board will put in place appropriate action plans, when necessary, to further enhance the Group's systems of risk management and internal control.

INTERNAL CONTROL

The internal controls system is established after considering the overall control environment of the Group. The system is designed to achieve proper balance between risks undertaken and the potential returns to shareholders. The key elements of the Group's system of internal controls are as described below:

- Key responsibilities and lines of accountability within the Group are in place, with clear reporting lines up to the Senior Management of the Group and to the Board of Directors. The Group's delegation of authority sets out the decisions that need to be taken and the appropriate authority levels of Management and matters that require Board approval.

- The Group's management monitors and reviews the financial results and forecasts for all businesses within the Group and formulates action plans for operational and financial performance improvement.

- Top Executives' instructions are communicated to line management to ensure that the control procedures, including those relating to authorisation, monitoring and reconciliation processes are followed.

- At the Board level, key financial and operating performances of the Group are reviewed. Quarterly, discussions with the management on the progress of business operations and significant issues are held by the Board and internal audit findings and reports are reviewed by the Audit Committee before presenting to the Board.

INTERNAL AUDIT

The Group had engaged an independent professional services firm to carry out the Internal Audit function. The objective of the internal audit function is to review the adequacy and integrity of the internal control systems of key business units.

The Audit Committee reviews and approves the annual internal audit plan before the Internal Auditors carry out their functions. All audit findings are reported to the Committee and areas of improvement and audit recommendations identified are communicated to the management for further action.

The cost incurred for the internal audit function in respect of the financial year ended 31 December 2012 was RM60,158.40.

MANAGEMENT RESPONSIBILITIES AND ASSURANCE

In accordance to the Bursa's Guidelines, management is responsible to the Board for identifying risks relevant to the business of the Group's objectives and strategies implementing, maintaining sound systems of risk management and internal control and monitoring and reporting to the Board of significant control deficiencies and changes in risks that could significantly affect the Group achievement of its objective and performance.

Before producing this Statement, the Board has received assurance from the Group Managing Director and Executive Director that, to the best of their knowledge that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects.

CONCLUSION

There is no significant breakdown or weaknesses in the system of internal control of the Group that have resulted material losses incurred by the Group for the financial year ending 31 December 2012. The Board believes that the current review framework and the systems of risk management and internal control that has been in place for the year under review are reasonable for the present level of operations. Nonetheless, the Group will continue to take the necessary measures to ensure that the system of risk management and internal control is functioning effectively in line with the evolving business development in the Group.

The Board of Directors has approved this statement for issuance.

CHAIRMAN/ GROUP MANAGING DIRECTOR'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Accounts of the Group and of the Company for the financial year ended 31 December 2012.

Overview of Group Results

Operating Results

For the financial year ended 31 December 2012, Group's turnover was RM457.8 million (2011:RM379.4 million). We recorded a pre-tax profit of RM10.0 million as compared to RM13.8 million in the previous year.

At Company level, turnover was RM0.19 million due to dividend, income and management fees from subsidiaries.

Review of Operations

The Group's performances are explained under the various activity reports below:

Paper Milling

The Group's operations registered external revenue of RM16.6 million (2011: RM11.1 million) and profit before tax of RM2.67 million (2011: RM1.2 million).

Paper Converting and Trading of Woodfree Paper

This division recorded turnover of RM79.9 million as compared to RM73.5 million previously. This division recorded a profit before tax of RM0.3 million as compared to a profit of RM 1.6 million in the previous year 2011.

Profit margin was affected by higher cost of raw materials.

Plywood and Building Materials Trading and Timber Manufacturing

The Plywood and Building Materials Division registered higher turnover of RM347.4 million (2011:RM280.8 million) and operating profit before tax of RM10.9 million compared with operating profit of RM16.5 million. Operating profit margins were lower for current year compared with year 2011 due to lower selling prices.

Others – trading of paper products and general household products

Turnover for this division was RM13.7 million in the year 2012 compared with RM13.4 million for the previous year. This division made a profit before taxation of RM0.3 million compared with RM0.4 million in 2011.

Dividend

The Board is unable to propose any dividend.

Outlook and Prospects

The future outlook for most of the divisions is expected to register slightly higher revenue despite the continuing world economic financial crisis, continued high unemployment in the developed countries, the continuing debt crisis in Europe and by efforts of the Malaysian Government to boost domestic economy through Economic Transformation Programme.

Acknowledgement

The last few years have proven the resilience of the Company and I would like to thank the shareholders for their unwavering support so far.

We owe a similar gratitude to our customers and business associates for their unwavered support throughout the difficult times of the last few years.

Finally and above all, on behalf of the Board, I wish to offer our heartfelt thanks to all our staff for their dedication and loyalty over the past year and their steadfastness and resilience in facing the new challenges.

Koh Poh Seng
Chairman/ Group Managing Director

REPORTS AND FINANCIAL STATEMENTS
31 DECEMBER 2012

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiary companies are disclosed in Note 21 to the financial statements.

There were no significant changes in the nature of these activities of the Company and of its subsidiary companies during the financial year.

RESULTS

	Group RM	Company RM
Profit/(Loss) for the financial year	10,029,854	(30,920)
Attributable to:		
Owners of the Company	10,222,667	(30,920)
Non-controlling interests	(192,813)	-
	10,029,854	(30,920)

DIVIDENDS

There were no dividends paid or declared by the Company since the end of the previous financial year.

The Directors do not recommend the payment of any dividend for the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

DIRECTORS

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

Koh Poh Seng
Lau Fook Meng
Faun Chee Yarn
Tan Kong Ang
Lim Choon Liat

In accordance with Article 80 of the Company's Articles of Association, Mr. Lau Fook Meng will retire from the Board of Directors at the forthcoming Annual General Meeting and being eligible offer himself for re-election.

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the beneficial interests of those who were Directors at the end of the financial year in shares of the Company were as follows:-

	------------- Ordinary shares of RM1 each			-------------
	At 1.1.2012	**Bought**	**Sold**	**At 31.12.2011**
Direct interest				
Koh Poh Seng	61,151,625	3,344,300	5,468,000	59,027,925
Lim Choon Liat	50,000	-	50,000	-

By virtue of the interest in shares of the Company, Mr. Koh Poh Seng is also deemed to have interest in the shares of all the subsidiary companies to the extent that the Company has an interest under Section 6A of the Companies Act, 1965.

Other than the above, no other Directors in office at the end of the financial year held any interest in shares of the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the notes to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, other than those disclosed in the Note 23 and 29 to the financial statements.

ISSUE OF SHARES AND DEBENTURES

There were no shares or debentures issued during the financial year.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps:-

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

(b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:-

(a) which would render the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) 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; or

(d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

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

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

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

In the opinion of the Directors:-

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

(b) the results of 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; and

(c) 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 operations of the Group and of the Company for the current financial year in which this report is made.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The significant event during the financial year is disclosed in Note 33 to the financial statements.

AUDITORS

The Auditors, Messrs SJ Grant Thornton have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors.

....)
KOH POH SENG)
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) DIRECTORS
)
)
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....)
LAU FOOK MENG)

Kuala Lumpur
29 April 2013

STATEMENT BY DIRECTORS AND STATUTORY DECLARATION

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 33 to 100 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out on Note 35 on page 101 to the financial statements had been complied with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors.

....
KOH POH SENG

....
LAU FOOK MENG

Kuala Lumpur
29 April 2013

STATUTORY DECLARATION

I, Lau Fook Meng, being the Director primarily responsible for the financial management of KPS Consortium Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 33 to 101 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed at Kuala Lumpur in)
the Federal Territory this day of)
29 April 2013)

....
LAU FOOK MENG

Before me:

PESURUHJAYA SUMPAH
W.490
S.ARULSAMY
MALAYSIA
16 - Tingkat Bawah Jalan Pudu,
55100 Kuala Lumpur.

Commissioner for Oaths

Report on the Financial Statements

We have audited the financial statements of KPS Consortium Berhad, which comprise statements of financial position as at 31 December 2012 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 33 to 100.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that gives 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 give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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 subsidiary companies have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the accounts of the subsidiary companies 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 auditors' reports on the accounts of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174 (3) of the Act.

Other Reporting Responsibilities

The supplementary information set out in page 101 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respect, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

As stated in Note 2.4 to the Financial Statements, KPS Consortium Berhad adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by Directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year ended 31 December 2011 and related disclosures. We were not engaged to report on the restated comparative information, and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the financial year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as of 31 December 2012 and financial performance and cash flows for the financial year then ended.

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.

SJ GRANT THORNTON
(NO. AF: 0737)
CHARTERED ACCOUNTANTS

TAN CHEE BENG
CHARTERED ACCOUNTANT
(NO: 2664/02/15(J))

Kuala Lumpur
29 April 2013

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

		Group		
	Note	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
ASSETS				
Non-current assets				
Property, plant and equipment	4	53,729,565	41,861,919	39,735,790
Prepaid land lease payments	5	2,124,720	2,196,954	2,269,184
Investment properties	6	8,912,798	7,564,905	7,694,875
Investment in an associate company	7	1	-	-
Goodwill on consolidation	8	43,151,039	43,151,039	43,151,039
Deferred tax assets	9	2,151,000	3,679,000	3,237,000
Total non-current assets		110,069,123	98,453,817	96,087,888
Current assets				
Inventories	10	57,177,178	49,722,203	42,732,939
Trade receivables	11	98,484,126	84,890,474	88,870,312
Other receivables	12	23,677,362	13,037,397	6,688,342
Amount due from an associate company	7	2,200,000	-	-
Tax recoverable		129,692	108,287	460,168
Fixed deposits with licensed banks	13	2,148,977	2,444,203	1,631,645
Cash and bank balances		7,846,900	12,102,577	8,451,692
Total current assets		191,664,235	162,305,141	148,835,098
Non-current asset held for sales	14	318,000	318,000	-
TOTAL ASSETS		302,051,358	261,076,958	244,922,986
EQUITY AND LIABILITIES				
EQUITY				
Equity attributable to owners of the Company:				
Share capital	15	147,827,158	147,827,158	147,827,158
Share premium		5,400,842	5,400,842	5,400,842
Retained earnings	16	38,546,021	28,323,354	14,466,540
		191,774,021	181,551,354	167,694,540
Non-controlling interests		(222,467)	(29,654)	25,590
Total equity		191,551,554	181,521,700	167,720,130
LIABILITIES				
Non-current liabilities				
Finance lease creditors	17	1,048,952	1,102,118	465,043
Deferred tax liabilities	9	78,000	135,000	116,000
Borrowings	18	6,908,167	-	-
Total non-current liabilities		8,035,119	1,237,118	581,043
Current liabilities				
Trade payables	19	20,742,659	14,804,553	16,723,533
Other payables	20	3,967,791	4,929,432	5,088,286
Borrowings	18	77,453,731	57,603,623	54,590,518
Tax payable		300,504	980,532	219,476
Total current liabilities		102,464,685	78,318,140	76,621,813
Total liabilities		110,499,804	79,555,258	77,202,856
TOTAL EQUITY AND LIABILITIES		302,051,358	261,076,958	244,922,986

The accompanying notes form an integral part of the financial statements.

		Company		
	Note	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
ASSETS				
Non-current assets				
Investment in subsidiary companies	21	128,271,546	128,271,547	119,646,200
Investment in an associate company	7	1	-	-
Total non-current assets		128,271,547	128,271,547	119,646,200
Current assets				
Other receivables	12	17,664	20,949	21,341
Amount due from subsidiary companies	21	19,331,625	19,645,868	13,104,448
Tax recoverable		3,868	-	-
Cash and bank balances		170,068	92,966	79,121
Total current assets		19,523,225	19,759,783	13,204,910
TOTAL ASSETS		147,794,772	148,031,330	132,851,110
EQUITY AND LIABILITIES				
EQUITY				
Equity attributable to owners of the Company:				
Share capital	15	147,827,158	147,827,158	147,827,158
Share premium		5,400,842	5,400,842	5,400,842
Accumulated losses	16	(7,205,597)	(7,174,677)	(29,675,088)
Total equity		146,022,403	146,053,323	123,552,912
LIABILITIES				
Current liabilities				
Other payables	20	130,401	125,155	115,059
Amount due to subsidiary companies	21	1,641,968	1,852,852	9,154,672
Tax payable		-	-	28,467
Total current liabilities/Total liabilities		1,772,369	1,978,007	9,298,198
TOTAL EQUITY AND LIABILITIES		147,794,772	148,031,330	132,851,110

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Revenue	22	457,804,102	379,428,017	198,000	7,111,500
Cost of sales		(425,294,312)	(344,851,873)	-	-
Gross profit		32,509,790	34,576,144	198,000	7,111,500
Other income		2,398,036	3,487,779	600	15,625,347
Selling and distribution expenses		(10,015,905)	(9,381,955)	-	-
Administrative expenses		(5,850,280)	(5,854,373)	(181,742)	(198,791)
Other expenses		(1,826,969)	(3,877,892)	(3,020)	(9,880)
Operating profit		17,214,672	18,949,703	13,838	22,528,176
Finance costs		(3,568,415)	(2,458,956)	-	-
Profit before tax	23	13,646,257	16,490,747	13,838	22,528,176
Tax expense	24	(3,616,403)	(2,689,177)	(44,758)	(27,765)
Profit/(loss) for the financial year		10,029,854	13,801,570	(30,920)	22,500,411
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income/(loss) for the financial year		10,029,854	13,801,570	(30,920)	22,500,411
Profit/(loss) for the financial year attributable to:-					
Owners of the Company		10,222,667	13,856,814	(30,920)	22,500,411
Non-controlling interests		(192,813)	(55,244)	-	-
		10,029,854	13,801,570	(30,920)	22,500,411
Total comprehensive income/(loss) attributable to:-					
Owners of the Company		10,222,667	13,856,814	(30,920)	22,500,411
Non-controlling interests		(192,813)	(55,244)	-	-
		10,029,854	13,801,570	(30,920)	22,500,411
Earnings per share attributable to owners of the Company (sen)	25	6.92	9.38		

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	<--------------- Attributable to owners of the Company			--------------->		
	Share capital RM	Non-distributable Share premium RM	Distributable Retained earnings/ (Accumulated losses) RM	Total RM	Non-controlling interests RM	Total equity RM
Group						
Balance at 1 January 2011	147,827,158	5,400,842	14,466,540	167,694,540	25,590	167,720,130
Total comprehensive income for the financial year	-	-	13,856,814	13,856,814	(55,244)	13,801,570
Balance at 31 December 2011	147,827,158	5,400,842	28,323,354	181,551,354	(29,654)	181,521,700
Total comprehensive income for the financial year	-	-	10,222,667	10,222,667	(192,813)	10,029,854
Balance at 31 December 2012	147,827,158	5,400,842	38,546,021	191,774,021	(222,467)	191,551,554
Company						
Balance at 1 January 2011	147,827,158	5,400,842	(29,675,088)	123,552,912	-	123,552,912
Total comprehensive income for the financial year	-	-	22,500,411	22,500,411	-	22,500,411
Balance at 31 December 2011	147,827,158	5,400,842	(7,174,677)	146,053,323	-	146,053,323
Total comprehensive loss for the financial year	-	-	(30,920)	(30,920)	-	(30,920)
Balance at 31 December 2012	147,827,158	5,400,842	(7,205,597)	146,022,403	-	146,022,403

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
OPERATING ACTIVITIES				
Profit before tax	13,646,257	16,490,747	13,838	22,528,176
Adjustments for:-				
Amortisation of prepaid land lease payments	72,234	72,230	-	-
Inventories written down	179,269	187,610	-	-
Bad debts written off	7,567	2,006,362	12,219,278	-
Depreciation of property, plant and equipment	2,913,623	2,985,087	-	-
(Gain)/Loss on disposal of				
- property, plant and equipment	(68,912)	2,424	-	-
- subsidiary company	(4,100)	-	(600)	-
Fair value gain on investment properties	(509,515)	(301,030)	-	-
Interest expenses	2,876,837	1,780,737	-	-
Inventories written off	1,582	113,594	-	-
Reversal of inventories written off	(20,739)	-	-	-
Property, plant and equipment written off	1,724	4,979	-	-
Dividend income	-	-	-	(6,900,000)
Impairment on				
- trade receivables	1,635,955	1,546,540	-	-
- other receivables	-	9,910	-	-
- amount due from subsidiary companies	-	-	3,020	9,880
Inventories written back	(62,580)	(81,798)	-	-
Interest income	(52,923)	(45,792)	-	-
Reversal of impairment on				
- trade receivables	(231,919)	(2,272,319)	-	-
- amount due from subsidiary companies	-	-	(12,219,278)	(7,000,000)
- investment in subsidiary companies	-	-	-	(8,625,347)
Operating profit before working capital changes	20,384,360	22,499,281	16,258	12,709
Changes in working capital:-				
Inventories	(7,552,507)	(7,208,670)	-	-
Receivables	(25,645,220)	(3,659,710)	3,285	392
Payables	4,793,626	(2,577,983)	5,246	10,096
Bankers' acceptance	18,603,429	3,997,530	-	-
Cash generated from operations	10,583,688	13,050,448	24,789	23,197
Interest received	52,923	45,792	-	-
Interest paid	(2,500,529)	(1,666,624)	-	-
Tax refund	123,527	-	-	-
Tax paid	(2,970,363)	(1,999,240)	(48,626)	(56,232)
Net cash from/(used in) operating activities	5,289,246	9,430,376	(23,837)	(33,035)

The accompanying notes form an integral part of the financial statements.

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
INVESTING ACTIVITIES					
Dividend received		-	-	-	6,900,000
Purchase of property, plant and equipment	A	(13,306,355)	(2,948,164)	-	-
Purchase of investment properties		(838,378)	-	-	-
Net cash inflows from disposal of a subsidiary company	21	600	-	600	-
Proceeds from disposal of property, plant and equipment		81,650	71,044	-	-
Proceeds from disposal of investment properties		-	113,000	-	-
Net cash (used in)/from investing activities		(14,062,483)	(2,764,120)	600	6,900,000
FINANCING ACTIVITIES					
Subsidiary companies		-	-	100,339	(6,853,120)
Associate company		(2,200,000)	-	-	-
Interest paid		(376,308)	(114,113)	-	-
Drawndown of term loan		8,000,000	-	-	-
Repayment of term loan		(426,734)	(758,554)	-	-
Payment of finance lease creditors		(1,356,204)	(1,104,275)	-	-
Net cash from/(used in) financing activities		3,640,754	(1,976,942)	100,339	(6,853,120)
CASH AND CASH EQUIVALENTS					
Net (decrease)/increase		(5,132,483)	4,689,314	77,102	13,845
Brought forward		14,546,780	9,857,466	92,966	79,121
Carried forward	B	9,414,297	14,546,780	170,068	92,966

The accompanying notes form an integral part of the financial statements.

NOTES TO THE STATEMENTS OF CASH FLOWS

A. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Total purchase	14,795,731	5,189,663	-	-
Purchase through finance lease arrangement	(1,489,376)	(2,241,499)	-	-
Cash payment	13,306,355	2,948,164	-	-

B. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statements of cash flows comprise the following items:-

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Cash and bank balances	7,846,900	12,102,577	170,068	92,966
Fixed deposits with licensed banks	2,148,977	2,444,203	-	-
Bank overdraft (Note 18)	(581,580)	-	-	-
	9,414,297	14,546,780	170,068	92,966

As disclosed in Note 13 to the financial statements, the fixed deposits have been pledged to licensed banks for banking facilities granted to certain subsidiary companies and hence, are not available for general use.

The accompanying notes form an integral part of the financial statements.

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office and the principal place of business of the Company are both located at Lot 765, Jalan Haji Sirat, Off Jalan Meru, 42100 Klang, Selangor Darul Ehsan.

The principal activity of the Company is investment holding.

The principal activities of the subsidiary companies are disclosed in Note 21 to the financial statements.

There were no significant changes in the nature of these activities of the Company and of its subsidiary companies during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 29 April 2013.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 1965 Malaysia.

2.2 Basis of Measurement

The financial statements of the Group and of the Company are prepared under the historical cost convention, unless otherwise indicated in the summary of significant accounting policies.

2.3 Functional and Presentation Currency

The financial statements are presented in Ringgit Malaysia ("RM") which is the Company's functional currency and all values are rounded to the nearest RM except when otherwise stated.

2.4 First–time Adoption of MFRSs

In the previous years, the financial statements of the Group and of the Company were prepared in accordance with Financial Reporting Standards ("FRSs"). These are the Group's and the Company's first financial statements prepared in accordance with MFRSs and MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards has been applied.

The explanation and financial impacts on transition to MFRSs are disclosed in Note 34 to the financial statements.

2.5 Standards Issued But Not Yet Effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the Malaysian Accounting Standards Board ("MASB") but are not yet effective, and have not been early adopted by the Group and the Company.

Management anticipates that all relevant pronouncements will be adopted in the Group's and the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's and the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's and the Company's financial statements.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (cont'd.)

2.5 Standards Issued But Not Yet Effective (cont'd.)

MFRS 9 Financial Instruments

MFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in MFRS 139 Financial Instruments: Recognition and Measurement. MFRS 9 requires financial assets to be classified into two measurement categories: fair value and amortised cost, determined at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. Most of the requirements for financial liabilities are retained, except for cases where the fair value option is taken, the part of a fair value change due to an entity's own risk is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch.

The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Group's and of the Company's financial assets, but will not have an impact on classification and financial liabilities. The Group and the Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

MFRS 13 Fair Value Measurement

MFRS 13 does not affect which items are required to be fair-valued, but clarifies the definition of fair value and provides related guidance and enhanced the disclosures about fair value measurements. The enhanced disclosure requirements are similar to those in MFRS 7 Financial Instruments: Disclosures, but apply to all assets and liabilities measured at fair value, not just financial ones.

2.6 Significant Accounting Estimates and Judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's and of the Company's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimates.

Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

2.6.1 **Key Sources of Estimation Uncertainty**

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

<u>Impairment of goodwill</u>

The Group determines whether goodwill is impaired at least once annually. This requires the estimation of the value in use of the case-generating units to which goodwill are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Further details of the carrying values, key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in the assumptions are disclosed in Note 8 to the financial statements.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (cont'd.)

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

2.6.1 Key Sources of Estimation Uncertainty (cont'd.)

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below (cont'd):-

Useful lives of depreciable assets

Property, plant and equipment are depreciated in a straight-line basis over their useful life. The management estimated the useful life of these assets to be within 3 to 50 years. At 31 December 2012, the management assesses that the useful lives represent the expected utility of the assets to the Group. Changes in the expected level of usage and technological developments could impact the economic useful life and the residual values of these assets, therefore future depreciation charges could be revised.

Management expects that the expected useful lives of the property, plant and equipment, would not have material difference from the management's estimates hence it would not result in material variance in the Group's profit for the financial year.

Impairment of property, plant and equipment and prepaid land lease payments

The Group carried out the impairment test based on a variety of estimation including the value-in-use of the cash-generating unit to which the property, plant and equipment and prepaid land lease payments are allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from cash-generated unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Inventories

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, the management takes into account the most reliable evidence available at the times the estimates are made. The Group's core business is subject to economical and technology changes which may cause selling prices to change rapidly, and the Group's profit to change.

Income taxes/Deferred tax liabilities

Significant judgement is involved in determining the Group provision for income taxes. There are certain transactions and computations for which the ultimate tax determation is uncertain during the ordinary course of business. The Group recognised tax liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets

The assessment of the probability of future taxable income in which deferred tax assets can be utilised is based on the Group's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in which the Group operates are also carefully taken into consideration.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (cont'd.)

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

2.6.1 **Key Sources of Estimation Uncertainty (cont'd.)**

Deferred tax assets (cont'd.)

If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilised without a time limit, that deferred tax asset is usually recognised in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's and the Company's loans and receivables at the reporting date is disclosed in Note 30 to the financial statements.

2.6.2 **Judgements Made in Applying Accounting Policies**

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements:-

Deferred tax assets

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

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

The recognised and unrecognised deferred tax assets during the financial year of the Group have been fully described in Note 9 to the financial statements.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (cont'd.)

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

2.6.2 **Judgements Made in Applying Accounting Policies (cont'd.)**

Leases

In applying the classification of leases in MFRS 117, management considers some of its leases of motor vehicles and leasehold land as operating lease arrangements. The lease transaction is not always conclusive, and management uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership, whether the lease term is for the major part of the economic life of the asset even if title is not transferred and others in accordance with MFRS 117 Leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillilary services are so significant that a property does not qualify as an investment property.

3. SIGNIFICANT ACCOUNTING POLICIES

The Group and the Company apply the significant accounting policies, as summarised below, consistently throughout all periods presented in the financial statements and in preparing their opening MFRSs statements of financial position at 1 January 2011 (the transition date to MFRSs framework), unless otherwise stated.

3.1 Basis of Consolidation

The Group financial statements consolidate the audited financial statements of the Company and all of its subsidiary companies, which have been prepared in accordance with the Group's accounting policies. Amounts reported in the financial statements of subsidiary companies have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. The financial statements of the Company and its subsidiary companies are all drawn up to the same reporting period.

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

Subsidiary companies are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

3.1 Basis of Consolidation (cont'd.)

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.

Business Combinations

Business combinations are accounted for using the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received (for all the acquisition took place after 1 January 2011).

All the subsidiary companies within the Group are acquired before 1 January 2011. Thus, the cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

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

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

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of the non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statements of financial position. The accounting policy for goodwill is set out in Note 3.3. For instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

As part of its transition to MFRSs framework, the Group elected not to restate those business combinations that occurred before the date of transition to MFRSs. Goodwill arising from acquisitions before 1 January 2011 has been carried forward from the previous FRSs framework as at the date of transition.

3.2 Subsidiary Companies

A subsidiary company is a company in which the Group or the Company has the power to exercise control over the financial and operating policies so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Investment in subsidiary companies is stated at cost less any impairment losses in the Company's financial position, unless the investment is held for sale or distribution. The cost of investments includes transaction costs.

Upon the disposal of investment in a subsidiary company, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

3.3 Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary company at the date of acquisition.

Goodwill arising on the acquisition of subsidiary companies is presented separately in the statements of financial position.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying values may be impaired.

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

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually and, whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including goodwill, with the recoverable amount of the unit. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

An impairment loss recognised for goodwill shall not be reversed in subsequent period.

Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operations within that unit is disposed off, the goodwill associated with the operations disposed of is included in the carrying amount of the operations when determining the gain or loss on disposal of the operations. Goodwill disposed of in these circumstances is measured based on the relative values of the operations disposed of and portion of the cash-generating unit retained.

As part of its transition to MFRS framework, the Group elected not to restate those business combinations that occurred before the date of transition to MFRS. Goodwill arising from acquisitions before 1 January 2011 has been carried forward from the previous FRS framework as at the date of transition.

3.4 Loss of Control

Upon the loss of control of a subsidiary company, the Group derecognises the assets and liabilities of the subsidiary company, any non-controlling interests and the other components of equity related to the subsidiary company. Any surplus or deficit arising on the loss of control is recognised in profit or loss.

If the Group retains any interest in the previous subsidiary company, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

3.5 Non-controlling Interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary company not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the financial year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary company are allocated to the non-controlling interests even if that results in a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

3.6 Associate Companies

Associate companies are entities in which the Group has significant influence, but no control, over their financial and operating policies.

The Group's investments in associate companies are accounted for using the equity method. Under the equity method, investment in an associate company is carried in the statements of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate company. Goodwill relating to the associate company is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The share of the result of an associate company is reflected in profit or loss. This is the profit attributable to equity holders of the associate company and therefore is the profit after tax and non-controlling interests in the subsidiary companies of the associate company. When the Group's share of losses exceeds its interest in an associate company, the carrying amount of that interest including any long-term investment is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate company.

Where there has been a change recognised directly in the equity of an associate company, the Group recognises its share of any changes and discloses this, when applicable, in the statements of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate company are eliminated to the extent of the interest in the associate company.

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

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

Upon loss of significant influence over an associate companies, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate company upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in profit or loss.

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

3.7 Property, Plant and Equipment

All property, plant and equipment are measured at cost less accumulated depreciation and less any impairment losses. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

3.7 Property, Plant and Equipment (cont'd.)

Depreciation is recognised on the straight line method in order to write off the cost of each asset over its estimated useful life. Freehold land with an infinite life is not depreciated. Other property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows :

Buildings	2% - 5%
Plant and machineries	6% - 10%
Motor vehicles	10% - 20%
Furniture, fittings and office equipment	10% - 33.3%

Capital work-in-progress consists of plant and machinery under installation for intended use as production facilities. The amount is stated at cost and includes capitalisation of interest incurred on borrowings related to property, plant and equipment under installation until the property, plant and equipment are ready for their intended use. Assets under installation are not depreciated until it is completed and ready for their intended use.

The residual values, useful lives and depreciation method are reviewed at least annually 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.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

3.8 Leases

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

For arrangements entered into prior to 1 January 2010, the date of inception is deemed to be 1 January 2011 in accordance with the MFRS 1.

<u>Finance Lease</u>

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss.

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

Leasehold land which in substance is a finance lease is classified as a property, plant and equipment.

The Group's prepaid land lease payments are amortised on a straight line basis over the lease term within 22 years to 52 years.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

3.8 Leases (cont'd.)

Operating Lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statements of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid land lease payments.

3.9 Investment Properties

Investment properties consist of land and buildings held for capital appreciation or rental purpose and not occupied or only an insignificant portion is occupied for use in the operations of the Group.

Investment properties are initially measured at cost. The cost of investment properties includes expenditure that is directly attributable to the acquisition of the assets. Subsequent to initial recognition, investment properties are stated at fair value, which is determined by the Directors by reference to market evidence of transaction prices for similar properties and valuation performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Gain or losses arising from changes in the fair value of investment properties are included in the profit or loss in the financial year in which they arise.

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

3.10 Non-current Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amount is recovered principally through a sale transaction rather than though continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale at present condition subject only to terms that are usual and customary.

Immediately, before classification as held for sale, the carrying amounts of the assets are measured in accordance with the applicable MFRSs. Upon classification as held for sale, non-current assets are measured at the lower of carrying amount and fair value less costs to sell and is not depreciated. Any differences are recognised in profit or loss.

3.11 Inventories

Inventories are valued at the lower of cost and net realisable value.

Inventories are determined by using the weighted average method. The costs of raw materials and goods-in-transit comprise costs of purchase plus the cost of bringing the inventories to their present condition and location. The cost of work-in-progress and finished goods comprises raw materials, direct labour, other direct costs and appropriate proportions of production overheads.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

3.11 Inventories (cont'd.)

Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

3.12 Financial Instruments

3.12.1 **Initial Recognition and Measurement**

Financial assets and financial liabilities are recognised when the Group and the Company become a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets and financial liabilities are measured subsequently as described below.

3.12.2 **Financial Assets - Categorisation and Subsequent Measurement**

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

a) financial assets at fair value through profit or loss;
b) held-to-maturity investments;
c) loans and receivables; and
d) available-for-sale financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each end of the reporting period. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets.

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

At the reporting date, the Group and the Company have not designated any financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets. The Group and the Company carry only loans and receivables on their statements of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

3.12 Financial Instruments (cont'd.)

3.12.2 **Financial Assets - Categorisation and Subsequent Measurement (cont'd.)**

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process. The Group's and the Company's cash and cash equivalents, trade and most of other receivables, amount due from subsidiary companies and amount from an associate company fall into this category of financial instruments.

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.

3.12.3 **Financial Liabilities - Categorisation and Subsequent Measurement**

After the initial recognition, financial liability is classified as financial liability at fair value through profit or other financial liabilities measured at amortised cost using the effective interest method.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

At the reporting date, the Group and the Company have not designated any financial liabilities at fair value through profit or loss. The Group and the Company carry only other financial liabilities on their statements of financial position.

Other financial liabilities measured at amortised cost

The Group's and the Company's other financial liabilities include borrowings, trade and other payables, finance lease creditors and amount due to subsidiary companies.

Other liabilities are subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Financial guarantee contracts

Financial guarantee contracts issued by the Group and the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specific debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

3.12 Financial Instruments (cont'd.)

3.12.4 **Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.13 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank balances, deposits pledged to licensed financial institutions, bank overdraft and short term demand deposits which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdraft is shown in current liabilities in the statement of financial position.

3.14 Impairment of Non-financial Assets

At each reporting date, the Group and the Company review carrying amounts of their non-financial assets to determine whether there is any indication of impairment. Non-financial asset is tested for impairment at least once annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level.

If any such indication exists, or when annual impairment testing for an asset is required, the recoverable amount is estimated and an impairment loss is recognised whenever the recoverable amount of the asset or a cash-generating unit is less than its carrying amount. Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

In assessing value in use, estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

An impairment loss is recognised as an expense in profit or loss immediately.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

All reversals of impairment losses are recognised as income immediately in profit or loss. After such a reversal, depreciation charge is adjusted in future periods to allocate the revised carrying amount of the asset, less any residual value, on a systematic basis over its remaining useful life.

An impairment loss recognised for goodwill shall not be reversed in a subsequent period.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

3.15 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.

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 past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow 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 amounts 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.

3.16 Borrowing Costs

Borrowings costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset of its intended use or sale. Capitalisation of borrowings costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditure and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consists of interest and other costs that the Group incurred in connection with the borrowing of funds.

3.17 Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

3.17 Revenue Recognition (cont'd.)

Sale of goods

Revenue from sale of goods is recognised net of sales taxes and discounts upon the transfer of risks and rewards.

Dividend income

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

Rental income

Rental income from investment properties is recognised on an accrual basis.

Interest income

Interest income is recognised on time proportion basis, taking into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group.

Management fee

Management fee is recognised when services are rendered.

All significant intercompany revenues are eliminated on consolidation.

3.18 Income Tax

Current tax

Current tax expense is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised in statement of financial position as liability (or asset) to the extent that it is unpaid (or refundable). Current tax is recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

Deferred tax

Deferred tax liabilities and assets are provided for under the liability method in respect of all temporary differences at the reporting date between the carrying amount of an asset or liability in the statement of financial position and its tax base including unused tax losses, capital allowances and other temporally differences.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

3.18 Income Tax (cont'd.)

Deferred tax (cont'd.)

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

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

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

The carrying amount of a deferred tax asset is reviewed at each reporting date. If it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profit will be available, such reductions will be reversed to the extent of the taxable profit.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the reporting date.

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

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

3.19 Employee Benefits

Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as expenses in the financial 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 and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as expense in profit or loss as incurred. As required by law, the Group make such contributions to the Employees Provident Fund ("EPF").

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

3.20 Foreign Currency Translation and Balances

Transactions in foreign currencies are recorded in Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Foreign currency monetary assets and liabilities are translated at exchange rates ruling at reporting date.

Gains and losses resulting from settlement of such transactions and conversion of monetary assets and liabilities, whether realised or unrealised, are included in profit or loss as they arise.

3.21 Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. Additional disclosures on each of these segments are show in Note 32 to the financial statements.

3.22 Equity, Reserves and Dividend Payments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Ordinary shares are equity instruments.

Share capital represents the nominal value of shares that have been issued.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Retained earnings or accumulated loss include all current and prior period retained profits or accumulated loss.

Interim dividends are simultaneously proposed and declared, because the articles of association of the Company grants the directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

Final dividends proposed by the Directors are not accounted for in shareholder's equity as an appropriation of retained profits, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

The distribution of non-cash assets to owners is recognised as dividend payable when the dividend was approved by shareholders. The dividend payable is measured at the fair value of the shares to be distributed. At the end of the financial year and on the settlement date, the Company reviews the carrying amount of the dividend payable, with any changes in the fair value of the dividend payable are recognised in equity. When the Company settles the dividend payable, the difference between the carrying amount of the dividend distributed and the carrying amount of the dividend payable is recognised as a separate line item in profit or loss.

All transactions with owners of the Company are recorded separately within equity.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

3.23 Provisions

Provisions are recognised when there is a present legal or constructive obligation that can be estimated reliably, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

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 of money is material, provision are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3.24 Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs such that outflow is probable and can be measured reliably, they will then be recognised as a provision.

3.25 Related Parties

A related party is a person or entity that is related to the Group and the Company. A related party transaction is a transfer of resources, services or obligations between the Group and the Company and its related party, regardless of whether a price is charged.

(i) A person or a close member of that person's family is related to the Group and the Company if that person:-

(a) Has control or joint control over the Group and the Company;
(b) Has significant influence over the Group and the Company; or
(c) Is a member of the key management personnel of the ultimate holding company of the Group and the Company.

(ii) An entity is related to the Group and the Company if any of the following conditions applies:-

(a) The entity and the Group/Company are members of the same group.
(b) The Group/Company is an associate or joint venture of the entity.
(c) Both Group/Company and the entity are joint ventures of the same third party.
(d) The Group/Company is a joint venture of a third entity and the entity is an associate of the same third entity.
(e) The entity is a post-employment benefit plan for the benefits of employees of either the Group and the Company for an entity related to the Group and the Company.
(f) The entity is controlled or jointly-controlled by a person identified in (i) above.
(g) A person identified in (i)(a) above has significant influence over the entity or is a member of the key management personnel of the ultimate holding company of the entity or the entity.

4. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RM	Plant and machineries RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Capital work-in-progress RM	Total RM
Group						
Cost						
At 1.1.2011	36,897,259	29,183,214	4,524,708	2,871,226	-	73,476,407
Additions	-	1,937,074	1,072,665	483,681	1,696,243	5,189,663
Disposals	-	(264,446)	(140,257)	-	-	(404,703)
Written off	-	-	-	(44,719)	-	(44,719)
At 31.12.2011	36,897,259	30,855,842	5,457,116	3,310,188	1,696,243	78,216,648
Additions	11,282,517	616,485	521,364	82,532	2,292,833	14,795,731
Disposals	-	(1,650)	(439,349)	(35,900)	-	(476,899)
Written off	-	-	-	(23,495)	-	(23,495)
Reclassification	-	2,259,099	-	-	(2,259,099)	-
At 31.12.2012	48,179,776	33,729,776	5,539,131	3,333,325	1,729,977	92,511,985
Accumulated depreciation						
At 1.1.2011	9,316,699	18,627,366	3,534,821	2,261,731	-	33,740,617
Charge for the financial year	694,343	1,319,831	496,542	474,371	-	2,985,087
Disposals	-	(209,113)	(122,122)	-	-	(331,235)
Written off	-	-	-	(39,740)	-	(39,740)
At 31.12.2011	10,011,042	19,738,084	3,909,241	2,696,362	-	36,354,729
Charge for the financial year	780,518	1,490,244	513,426	129,435	-	2,913,623
Disposals	-	(400)	(427,861)	(35,900)	-	(464,161)
Written off	-	-	-	(21,771)	-	(21,771)
At 31.12.2012	10,791,560	21,227,928	3,994,806	2,768,126	-	38,782,420
Net carrying amount						
31.12.2012	37,388,216	12,501,848	1,544,325	565,199	1,729,977	53,729,565
31.12.2011	26,886,217	11,117,758	1,547,875	613,826	1,696,243	41,861,919
1.1.2011	27,580,560	10,555,848	989,887	609,495	-	39,735,790

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

Analysis of land and buildings:-

	Freehold land RM	Buildings RM	Total RM
Group			
Cost			
At 1.1.2011/31.12.2011	6,062,830	30,834,429	36,897,259
Additions	4,828,757	6,453,760	11,282,517
At 31.12.2012	10,891,587	37,288,189	48,179,776
Accumulated depreciation			
At 1.1.2011	-	9,316,699	9,316,699
Charge for the financial year	-	694,343	694,343
At 31.12.2011	-	10,011,042	10,011,042
Charge for the financial year	-	780,518	780,518
At 31.12.2012	-	10,791,560	10,791,560
Net carrying amount			
31.12.2012	10,891,587	26,496,629	37,388,216
31.12.2011	6,062,830	20,823,387	26,886,217
1.1.2011	6,062,830	21,517,730	27,580,560

(a) Land and buildings of the Group with net carrying amount of RM37,388,216 (31.12.2011: RM26,639,218 and 1.1.2011: RM27,328,363) have been pledged to licensed banks for banking facilities granted to certain subsidiary companies.

(b) The net carrying amount of property, plant and equipment which is under finance lease arrangement amounted to RM5,023,789 (31.12.2011: RM3,387,860 and 1.1.2011: RM1,281,967).

5. PREPAID LAND LEASE PAYMENTS

	Short leasehold land RM	Long leasehold land RM	Total RM
Group			
Cost			
At 1.1.2011/31.12.2011/ 31.12.2012	3,105,877	450,191	3,556,068
Accumulated amortisation			
At 1.1.2011	1,134,152	152,732	1,286,884
Amortisation charged during the financial year	66,097	6,133	72,230
At 31.12.2011	1,200,249	158,865	1,359,114
Amortisation charged during the financial year	66,100	6,134	72,234
At 31.12.2012	1,266,349	164,999	1,431,348
Net carrying amount			
31.12.2012	1,839,528	285,192	2,124,720
31.12.2011	1,905,628	291,326	2,196,954
1.1.2011	1,971,725	297,459	2,269,184

	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Amount to be amortised			
Not later than one year	72,230	72,230	72,230
Later than one year but not later than five years	288,920	288,920	288,920
Later than five years	1,763,570	1,835,804	1,908,034
	2,124,720	2,196,954	2,269,184

Long leasehold land represents leasehold land with unexpired lease period of more than 50 years while short leasehold land represents leasehold land with unexpired lease period of less than 50 years.

Short leasehold land and long leasehold land have been pledged to licensed banks for banking facilities granted to certain subsidiary companies.

6. INVESTMENT PROPERTIES

	Buildings RM	Freehold land RM	Total RM
Group			
Fair value			
At 1.1.2011	5,142,000	2,552,875	7,694,875
Fair value adjustment	100,000	201,030	301,030
Transfer to assets held for sale	(318,000)	-	(318,000)
Disposals	(113,000)	-	(113,000)
At 31.12.2011	4,811,000	2,753,905	7,564,905
Addition	239,000	599,378	838,378
Fair value adjustment	220,000	289,515	509,515
At 31.12.2012	5,270,000	3,642,798	8,912,798

	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Rental generated from investment properties	420,644	387,258	369,596
Direct operating expenses for investment properties	2,338	3,927	7,263

The net carrying amount of freehold land and buildings which are pledged to licensed banks for banking facilities granted to a third party and subsidiary companies amounted to RM845,000 (31.12.2011: RM634,000 and 1.1.2011: RM590,000) and RM5,009,378 (31.12.2011 and 1.1.2011: RM3,580,000) respectively.

Fair value is defined as the estimated amount for which the property should exchange on the date of valuation between a willing buyer and a willing seller in arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. Fair value is estimated by reference made to the published selling price for properties in vicinity locations.

7. ASSOCIATE COMPANY

Investment in an associate company

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
At cost				
Unquoted share in Malaysia	1	-	1	-

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

	Group 31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Total assets	6,989,091	-	-
Total liabilities	6,993,320	-	-
Net profit for the financial year	12,216,269	-	-

The associate company has no capital commitments and contingent liabilities as at the reporting date.

The details of the associate company are as follows:-

Name of company	Place of Incorporation	Effective Interest 31.12.2012 %	31.12.2011 %	1.1.2011 %	Principal activity
Hai Ming Exsim Development Sdn. Bhd. (Formerly known as Hai Ming Capital Sdn. Bhd.)	Malaysia	40	-	-	Property development

Amount due from associate company

The amount due from an associate company is non-trade nature, unsecured, bears no interest and repayable on demand.

8. GOODWILL ON CONSOLIDATION

	Group	
	2012	2011
	RM	RM
Goodwill arising from business combination		
1 January/31 December	43,151,039	43,151,039

Impairment test for goodwill

Goodwill has been allocated to the Group's CGU, being Akateak Sdn. Bhd. and KPS Plywood Sdn. Bhd., both of which are in the plywood business segment. No impairment loss was required for the goodwill on consolidation as its recoverable values was in excess of their carrying values.

Key assumptions used in value-in-use calculations

The recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a five-year period. The values assigned to key assumptions is in respect of management's assessment of future trends in the industry. The values assigned cash flows within the five-year period are extrapolated using the growth rates stated below. The key assumptions used for value-in-use calculations are as follows:-

(i) Budgeted gross margin

The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year increased for expected efficiency improvements. The average gross margin applied was 5% (31.12.2011: 5%; 1.1.2011: 6%).

(ii) Growth rate

The weighted average growth rates used are consistent with the long-term average growth rate anticipated for the entities based on its past performance and industry demand. The average growth rate applied was 2.5% (31.12.2011 and 1.1.2011: 2.5%) per annum.

(iii) Discount rate

The discount rates used are pre-tax and reflect specific risks relating to the plywood segment. The discount rate applied was 9% (31.12.2011 and 1.1.2011: 9%) per annum.

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of the CGU relating to trading in plywood products, management believes there are possible changes in key assumptions which could cause the carrying value of the CGU to exceed its recoverable amount. The estimated CGU relating to recoverable amount for the unit exceeds its carrying amount by approximately RM55 million (31.12.2011: RM47 million; 1.1.2011: RM54 million).

9. DEFERRED TAX ASSETS/LIABILITIES

(i) Deferred tax assets

	2012 Assets RM	2012 Liabilities RM	2012 Net RM	2011 Assets RM	2011 Liabilities RM	2011 Net RM
Group						
At 1 January	5,606,000	(1,927,000)	3,679,000	4,314,000	(1,077,000)	3,237,000
Recognised in profit or loss	(1,336,000)	(192,000)	(1,528,000)	1,292,000	(850,000)	442,000
At 31 December	4,270,000	(2,119,000)	2,151,000	5,606,000	(1,927,000)	3,679,000

The components of recognised deferred tax assets are made up of temporary difference arising from:-

	Group 31.12.2012 RM	Group 31.12.2011 RM	Group 1.1.2011 RM
Carrying amount of qualifying property, plant and equipment in excess of their tax base	(2,119,000)	(1,927,000)	(1,077,000)
Unabsorbed business losses	3,623,000	4,805,000	3,230,000
Unutilised reinvestment allowances	48,000	490,000	758,000
Unutilised capital allowances	122,000	98,000	80,000
Other temporary differences	477,000	213,000	246,000
	2,151,000	3,679,000	3,237,000

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

	Group 31.12.2012 RM	Group 31.12.2011 RM	Group 1.1.2011 RM
Carrying amount of qualifying property, plant and equipment in excess of their tax base	-	-	(2,780,000)
Unabsorbed business losses	2,758,200	3,471,910	11,585,790
Unutilised reinvestment allowances	-	-	1,100,000
Unutilised capital allowances	102,400	139,100	893,500
Other temporary differences	802,900	332,400	188,200
	3,663,500	3,943,410	10,987,490

The potential deferred tax assets of the certain subsidiary companies are not recognised in the financial statements as it is anticipated that the tax effects of such benefits will not be realised in the foreseeable future.

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

(ii) Deferred tax liabilities

	2012 Assets RM	2012 Liabilities RM	2012 Net RM	2011 Assets RM	2011 Liabilities RM	2011 Net RM
Group						
At 1 January	-	135,000	135,000	(57,000)	173,000	116,000
Recognised in profit or loss	-	(57,000)	(57,000)	57,000	(38,000)	19,000
At 31 December	-	78,000	78,000	-	135,000	135,000

The components of deferred tax liabilities are made up of temporary difference arising from:-

	Group 31.12.2012 RM	Group 31.12.2011 RM	Group 1.1.2011 RM
Carrying amount of qualifying property, plant and equipment in excess of their tax base	78,000	135,000	173,000
Other temporary differences	-	-	(57,000)
	78,000	135,000	116,000

10. INVENTORIES

	Group 31.12.2012 RM	Group 31.12.2011 RM	Group 1.1.2011 RM
Raw materials	3,688,542	3,902,192	2,990,749
Consumables	1,116,287	1,088,630	1,056,417
Work-in-progress	37,467	39,326	107,674
Goods-in-transit	878,095	750,614	-
Finished goods	51,456,787	43,941,441	38,578,099
At carrying amount	57,177,178	49,722,203	42,732,939

	2012 RM	2011 RM
Inventories recognised in cost of sales	405,918,397	341,789,489
Inventories written down	179,269	187,610
Inventories written back	(62,580)	(81,798)
Inventories written off	1,582	113,594
Reversal of inventories written off	(20,739)	-

11. TRADE RECEIVABLES

	Group 31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Trade receivables	106,394,888	91,397,200	96,102,817
Less: Allowance for impairment			
Brought forward	(6,506,726)	(7,232,505)	(8,029,409)
Recognised	(1,635,955)	(1,546,540)	(584,856)
Reversed	231,919	2,272,319	1,381,760
Carried forward	(7,910,762)	(6,506,726)	(7,232,505)
	98,484,126	84,890,474	88,870,312

Trade receivables are non-interest bearing and are recognised at their original invoice amounts which represent their fair values on initial recognition.

The Group's normal trade credit term granted to trade receivables ranges from 30 days to 120 days (31.12.2011 and 1.1.2011: 30 days to 120 days). Other credit terms are assessed and approved on a case-by-case basis.

The currency exposure profile of trade receivables other than denominated in the Group's functional currency is as follows (foreign currency balances are unhedged):-

	Group 31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Singapore Dollar	-	24,750	143,392

12. OTHER RECEIVABLES

	Group 31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Non-trade receivables	896,550	4,539,105	5,221,426
Less: Allowance for impairment			
Brought forward	(743,097)	(733,187)	(919,566)
Recognised	-	(9,910)	(19,458)
Reversed	-	-	205,837
Carried forward	(743,097)	(743,097)	(733,187)
	153,453	3,796,008	4,488,239

12. OTHER RECEIVABLES (cont'd.)

	Group		
	31.12.2012	31.12.2011	1.1.2011
	RM	RM	RM
Deposits	16,634,796	1,750,672	571,018
Deposits to purchase plant and machineries	-	-	365,359
Advances to suppliers	5,747,641	-	-
Prepayments	1,141,472	7,490,717	1,263,726
	23,677,362	13,037,397	6,688,342

	Company		
	31.12.2012	31.12.2011	1.1.2011
	RM	RM	RM
Non-trade receivables	14,999	14,999	14,999
Prepayments	2,665	5,950	6,342
	17,664	20,949	21,341

Included in deposits of the Group is an amount of RM15,590,880 (31.12.2011: RM980,000 and 1.1.2011: RMNil) being paid for acquisition of lands and buildings with the total consideration of RM23,378,880 (31.12.2011: RM980,000 and 1.1.2011: RMNil).

Included in prepayments of the Group is an amount of RMNil (31.12.2011: RM6,309,777 and 1.1.2011: RMNil) paid for acquisition of properties. This transaction has been cancelled during the financial year.

13. FIXED DEPOSITS WITH LICENSED BANKS

Group

The fixed deposits with licensed banks are pledged for banking facilities granted to certain subsidiary companies.

The interest rates for fixed deposits with licensed banks ranged from 2.11% to 2.60% (31.12.2011: 1.71% to 3.25% and 1.1.2011: 1.75% to 2.30%) per annum.

14. NON-CURRENT ASSETS HELD FOR SALE

	Group	
	2012	2011
	RM	RM
At 1 January	318,000	-
Transferred from investment properties	-	318,000
At 31 December	318,000	318,000

On 20 October 2011, a subsidiary company had entered into a sale and purchase agreement to dispose of the investment property for a total cash consideration of RM318,000. The transaction has not been completed as at the reporting date.

15. SHARE CAPITAL

	Group and Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Authorised:-			
200,000,000 ordinary shares at RM1.00 each	200,000,000	200,000,000	200,000,000
Issued and fully paid:-			
147,827,158 ordinary shares at RM1.00 each	147,827,158	147,827,158	147,827,158

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

16. RETAINED EARNINGS/ACCUMULATED LOSSES

Company

The Company has no section 108 balance as at 31 December 2012. Therefore, the Company is automatically move to single tier system and has no any restriction to declare the payment of dividend of which subject to the availability of profits.

17. FINANCE LEASE CREDITORS

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Minimum lease premium:-			
- not later than 1 year	1,468,866	1,284,887	724,403
- later than 1 year but not later than 5 years	1,163,956	1,211,358	501,961
	2,632,822	2,496,245	1,226,364
Less: Future finance charges on finance lease	(222,835)	(219,430)	(86,773)
	2,409,987	2,276,815	1,139,591
Analysed as:-			
Present value of finance lease creditors			
- not later than 1 year	1,361,035	1,174,697	674,548
- later than 1 year but not later than 5 years	1,048,952	1,102,118	465,043
	2,409,987	2,276,815	1,139,591

The amounts payable within one year had been included in other payables.

The effective interest rates of finance lease creditors are ranged from 2.00% to 6.51% (31.12.2011: 2.00% to 3.88% and 1.1.2011: 2.00% to 4.41%) per annum.

18. BORROWINGS

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Current			
Secured:-			
Term loan	665,099	-	-
Bankers' acceptance	72,806,052	54,336,623	49,838,093
Bank overdraft	581,580	-	225,871
	74,052,731	54,336,623	50,063,964
Unsecured:-			
Term loan	-	-	758,554
Bankers' acceptance	3,401,000	3,267,000	3,768,000
	77,453,731	57,603,623	54,590,518
Non-current			
Secured:-			
Term loan	6,908,167	-	-
Total borrowings			
Term loan	7,573,266	-	758,554
Bankers' acceptance	76,207,052	57,603,623	53,606,093
Bank overdraft	581,580	-	225,871
	84,361,898	57,603,623	54,590,518

(a) The bankers' acceptance and term loan are secured in the following manner:

(i) Charge and deeds of assignment over the landed properties of certain subsidiary companies as disclosed in Note 4, 5 and 6 to the financial statements;
(ii) Pledge of deposits with licensed banks of subsidiary companies;
(iii) Jointly and severally guarantee by a Director of the Company and a Director of subsidiary companies; and
(iv) Corporate guarantee by the Company.

The repayment term for secured term loan is arranged for 120 monthly installments.

(b) The unsecured term loan and bankers' acceptance are guaranteed by the Company, a Director of the Company and a Director of a subsidiary company.

The repayment term for unsecured term loan is arranged for 12 monthly installments. This term loan has been fully settled in prior year.

The effective interest rate of borrowings are charged at rates ranging from 3.02% to 8.00% (31.12.2011: 3.02% to 5.34% and 1.1.2011: 2.30% to 8.00%) per annum.

19. TRADE PAYABLES

Group

The trade payables of the Group are non-interest bearing and the normal trade credit term granted by suppliers of the Group ranges from 30 days to 90 days (31.12.2011 and 1.1.2011: 30 days to 90 days).

20. OTHER PAYABLES

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Other payables	1,311,305	2,167,302	2,208,410
Amount due to a Director	-	480,122	997,673
Accruals of expenses	1,171,292	958,727	1,120,109
Deposits	124,159	148,584	87,546
Finance lease creditors	1,361,035	1,174,697	674,548
	3,967,791	4,929,432	5,088,286

	Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Other payables	16,281	10,103	20,458
Accruals of expenses	114,120	115,052	94,601
	130,401	125,155	115,059

The amount due to a Director is unsecured, bears no interest and repayable on demand.

21. SUBSIDIARY COMPANIES

Investment in subsidiary companies

	Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
At cost			
Unquoted shares	132,079,386	133,126,791	133,126,791
Less: Accumulated impairment losses	(3,807,840)	(4,855,244)	(13,480,591)
	128,271,546	128,271,547	119,646,200

The movement of accumulated impairment losses during the financial year is as follows:-

	Company	
	2012 RM	2011 RM
Balance at 1 January	4,855,244	13,480,591
Disposal during the financial year	(628,443)	-
Written off	(418,961)	-
Reversal of impairment loss during the financial year	-	(8,625,347)
Balance at 31 December	3,807,840	4,855,244

21. SUBSIDIARY COMPANIES (cont'd.)

Investment in subsidiary companies (cont'd.)

(i) The details of the subsidiary companies are as follows:-

Name of company	Place of Incorporation	Effective Interest 31.12.2012 %	31.12.2011 %	1.1.2011 %	Principal activities
Hai Ming Exsim Development Sdn. Bhd. (Formerly known as Hai Ming Capital Sdn. Bhd.)	Malaysia	-	100	100	Property development
Hai Ming Development Sdn. Bhd.	Malaysia	100	100	100	Involving in general, reinsurance agency and brokerage business
Hai Ming Enterprise Sdn. Bhd.	Malaysia	100	100	100	Trading of plywood
Hai Ming Industries Sdn. Bhd.	Malaysia	100	100	100	Converting of paper into related products, trading in cements and other related products
Hai Ming Management Sdn. Bhd.	Malaysia	100	100	100	Providing management services
Hai Ming Paper Products Sdn. Bhd.	Malaysia	100	100	100	Dormant
Hai Ming Paper Mills Sdn. Bhd.	Malaysia	100	100	100	Manufacturing of tissue paper and tissue related products
Hai Ming Trading Co. Sdn. Bhd.	Malaysia	100	100	100	Trading in paper products, stationery and general household products
Paragon Paper Mill Sdn. Bhd.	Malaysia	99.9	99.9	99.9	Manufacturing of tissue paper and tissue related products
KPS Plywood Sdn. Bhd.	Malaysia	100	100	100	Trading of plywood and investment holding

21. SUBSIDIARY COMPANIES (cont'd.)

Investment in subsidiary companies (cont'd.)

(i) The details of the subsidiary companies are as follows (cont'd.):-

Name of company	Place of Incorporation	Effective Interest 31.12.2012 %	31.12.2011 %	1.1.2011 %	Principal activities
Subsidiary company of Paragon Paper Mill Sdn. Bhd.:-					
Paragon Marketing Sdn. Bhd.	Malaysia	100	100	100	Trading in tissue related products
Subsidiary companies of KPS Plywood Sdn. Bhd.:-					
Akateak Sdn. Bhd.	Malaysia	100	100	100	Distributor and retailer of wooden doors, plywood and related building material
I'Kranji Industries Sdn. Bhd.	Malaysia	100	100	100	Manufacturing and trading in printed laminated plywood
Vector Marketing Sdn. Bhd.	Malaysia	60	60	60	Trading in plywood and related products
Hai Ming Marketing Sdn. Bhd.	Malaysia	100	100	100	Trading in paper products

(ii) Disposal of a subsidiary company

On 10 October 2012, the Company has disposed off 600,000 ordinary shares of RM1.00 each, representing 60% from its total investment of 1,000,000 ordinary shares of RM1.00 each in the wholly-owned subsidiary company, Hai Ming Exsim Development Sdn. Bhd. (formerly known as Hai Ming Capital Sdn. Bhd.) ("HMC") to Exsim Development Sdn. Bhd. ("Exsim") for a total consideration of RM600. As a result of the disposal, HMC becomes an associate company of KPS Consortium Berhad.

The disposal of HMC gave rise to a profit of RM600 in the Company's financial statements.

The effect of the disposal of HMC on the financial position of the Group as at the date of disposal is as follows:-

	Group 31.12.2012 RM
Other payables/Net liabilities	(3,500)
Gain on disposal	4,100
Proceeds from disposal	600
Less: Cash and cash balances disposed	-
Net cash inflows from disposal	600

21. SUBSIDIARY COMPANIES (cont'd.)

Amount due from/(to) subsidiary companies

The amount due from/(to) subsidiary companies is unsecured, bears no interest and repayable on demand.

Included in amount due from/(to) subsidiary companies are trade and non-trade balances as below:-

	Company		
	31.12.2012	31.12.2011	1.1.2011
	RM	RM	RM
Non-trade balance due from	19,331,625	19,645,868	13,104,448
Non-trade balance due to	(1,641,968)	(1,852,852)	(9,154,672)
Amount due from subsidiary companies	24,344,344	36,874,845	37,323,545
Less: Allowance for impairment			
Brought forward	(17,228,977)	(24,219,097)	(24,290,102)
Recognised	(3,020)	(9,880)	(6,684)
Reversed	12,219,278	7,000,000	77,689
Carried forward	(5,012,719)	(17,228,977)	(24,219,097)
	19,331,625	19,645,868	13,104,448

22. REVENUE

Revenue for the Group represents sales of goods outside the Group net of discounts, returns and sales tax.

Revenue for the Company represents management fee received and receivable upon rendering of services and dividend income from subsidiary companies.

23. PROFIT BEFORE TAX

Profit before tax is stated after charging/(crediting), amongst other items, the following:-

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
After charging:-				
Amortisation of prepaid land lease payments	72,234	72,230	-	-
Auditors' remuneration				
- statutory audit	275,500	250,500	55,000	50,000
- others	70,800	67,000	7,000	7,000
Bad debts written off	7,567	2,006,362	12,219,278	-
Depreciation of				
property, plant and equipment	2,913,623	2,985,087	-	-
Interest expenses				
- bankers' acceptance	2,500,529	1,666,624	-	-
- finance lease creditors	125,557	79,445	-	-
- term loan	239,641	28,514	-	-
- overdraft	11,110	6,154	-	-

23. PROFIT BEFORE TAX (cont'd.)

Profit before tax is stated after charging/(crediting), amongst other items, the following (cont'd.):-

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
After charging (cont'd):-				
Impairment on				
- trade receivables	1,635,955	1,546,540	-	-
- other receivables	-	9,910	-	-
- amount due from subsidiary companies	-	-	3,020	9,880
Inventories written down	179,269	187,610	-	-
Realised loss on foreign exchange	580	-	-	-
Inventories written off	1,582	113,594	-	-
Loss on disposal of property, plant and equipment	-	2,424	-	-
Property, plant and equipment written off	1,724	4,979	-	-
Rental expenses				
- equipment	288	5,088	-	-
- warehouse	253,784	182,764	-	-
- office	45,600	45,600	-	-
- hostel	21,720	-	-	-
And crediting:-				
Inventories written back*	(62,580)	(81,798)	-	-
Reversal of inventories written off**	(20,739)	-	-	-
Bad debts recovered	(6,825)	(19,987)	-	-
Fair value gain on investment properties	(509,515)	(301,030)	-	-
Gain on disposal of				
- property, plant and equipment	(68,912)	-	-	-
- subsidiary company	(4,100)	-	(600)	-
Interest income				
- fixed deposits	(52,923)	(45,792)	-	-
Realised gain on foreign exchange	(12,216)	(13,947)	-	-
Rental income	(1,374,147)	(719,858)	-	-
Reversal of impairment on				
- investment in subsidiary companies	-	-	-	(8,625,347)
- trade receivables	(231,919)	(2,272,319)	-	-
- amount due from subsidiary companies	-	-	(12,219,278)	(7,000,000)

* The inventories written back was made during the year when the related inventories were sold above their carrying amounts.

** The reversal of inventories written off was made during the year when the related inventories were sold during the financial year.

23. PROFIT BEFORE TAX (cont'd.)

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

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Executive Directors:				
Fee	48,000	48,000	-	-
Non-Executive Directors:				
Fee	30,000	30,000	30,000	30,000
Directors of the subsidiary companies:				
Salaries and other emoluments	181,200	180,009	-	-
	259,200	258,009	30,000	30,000

24. TAX EXPENSE

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Current tax				
- current year	2,082,963	3,000,149	22,034	29,380
- under/(over) provision in prior years	62,440	112,028	22,724	(1,615)
	2,145,403	3,112,177	44,758	27,765
Deferred tax	1,471,000	(423,000)	-	-
	3,616,403	2,689,177	44,758	27,765

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Profit before tax	13,646,257	16,490,747	13,838	22,528,176
Tax at statutory tax rate of 25%	3,411,564	4,122,687	3,460	5,632,044
Tax effects in respect of:				
Expenses not deductible for tax purposes	517,163	229,760	18,724	28,673
Income not subject to tax	(259,764)	(158,230)	(150)	(5,631,337)
Utilisation of previously unrecognised deferred tax assets	(70,000)	(1,761,068)	-	-

24. TAX EXPENSE (cont'd.)

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Under/(Over) provision of tax expense in prior year	62,440	112,028	22,724	(1,615)
(Over)/Under provision of deferred tax liabilities in prior year	(45,000)	144,000	-	-
Effective tax expense	3,616,403	2,689,177	44,758	27,765

The Group has unabsorbed business losses, unutilised capital allowance and unutilised reinvestment allowances which can be carried forward to offset against future taxable profit amounted to approximately RM17,250,200 (2011: RM22,692,000), RM590,400 (2011: RM531,000) and RM192,000 (2011: RM1,960,000) respectively.

The availability of the unabsorbed business losses, unutilised capital allowances and unutilised reinvestment allowances for offsetting against future taxable profits on the respective subsidiary companies are subject to no substantial changes in shareholdings of the respective subsidiary companies under Section 44(5A) & 5B of Income Tax Act, 1967.

However, the above amounts are subject to the approval of the Inland Revenue Board of Malaysia.

25. EARNINGS PER SHARE

Basic earnings per ordinary share

The calculation of basic earnings per share was based on the profit attributable to ordinary equity holders of the Company and a weighted average number of ordinary shares issued calculated as follows:

	Group	
	2012 RM	2011 RM
Profit for the financial year attributable to ordinary equity holders of the Company (RM)	10,222,667	13,856,814
Weighted average number of ordinary shares at 31 December	147,827,158	147,827,158
Basic earnings per share (sen)	6.92	9.38

Diluted earnings per share (sen)

No diluted earnings per share is presented as the Company does not have any dilutive potential equity instruments as at reporting date.

26. EMPLOYEE BENEFITS EXPENSE

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Salaries and other emoluments	7,900,618	7,453,026	-	-
Defined contribution plans	715,366	643,959	-	-
Other staff related expenses	813,791	402,873	-	-
	9,429,775	8,499,858	-	-

27. CAPITAL COMMITMENTS

	Group 31.12.2012 RM	Group 31.12.2011 RM	Group 1.1.2011 RM
Capital expenditure			
Authorised but not contracted for:-			
- Purchase of property, plant and equipment	690,946	-	-
Authorised and contracted for:-			
- Purchase of property, plant and equipment	8,049,435	9,267,545	846,120

28. CONTINGENT LIABILITIES

	Group 31.12.2012 RM	Group 31.12.2011 RM	Group 1.1.2011 RM
(a) Net carrying amount of freehold land of a subsidiary company pledged to a licensed bank for credit facilities granted to a third party, Asia Prima Resources Sdn. Bhd.	845,000	634,000	590,000

	Company 31.12.2012 RM	Company 31.12.2011 RM	Company 1.1.2011 RM
(b) Corporate guarantee given to financial institutions for credit facilities granted to subsidiary companies			
- Limit	133,649,350	81,466,120	75,866,120
- Utilised	81,627,570	57,477,047	53,943,182

29. RELATED PARTY DISCLOSURES

(a) Related party transactions

	Company	
	2012 RM	2011 RM
Dividend received from subsidiary company	-	6,900,000
Management fee charged to subsidiary companies	198,000	211,500

(b) The remuneration of key management personnel is same with the Directors' remuneration as disclosed in Note 23 to the financial statements. The Group and the Company have no other members of key management personnel apart from the Board of Directors.

(c) The outstanding balances arising from related party transactions were disclosed in Note 7 and 21 to the financial statements.

30. FINANCIAL INSTRUMENTS

CATEGORIES OF FINANCIAL INSTRUMENTS

The table below provides an analysis of financial instruments categorised as follows:-

(i) Loans and receivables ("L&R"); and
(ii) Other liabilities measure at amortised cost ("AC").

	Carrying amount RM	L & R RM	AC RM
Group			
31.12.2012			
Financial assets			
Trade receivables	98,484,126	98,484,126	-
Other receivables	22,535,890	22,535,890	-
Amount due from an associate company	2,200,000	2,200,000	-
Fixed deposits with licensed banks	2,148,977	2,148,977	-
Cash and bank balances	7,846,900	7,846,900	-
Total	133,215,893	133,215,893	-
Financial liabilities			
Trade payables	20,742,659	-	20,742,659
Other payables	2,606,756	-	2,606,756
Finance lease creditors	2,409,987	-	2,409,987
Borrowings	84,361,898	-	84,361,898
Total	110,121,300	-	110,121,300

30. FINANCIAL INSTRUMENTS (cont'd.)

CATEGORIES OF FINANCIAL INSTRUMENTS (cont'd.)

The table below provides an analysis of financial instruments categorised as follows (cont'd.):-

	Carrying amount RM	L & R RM	AC RM
Group (cont'd.)			
31.12.2011			
Financial assets			
Trade receivables	84,890,474	84,890,474	-
Other receivables	5,546,680	5,546,680	-
Fixed deposits with licensed banks	2,444,203	2,444,203	-
Cash and bank balances	12,102,577	12,102,577	-
Total	104,983,934	104,983,934	-
Financial liabilities			
Trade payables	14,804,553	-	14,804,553
Other payables	3,754,735	-	3,754,735
Finance lease creditors	2,276,815	-	2,276,815
Borrowings	57,603,623	-	57,603,623
Total	78,439,726	-	78,439,726
1.1.2011			
Financial assets			
Trade receivables	88,870,312	88,870,312	-
Other receivables	5,424,616	5,424,616	-
Fixed deposits with licensed banks	1,631,645	1,631,645	-
Cash and bank balances	8,451,692	8,451,692	-
Total	104,378,265	104,378,265	-
Financial liabilities			
Trade payables	16,723,533	-	16,723,533
Other payables	4,413,738	-	4,413,738
Finance lease creditors	1,139,591	-	1,139,591
Borrowings	54,590,518	-	54,590,518
Total	76,867,380	-	76,867,380

30. FINANCIAL INSTRUMENTS (cont'd.)

CATEGORIES OF FINANCIAL INSTRUMENTS (cont'd.)

The table below provides an analysis of financial instruments categorised as follows (cont'd.):-

	Carrying amount RM	L & R RM	AC RM
Company			
31.12.2012			
Financial assets			
Other receivables	14,999	14,999	-
Amount due from subsidiary companies	19,331,625	19,331,625	-
Cash and bank balances	170,068	170,068	-
Total	19,516,692	19,516,692	-
Financial liabilities			
Other payables	130,401	-	130,401
Amount due to subsidiary companies	1,641,968	-	1,641,968
Total	1,772,369	-	1,772,369
31.12.2011			
Financial assets			
Other receivables	14,999	14,999	-
Amount due from subsidiary companies	19,645,868	19,645,868	-
Cash and bank balances	92,966	92,966	-
Total	19,753,833	19,753,833	-
Financial liabilities			
Other payables	125,155	-	125,155
Amount due to subsidiary companies	1,852,852	-	1,852,852
Total	1,978,007	-	1,978,007
1.1.2011			
Financial assets			
Other receivables	14,999	14,999	-
Amount due from subsidiary companies	13,104,448	13,104,448	-
Cash and bank balances	79,121	79,121	-
Total	13,198,568	13,198,568	-
Financial liabilities			
Other payables	115,059	-	115,059
Amount due to subsidiary companies	9,154,672	-	9,154,672
Total	9,269,731	-	9,269,731

30. FINANCIAL INSTRUMENTS (cont'd.)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial Risks

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. Financial risk management policy is established to ensure that adequate resources are available for the development of the Group's and of the Company's business whilst managing its credit risk, liquidity risk, foreign currency risk, interest rate risk and market price risk. The Group and the Company operate within clearly defined policies and procedures that are approved by the Board of Directors to ensure the effectiveness of the risk management process.

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows:

(a) **Credit risk**

Credit risk is the risk of a financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It is the Group's policy to enter into financial instrument with a diversity of creditworthy counterparties. The Group and the Company do not expect to incur material credit losses of its financial assets or other financial instruments.

Concentration of credit risk exists when changes in economic, industry and geographical factors similarly affect the group of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group's transactions are entered into with diverse creditworthy counterparties, thereby mitigate any significant concentration of credit risk.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group and the Company do not offer credit terms without the approval of the head of credit control.

The areas where the Group and the Company are exposed to credit risk are as follows:

Receivables

With a credit policy in place to ensure the credit risk is monitored on an ongoing basis, the management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacted with the Group. The Group uses aging analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than credit terms granted are deemed to have higher credit risk, and are monitored individually.

Concentration of credit risk

The credit risk concentration profile of the Group as at the reporting date is as follows:-

		Group	
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM	**RM**	**RM**
By country:-			
Malaysia	98,484,126	84,865,724	88,726,920
Singapore	-	24,750	143,392
	98,484,126	84,890,474	88,870,312

30. FINANCIAL INSTRUMENTS (cont'd.)

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

Financial Risks (cont'd.)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd.):-

(a) **Credit risk (cont'd.)**

		Group	
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
By industry sector:-			
Paper miling	17,511,265	12,185,167	15,451,889
Paper converting	4,401,742	4,390,601	4,381,599
Building materials	74,308,852	65,741,995	66,605,771
Investment and management	1,183	1,214	-
Other trading	2,261,084	2,571,497	2,431,053
	98,484,126	84,890,474	88,870,312

At the reporting date, approximately 4% (31.12.2011:2% and 1.1.2011: 6%) of the Group's trade receivables were due from one major customer.

Trade receivables ageing analysis

	Gross RM	Individually impaired RM	Net RM
Group			
31.12.2012			
Within credit terms	63,862,124	-	63,862,124
Past due 1 to 30 days	18,246,065	-	18,246,065
Past due 31 to 120 days	12,127,846	-	12,127,846
Past due more than 120 days	12,158,853	(7,910,762)	4,248,091
	106,394,888	(7,910,762)	98,484,126

	Gross RM	Individually impaired RM	Net RM
Group			
31.12.2011			
Within credit terms	52,699,406	-	52,699,406
Past due 1 to 30 days	17,291,987	-	17,291,987
Past due 31 to 120 days	11,789,757	-	11,789,757
Past due more than 120 days	9,616,050	(6,506,726)	3,109,324
	91,397,200	(6,506,726)	84,890,474

30. FINANCIAL INSTRUMENTS (cont'd.)

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

Financial Risks (cont'd.)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd.):-

(a) **Credit risk (cont'd.)**

	Gross RM	Individually impaired RM	Net RM
Group			
1.1.2011			
Within credit terms	51,297,665	-	51,297,665
Past due 1 to 30 days	16,644,257	-	16,644,257
Past due 31 to 120 days	17,441,768	-	17,441,768
Past due more than 120 days	10,719,127	(7,232,505)	3,486,622
	96,102,817	(7,232,505)	88,870,312

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

As of 31 December 2012, trade receivables of RM34,622,002 (2011: RM32,191,068 and 1.1.2011: RM37,572,647) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The net carrying amount of trade receivables is considered a reasonable approximate of fair value. 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.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

Financial guarantee/Corporate guarantee

The maximum exposure to credit risk as disclosed in Note 28 to the financial statements representing the outstanding banking facilities of the subsidiaries company as at end of the reporting period.

The Group and the Company provide unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries. As at end of the reporting period, there was no indication that any subsidiary would default on repayment.

Intercompany balances

The Company provides unsecured loans and advances to subsidiary companies and monitors the results of the subsidiary companies regularly.

As at the end of the reporting period, there was no indication that the carrying amount of loans and advances to the subsidiary companies are not recoverable.

30. FINANCIAL INSTRUMENTS (cont'd.)

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

Financial Risks (cont'd.)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd.):-

(b) **Liquidity risks**

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as and when they fall due as a result of shortage of funds.

In managing its exposures to liquidity risk, the Group and the Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities as and when they fall due.

The Group and the Company aim at maintaining a balance of sufficient cash and deposits and flexibility in funding by keeping diverse sources of committed and uncommitted credit facilities from various banks.

The liquidity risks arise principally from its payables, bank borrowings and finance lease creditors. The maturity profile of the Group's and of the Company's financial liabilities based on contractual undiscounted cash flows is less than 1 year other than finance lease creditors and borrowings which is disclosed in Note 17 and 18 to the financial statements.

The summary of the maturity profile based on contractual undiscounted repayment obligations are as below:-

			<------------------------- Maturity			------------------------->
	Carrying amount RM	**Total contractual Cash flows RM**	**Less than 1 year RM**	**1 to 2 years RM**	**2 to 5 years RM**	**More than 5 years RM**
31.12.2012						
Group						
Non-derivative financial liabilities						
Secured :						
Bankers' acceptance	72,806,052	72,806,052	72,806,052	-	-	-
Bank overdraft	581,580	581,580	581,580	-	-	-
Term loan	7,573,266	9,329,253	999,563	999,563	2,998,688	4,331,439
Finance lease creditors	2,409,987	2,632,822	1,468,866	926,131	237,825	-
Unsecured :						
Trade payables	20,742,659	20,742,659	20,742,659	-	-	-
Other payables	2,606,756	2,606,756	2,606,756	-	-	-
Bankers' acceptance	3,401,000	3,401,000	3,401,000	-	-	-
Total undiscounted financial liabilities	110,121,300	112,100,122	102,606,476	1,925,694	3,236,513	4,331,439

30. FINANCIAL INSTRUMENTS (cont'd.)

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

Financial Risks (cont'd.)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd.):-

(b) **Liquidity risks (cont'd.)**

The summary of the maturity profile based on contractual undiscounted repayment obligations are as below (cont'd.):-

	Carrying amount RM	Total contractual Cash flows RM	<---- Maturity ----> Less than 1 year RM	1 to 2 years RM	2 to 5 years RM	More than 5 years RM
31.12.2012						
Company						
Non-derivative financial liabilities						
Unsecured:						
Other payables	130,401	130,401	130,401	-	-	-
Amount due to subsidiary companies	1,641,968	1,641,968	1,641,968	-	-	-
Total undiscounted financial liabilities	1,772,369	1,772,369	1,772,369	-	-	-

	Carrying amount RM	Total contractual Cash flows RM	<---- Maturity ----> Less than 1 year RM	1 to 2 years RM	2 to 5 years RM	More than 5 years RM
31.12.2011						
Group						
Non-derivative financial liabilities						
Secured :						
Bankers' acceptance	54,336,623	54,336,623	54,336,623	-	-	-
Finance lease creditors	2,276,815	2,496,245	1,284,887	806,158	405,200	-
Unsecured:						
Trade payables	14,804,553	14,804,553	14,804,553	-	-	-
Other payables	3,754,735	3,754,735	3,754,735	-	-	-
Bankers' acceptance	3,267,000	3,267,000	3,267,000	-	-	-
Total undiscounted financial liabilities	78,439,726	78,659,156	77,447,798	806,158	405,200	-

30. FINANCIAL INSTRUMENTS (cont'd.)

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

Financial Risks (cont'd.)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd.):-

(b) **Liquidity risks (cont'd.)**

The summary of the maturity profile based on contractual undiscounted repayment obligations are as below (cont'd.):-

	Carrying amount RM	Total contractual Cash flows RM	<---- Maturity ----> Less than 1 year RM	1 to 2 years RM	2 to 5 years RM	More than 5 years RM
31.12.2011						
Company						
Non-derivative financial liabilities						
Unsecured:						
Other payables	125,155	125,155	125,155	-	-	-
Amount due to subsidiary companies	1,852,852	1,852,852	1,852,852	-	-	-
Total undiscounted financial liabilities	1,978,007	1,978,007	1,978,007	-	-	-

	Carrying amount RM	Total contractual Cash flows RM	<---- Maturity ----> Less than 1 year RM	1 to 2 years RM	2 to 5 years RM	More than 5 years RM
1.1.2011						
Group						
Non-derivative financial liabilities						
Secured :						
Bankers' acceptance	49,838,093	49,838,093	49,838,093	-	-	-
Bank overdraft	225,871	225,871	225,871	-	-	-
Finance lease creditors	1,139,591	1,226,364	724,403	460,567	41,394	-
Unsecured:						
Trade payables	16,723,533	16,723,533	16,723,533	-	-	-
Other payables	4,413,738	4,413,738	4,413,738	-	-	-
Bankers' acceptance	3,768,000	3,768,000	3,768,000	-	-	-
Term loan	758,554	787,068	787,068	-	-	-
Total undiscounted financial liabilities	76,867,380	76,982,667	76,480,706	460,567	41,394	-

30. FINANCIAL INSTRUMENTS (cont'd.)

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

Financial Risks (cont'd.)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd.):-

(b) **Liquidity risks (cont'd.)**

The summary of the maturity profile based on contractual undiscounted repayment obligations are as below (cont'd.):-

			<-------------------------	Maturity		------------------------->
	Carrying amount RM	**Total contractual Cash flows RM**	**Less than 1 year RM**	**1 to 2 years RM**	**2 to 5 years RM**	**More than 5 years RM**
1.1.2011						
Company						
Non-derivative financial liabilities						
Unsecured:						
Other payables	115,059	115,059	115,059	-	-	-
Amount due to subsidiary companies	9,154,672	9,154,672	9,154,672	-	-	-
Total undiscounted financial liabilities	9,269,731	9,269,731	9,269,731	-	-	-

The above amounts reflect the contractual undiscounted cash flows, which may differ from the carrying values of financial liabilities at the reporting date.

(c) **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.

Short term receivables and payables are not significantly exposed to interest rate risk.

The Group's interest rate management objective is to manage the interest expenses consistent with maintaining an acceptable level of exposure to interest rate fluctuation. In order to achieve this objective, the Group targets a mix of fixed and floating debt based on assessment of its existing exposure and desired interest rate profile.

30. FINANCIAL INSTRUMENTS (cont'd.)

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

Financial Risks (cont'd.)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd.):-

(c) **Interest rate risk (cont'd.)**

The interest rate profile of the Group's and of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the reporting date were:

		Group	
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Fixed rate instruments			
Financial asset			
- Fixed deposits with licensed banks	2,148,977	2,444,203	1,631,645
Financial liabilities			
- Finance lease creditors	(2,409,987)	(2,276,815)	(1,139,591)
- Banker's acceptance	(76,207,052)	(57,603,623)	(53,606,093)
	(78,617,039)	(59,880,438)	(54,745,684)
Net financial liabilities	(76,468,062)	(57,436,235)	(53,114,039)
Floating rate instruments			
Financial liabilities			
- Term loan	(7,573,266)	-	(758,554)
- Bank overdraft	(581,580)	-	(225,871)
Net financial liabilities	(8,154,846)	-	(984,425)

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss and do not designate derivatives as hedging instruments under fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

The following table illustrates the sensitivity of profit to a reasonably possible change in interest rates of +/-25 (31.12.2011 and 1.1.2011: +/-50) basis points ("bp"). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

30. FINANCIAL INSTRUMENTS (cont'd.)

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

Financial Risks (cont'd.)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd.):-

(c) **Interest rate risk (cont'd.)**

Cash flow sensitivity analysis for variable rate instruments (cont'd.)

Group	31.12.2012 Effect for the profit of the year/equity +25bp RM	 -25bp RM
Floating rate instruments		
- Term loan	(18,933)	18,933
- Bank overdraft	(1,454)	1,454
	(20,387)	20,387

Group	31.12.2011 Effect for the profit of the year/equity +50bp RM	 -50bp RM
Floating rate instruments		
- Term loan	-	-
- Bank overdraft	-	-
	-	-

Group	1.1.2011 Effect for the profit of the year/equity +50bp RM	 -50bp RM
Floating rate instruments		
- Term loan	(3,793)	3,793
- Bank overdraft	(1,129)	1,129
	(4,922)	4,922

30. FINANCIAL INSTRUMENTS (cont'd.)

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

Financial Risks (cont'd.)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd.):-

(d) **Foreign currency risks**

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

The Group incurs foreign currency risk on sales that are denominated in currency other than Ringgit Malaysia. The currency giving rise to this is primarily the Singapore Dollar. However, the Group does not view the risk to be significant as the sale transactions denominated in this currency is minimal.

The carrying amount of the Group's exposure to foreign currency risk as at reporting date is disclosed in Note 11 to the financial statements.

(e) **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 (other than foreign exchange or interest rates).

The Group and the Company do not hold any quoted or marketable financial instrument, hence is not exposed to any movement in market prices.

Fair Value of Financial Instruments

The carrying amounts of financial assets and liabilities of the Group and of the Company at reporting date approximate their fair values due to their short-term nature, insignificant impact of discounting, or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

Non-derivatives financial liabilities

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. Interest rates applied to discount estimated cash flows, when applicable, are as follows:

Group	31.12.2012 %	31.12.2011 %	1.1.2011 %
Finance lease creditors	2.00 – 6.51	2.00 – 3.88	2.00 – 4.41
Bankers' acceptance	3.02 – 5.34	3.02 – 5.34	2.30 – 4.44
Term loan	3.88	-	4.15
Bank overdraft	8.00	-	8.00

Fair value hierarchy

No fair value hierarchy has been disclosed as the Group and the Company do not have financial instruments measured fair value.

31. CAPITAL MANAGEMENT

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

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

The borrowings include finance lease creditors, bankers' acceptance, bank overdraft and term loan while owners' equity refers to the equity attributable to the owners of the Group.

	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Total borrowings:			
- finances lease creditors	2,409,987	2,276,815	1,139,591
- bankers' acceptance	76,207,052	57,603,623	53,606,093
- term loan	7,573,266	-	758,554
- bank overdraft	581,580	-	225,871
	86,771,885	59,880,438	55,730,109
Owners' equity	191,774,021	181,551,354	167,694,540
Debt-to-equity ratio	0.45	0.33	0.33

There were no changes in the Group's approach to capital management during the financial year.

32. OPERATING SEGMENTS - GROUP

(i) Business segment

The Group is organised based on six major business segments as follows:-

Business segments	Business activities
Paper milling	Manufacture of various types of tissue paper and tissue related products.
Paper converting	Converting of paper into related products and trading in paper related products.
Building materials	Distributor and retailer of wooden doors, plywood and related building materials. This segment also deals with trading in tissue related products, plywood, printed laminated plywood, cement and steel bars.
Investment and management	Providing management services, investment holding and dormant companies.
Other trading	Trading in paper, paper products, stationery, general household products, and other unclassified companies of diversed activities.

32. OPERATING SEGMENTS - GROUP (cont'd.)

(i) Business segment (cont'd.)

	Note	Paper milling RM	Paper converting RM	Building materials RM	Investment and management RM	Other trading RM	Eliminations RM	Total consolidated RM
31.12.2012								
Revenue								
External revenue		16,675,569	79,921,231	347,430,822	26,303	13,750,177	-	457,804,102
Intersegment revenue		40,091,212	8,726,362	108,268,143	606,333	817,940	(158,509,990)	-
Total revenue		56,766,781	88,647,593	455,698,965	632,636	14,568,117	(158,509,990)	457,804,102
Results								
Interest income		-	15,535	37,388	-	-	-	52,923
Interest expense		(147,080)	(406,817)	(2,292,913)	-	(30,027)	-	(2,876,837)
Depreciation and amortisation		1,131,903	248,666	1,448,103	-	157,185	-	2,985,857
Other non-cash income/ (expenses)	(a)	19,226	(168,908)	(788,307)	(12,215,178)	5,557	12,219,278	(928,332)
Income tax expenses		(537,000)	(36,548)	(2,891,740)	(47,115)	(104,000)	-	(3,616,403)
Segment profit		2,675,388	336,747	10,997,589	10,666	316,147	(690,280)	13,646,257
Assets								
Additions to non-current assets other than deferred tax assets	(b)	1,075,638	92,426	14,215,947	-	250,098	-	15,634,109
Segment assets		25,324,321	45,461,989	190,278,301	171,665,532	7,411,941	(138,090,726)	302,051,358
Liabilities								
Segment liabilities		6,718,379	13,283,857	88,745,568	143,645	1,605,690	2,665	110,499,804

32. OPERATING SEGMENTS - GROUP (cont'd.)

(i) Business segment (cont'd.)

	Note	Paper milling RM	Paper converting RM	Building materials RM	Investment and management RM	Other trading RM	Eliminations RM	Total consolidated RM
31.12.2011								
Revenue								
External revenue		11,097,945	73,488,343	280,824,782	633,127	13,383,820	-	379,428,017
Intersegment revenue		35,424,562	6,214,954	125,221,772	6,900,000	1,451,606	(175,212,894)	-
Total revenue		46,522,507	79,703,297	406,046,554	7,533,127	14,835,426	(175,212,894)	379,428,017
Results								
Interest income		-	6,352	39,440	-	-	-	45,792
Interest expense		(147,402)	(166,543)	(1,437,496)	-	(29,296)	-	(1,780,737)
Depreciation and amortisation		1,224,332	197,680	1,478,760	-	156,545	-	3,057,317
Other non-cash expenses	(a)	(2,728)	(497,525)	(586,228)	-	(129,791)	-	(1,216,272)
Income tax expenses		(203,370)	(565,903)	(1,767,521)	(36,283)	(116,100)	-	(2,689,177)
Segment profit		1,240,269	1,621,810	16,507,502	22,531,164	464,098	(25,874,096)	16,490,747
Assets								
Additions to non-current assets other than deferred tax assets	(b)	483,561	532,220	4,023,374	-	150,508	-	5,189,663
Segment assets		27,337,241	40,738,223	141,995,402	43,337,989	7,511,103	157,000	261,076,958
Liabilities								
Segment liabilities		4,017,025	6,879,508	66,673,800	152,248	1,832,906	(229)	79,555,258

32. OPERATING SEGMENTS - GROUP (cont'd.)

(i) Business segment (cont'd.)

	Note	Paper milling RM	Paper converting RM	Building materials RM	Investment and management RM	Other trading RM	Eliminations RM	Total consolidated RM
1.1.2011								
Revenue								
External revenue		11,017,001	69,211,539	275,441,592	661,901	18,709,293	-	375,041,326
Intersegment revenue		28,543,310	7,564,405	119,478,763	-	3,315,138	(158,901,616)	-
Total revenue		39,560,311	76,775,944	394,920,355	661,901	22,024,431	(158,901,616)	375,041,326
Results								
Interest income		-	-	115,562	-	-	(51,070)	64,492
Interest expense		(171,939)	(172,983)	(1,733,933)	-	(25,502)	51,070	(2,053,287)
Depreciation and amortisation		1,438,074	240,600	1,022,246	-	145,229	-	2,846,149
Other non-cash income/ (expenses)	(a)	(5,024)	(136,471)	2,865,546	(28,769)	57,048	-	2,752,330
Income tax expenses		1,938,439	1,243,464	(719,732)	(30,567)	(112,726)	-	2,318,878
Segment profit		1,175,035	3,185,635	7,270,408	95,541	406,717	(464,229)	11,669,107
Assets								
Additions to non-current assets other than deferred tax assets	(b)	191,925	247,690	6,096,055	-	140,052	-	6,675,722
Segment assets		24,485,329	39,798,644	130,867,262	43,311,419	6,460,332	-	244,922,986
Liabilities								
Segment liabilities		6,919,412	5,117,808	64,029,185	170,841	1,488,370	(522,760)	77,202,856

32. OPERATING SEGMENTS - GROUP (cont'd.)

(i) Business segment (cont'd.)

Management monitors the operating results to its business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on negotiated basis.

Notes:

(a) Notes to other non-cash income/(expenses) consist of the following items:-

	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Inventories written down	(179,269)	(187,610)	(136,990)
Bad debts written off	(7,567)	(2,006,362)	(661,694)
Impairment loss on receivables	(1,635,955)	(1,556,450)	(604,314)
Inventories written off	(1,582)	(113,594)	(41,013)
Gain/(Loss) on disposal of property, plant and equipment	68,912	(2,424)	2,619,062
Loss on disposal of investment properties	-	-	(57,476)
Gain on disposal of subsidiary company	4,100	-	-
Reversal of inventories written off	20,739	-	-
Fair value gain on investment properties	509,515	301,030	-
Property, plant and equipment written off	(1,724)	(4,979)	(437)
Inventories written back	62,580	81,798	47,595
Reversal of impairment on receivables	231,919	2,272,319	1,587,597
	(928,332)	(1,216,272)	2,752,330

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

	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Property, plant and equipment	14,795,731	5,189,663	6,675,722
Investment properties	838,378	-	-
	15,634,109	5,189,663	6,675,722

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

32. OPERATING SEGMENTS - GROUP (cont'd.)

(ii) Geographical information

Non-current assets information by geographical segment is not presented as the Group's activities are conducted principally in Malaysia.

The following is an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods:

	Revenue by geographical market	
	31.12.2012	31.12.2011
	RM	RM
Malaysia*	455,957,972	375,816,180
Overseas	1,846,130	3,611,837
	457,804,102	379,428,017

* Company's home country

(iii) Information about major customers

The Group does not have any revenue from a significant external customer which represents 10% or more of the Group's revenue.

33. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 10 October 2012, the Company has disposed off 600,000 ordinary shares of RM1.00 each, representing 60% from its total investment of 1,000,000 ordinary shares of RM1.00 each in the wholly-owned subsidiary company, Hai Ming Exsim Development Sdn. Bhd. (formerly known as Hai Ming Capital Sdn. Bhd.) ("HMC") to Exsim Development Sdn. Bhd. ("Exsim") for a total consideration of RM600. As a result of the disposal, HMC becomes an associate company of KPS Consortium Berhad.

34. EXPLANATION TRANSITION TO MFRSs

As stated in Note 2.4 to the financial statements, these are the first financial statements of the Group and of the Company prepared in accordance with MFRSs.

The accounting policies set out in Note 3 to the financial statements have been applied in preparing the financial statements of the Group and of the Company for the financial year ended 31 December 2012, the comparative information presented in these financial statements for the financial year ended 31 December 2011 and in the preparation of the opening MFRSs statements of financial position at 1 January 2011 (the Group's date of transition to MFRSs).

The transition to MFRSs does not have financial impact to the separate financial statements of the Company.

34. EXPLANATION TRANSITION TO MFRSs (cont'd.)

In preparing the opening consolidated statement of financial position at 1 January 2011, the Group has adjusted amounts reported previously in financial statements prepared in accordance with previous FRSs. An explanation of how the transition from previous FRSs to MFRSs has affected the Group's financial position and financial performance set out as follows:

Reconciliation of Statements of Financial Position

Group	Note	FRSs RM	1 January 2011 Effect of transition to MFRSs RM	MFRSs RM	FRSs RM	31 December 2011 Effect of transition to MFRSs RM	MFRSs RM
ASSETS							
Non-current assets							
Property, plant and equipment		39,735,790	-	39,735,790	41,861,919	-	41,861,919
Prepaid land lease payments		2,269,184	-	2,269,184	2,196,954	-	2,196,954
Investment properties	34.2(a)	4,167,528	3,527,347	7,694,875	4,688,343	2,876,562	7,564,905
Goodwill on consolidation		43,151,039	-	43,151,039	43,151,039	-	43,151,039
Deferred tax assets		3,237,000	-	3,237,000	3,679,000	-	3,679,000
Total non-current assets		92,560,541	3,527,347	96,087,888	95,577,255	2,876,562	98,453,817
Current assets							
Inventories		42,732,939	-	42,732,939	49,722,203	-	49,722,203
Trade receivables		88,870,312	-	88,870,312	84,890,474	-	84,890,474
Other receivables		6,688,342	-	6,688,342	13,037,397	-	13,037,397
Tax recoverable		460,168	-	460,168	108,287	-	108,287
Fixed deposits with licensed banks		1,631,645	-	1,631,645	2,444,203	-	2,444,203
Cash and bank balances		8,451,692	-	8,451,692	12,102,577	-	12,102,577
Total current assets		148,835,098	-	148,835,098	162,305,141	-	162,305,141
Non-current assets held for sale	34.2(a)	-	-	-	161,000	157,000	318,000
TOTAL ASSETS		241,395,639	3,527,347	244,922,986	258,043,396	3,033,562	261,076,958

34. EXPLANATION TRANSITION TO MFRSs (cont'd.)

In preparing the opening consolidated statement of financial position at 1 January 2011, the Group has adjusted amounts reported previously in financial statements prepared in accordance with previous FRSs. An explanation of how the transition from previous FRSs to MFRSs has affected the Group's financial position and financial performance set out as follows (cont'd.):

Reconciliation of Statements of Financial Position (cont'd.)

Group	Note	FRSs RM	1 January 2011 Effect of transition to MFRSs RM	MFRSs RM	FRSs RM	31 December 2011 Effect of transition to MFRSs RM	MFRSs RM
EQUITY							
Equity attributable to owners of the Company:							
Share capital		147,827,158	-	147,827,158	147,827,158	-	147,827,158
Share premium		5,400,842	-	5,400,842	5,400,842	-	5,400,842
Retained earnings	34.2(b)	10,939,193	3,527,347	14,466,540	25,289,792	3,033,562	28,323,354
		164,167,193	3,527,347	167,694,540	178,517,792	3,033,562	181,551,354
Non-controlling interests		25,590	-	25,590	(29,654)	-	(29,654)
Total equity		164,192,783	3,527,347	167,720,130	178,488,138	3,033,562	181,521,700
LIABILITIES							
Non-current liabilities							
Finance lease creditors		465,043	-	465,043	1,102,118	-	1,102,118
Deferred tax liabilities		116,000	-	116,000	135,000	-	135,000
Total non-current liabilities		581,043	-	581,043	1,237,118	-	1,237,118
Current liabilities							
Trade payables		16,723,533	-	16,723,533	14,804,553	-	14,804,553
Other payables		5,088,286	-	5,088,286	4,929,432	-	4,929,432
Tax payable		219,476	-	219,476	980,532	-	980,532
Borrowings		54,590,518	-	54,590,518	57,603,623	-	57,603,623
Total current liabilities		76,621,813	-	76,621,813	78,318,140	-	78,318,140
Total liabilities		77,202,856	-	77,202,856	79,555,258	-	79,555,258
TOTAL EQUITY AND LIABILITIES		241,395,639	3,527,347	244,922,986	258,043,396	3,033,562	261,076,958

34. EXPLANATION TRANSITION TO MFRSs (cont'd.)

In preparing the opening consolidated statement of financial position at 1 January 2011, the Group has adjusted amounts reported previously in financial statements prepared in accordance with previous FRSs. An explanation of how the transition from previous FRSs to MFRSs has affected the Group's financial position and financial performance set out as follows (cont'd.):

Reconciliation of Statement of Comprehensive Income for the financial year ended 31 December 2011

Group	Note	FRSs RM	31 December 2011 Effect of transition to MFRSs RM	MFRSs RM
Revenue		379,428,017	-	379,428,017
Costs of sales		(344,851,873)	-	(344,851,873)
Gross profit		34,576,144	-	34,576,144
Other income	34.2 (a)	4,064,030	(576,251)	3,487,779
Selling and distribution expenses		(9,381,955)	-	(9,381,955)
Administrative expenses	34.2 (a)	(5,936,839)	82,466	(5,854,373)
Other expenses		(2,458,956)	-	(2,458,956)
Finance costs		(3,877,892)	-	(3,877,892)
Profit before tax		16,984,532	(493,785)	16,490,747
Tax expense		(2,689,177)	-	(2,689,177)
Profit for the financial year		14,295,355	(493,785)	13,801,570
Other comprehensive income for the financial year		-	-	-
Total comprehensive income for the financial year		14,295,355	(493,785)	13,801,570

34.1 Material adjustments to the statements of cash flows for the financial year ended 31 December 2011

There is no material difference between the statements of cash flows presented under MFRSs and the statements of cash flows presented under FRSs.

34.2 Notes to reconciliations

(a) Investment properties

Under FRSs, the Group measured investment properties at cost less depreciation and impairment losses.

Upon transitions to MFRSs, the Group has restated the investment properties from cost model to fair value model and any fair value adjustment is retrospectively adjusted in compliance with MFRS 1 First-Time Adoption of MFRSs.

34. EXPLANATION TRANSITION TO MFRSs (cont'd.)

34.2 Notes to reconciliations (cont'd.)

(a) Investment properties (cont'd.)

The report arising from the change is summarised as follows:-

	1.1.2011 RM	31.12.2011 RM
Statement of Comprehensive Income		
Administrative expenses		
- depreciation		82,466
Other income		
- Fair value gain on investment properties		301,030
- Reversal of impairment loss in investment properties		(838,014)
- Reversal of gain on disposal of investment properties		(39,267)
Adjustment before tax		(493,785)
Statements of Financial Position		
Investment properties	3,527,347	2,876,562
Assets held for sale	-	157,000
Adjustment to retained earnings	3,527,347	3,033,562

(b) Retained earnings

The changes that affected retained earnings are as follows:-

	1.1.2011 RM	31.12.2011 RM
Investment properties	3,527,347	2,876,562
Assets held for sale	-	157,000
Increase in retained earnings	3,527,347	3,033,562

35. SUPPLEMENTARY INFORMATION

DISCLOSURES OF REALISED AND UNREALISED PROFIT/LOSSES

Bursa Malaysia Securities Berhad has on 25 March 2010, and subsequently on 20 December 2010, issued directives which require all listed corporations to disclose the breakdown of retained earnings or accumulated losses into realised and unrealised on Group and Company basis in the annual audited financial statements.

The breakdown of unappropriated profits/accumulated losses as at the reporting date that has been prepared by the Directors in accordance with the directives from Bursa Malaysia Securities Berhad stated above and Guidance on Special Matter No. 1 issued on 20 December 2010 by the Malaysian Institute of Accountants are as follows:-

		Group	
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Total retained earnings/ (accumulated losses) of the Company and its subsidiary companies			
-realised	79,235,072	52,544,637	20,567,535
-unrealised	5,176,067	6,137,552	5,413,522
	84,411,139	58,682,189	25,981,057
Less: Consolidation adjustments	(45,865,118)	(30,358,835)	(11,514,517)
Total retained earnings	38,546,021	28,323,354	14,466,540

		Company	
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Total accumulated losses of the Company			
-realised	(7,205,597)	(7,174,677)	(29,675,088)
-unrealised	-	-	-
	(7,205,597)	(7,174,677)	(29,675,088)
Less: Consolidation adjustments	-	-	-
Total accumulated losses	(7,205,597)	(7,174,677)	(29,675,088)

The disclosure of realised and unrealised profit or losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia Securities Berhad and should not be applied for any other purposes.

LIST OF PROPERTIES

KPS CONSORTIUM BERHAD & GROUP OF COMPANIES
List of 10 Largest Properties in Terms of Net Book Value as at 31 December 2012

Location	Description	Tenure	Land Area (sq ft)	Approximate Age of Building (year)	Net Book Value (RM'000)	Year of Acquisition or Revaluation*
1. Lot 622, Tempat Sementah, 6th Mile Kapar Road, Mukim Kapar, Daerah Klang, Selangor	Office/residential building, factory and warehouse	Freehold	196,028	14	11,110	2012
2. Lot 14374, Bandar Kinrara Industrial Centre, Selangor	3-storey office block & 2-storey open warehouse	Freehold	186,590	16	8,168	1995
3. Lot 765, Mukim of Kapar, District of Klang, Selangor	Factory and office building	Freehold	190,581	20	7,118	1993*
4. Lot PT129942, Kawasan Perusahaan Kanthan, Chemor, Perak	Factory and office building	60-year lease to 14/03/2055	572,379	14	5,006	1992
5. Lot 292 & 294, Block 36, Muara Tuang Land District, Sarawak	Factory, office building and warehouse	58-year lease to 30/01/2030	245,252	33 & 15	3,993	1992 & 1993*
6. Pangsapuri Bunga Raya Bukit Beruang, Daerah Melaka Tengah, Melaka	30 units apartment	99-year lease to 2076	837 - 953 (total of 27,002)	9 to 10	3,209	2012
7. Lot No.6, Jalan Bukit 3, Kawasan MIEL, Bandar Sri Alam, 81750 Masai, Johor	2-Storey office & store	Freehold	50,031	18	2,583	2012
8. Lot 67, SEDCO Industrial Estate, Phase 2 Kota Kinabalu, Sabah	Office/residential building, factory and warehouse	60-year lease to 31/12/2034	60,624	26	1,004	1993*
9. No.2, Jalan Kenari 14A, Bandar Puchong Jaya, 47100 Puchong	Corner double storey link house	Freehold	2,713	8	599	2012
10. No.49,49-01,49-02, Jln Masai 1, Taman Masai Utama, 81750 Masai, Johor	3-storey shop office	99-year lease to 26.11.2100	1540	9	528	2008

SHAREHOLDINGS STRUCTURE
AS AT 3 MAY 2013

Authorised Share Capital	: RM200,000,000
Issued And Fully Paid-Up Share Capital	: RM147,827,158
Class Of Shares	: Ordinary Shares of RM1.00 each fully paid
Voting Rights	: One vote per ordinary share
No. Of Shareholders	: 3,163

Distribution Of Shareholdings As At 3 May 2013

Size Of Holdings	No. Of Shareholders	Total Holdings	% Of Paid-Up Capital
Less than 100	19	657	0.00
100 -1,000	744	719,756	0.49
1,001-10,000	1,571	7,695,507	5.20
10,001-100,000	712	25,186,126	17.04
100,001 to less than 5% of issued shares	113	56,246,600	38.05
5% and above of issued shares	4	57,978,512	39.22
TOTAL	**3,163**	**147,827,158**	**100.00**

Substantial Shareholders As At 3 May 2013

	No. Of Shares Held		
Shareholder	Direct	Indirect	Percentage Holding
Koh Poh Seng	59,364,225*	-	40.16
Joint Win Investments Limited	7,442,800	-	5.03

List Of Thirty (30) Largest Shareholders As At 3 May 2013

No	Name Of Shareholders	No. Of Shares	Percentage Holding
1	Koh Poh Seng	22,764,822	15.40
2	Amsec Nominees (Tempatan) Sdn Bhd - AmIslamic Bank Berhad for Koh Poh Seng	20,000,000	13.53
3	AllianceGroup Nominees (Tempatan) Sdn Bhd - Koh Poh Seng	7,770,890	5.26
4	Joint Win Investments Limited	7,442,800	5.03
5	CitiGroup Nominees (Tempatan) Sdn Bhd - Koh Poh Seng	4,811,000	3.25
6	RHB Nominees (Tempatan) Sdn Bhd - OSK Capital Sdn Bhd for Abdul Rahman bin Idris	4,339,300	2.94
7	HDM Nominees (Tempatan) Sdn Bhd - Lim Wee Hang	3,640,800	2.46
8	Tan Lay Yong	2,350,000	1.59
9	RHB Nominees (Tempatan) Sdn Bhd - OSK Capital Sdn Bhd for Low Chee Meng	2,293,500	1.55
10	Yap Pow On	1,848,000	1.25
11	RHB Nominees (Tempatan) Sdn Bhd - OSK Capital Sdn Bhd for Koh Poh Seng	1,700,000	1.15
12	Tee Ah Swee	1,529,800	1.03
13	AIBB Nominees (Tempatan) Sdn Bhd - Koh Poh Seng	1,520,000	1.03
14	RHB Nominees (Tempatan) Sdn Bhd - OSK Capital Sdn Bhd for Samsudin bin Ibrahim	1,390,000	0.94
15	Low Lay Khim	1,279,900	0.87

List Of Thirty (30) Largest Shareholders As At 3 May 2013 (cont'd.)

No	Name Of Shareholders	No. Of Shares	Percentage Holding
16	AIBB Nominees (Tempatan) Sdn Bhd - Low Chee Meng	1,116,300	0.76
17	Tan Meng Hooi	1,017,000	0.69
18	Maybank Nominees (Tempatan) Sdn Bhd - Phang Shay Nam	823,500	0.56
19	Pang Seow Mee	818,000	0.55
20	RHB Nominees (Tempatan) Sdn Bhd - Tan Lian Hong	811,400	0.55
21	Ooi Beng Heng	800,000	0.54
22	Public Nominees (Tempatan) Sdn Bhd - Koh Poh Seng	797,200	0.54
23	Lim Teik Hong	761,700	0.52
24	Inter-Pacific Equity Nominees (Tempatan) Sdn Bhd - Cheng Seow Khim @ Heng Gaik Khim	675,100	0.46
25	Choo Poi Kee	636,000	0.43
26	Chung Shan Kwang	614,000	0.42
27	Ooi Ean Kheng	555,100	0.38
28	Ang Ah Tee	549,800	0.37
29	Kenanga Nominees (Tempatan) Sdn Bhd - Law Kim Leong	480,000	0.32
30	Poh Hong Swee	480,000	0.32

Directors' Shareholdings And Interest In Shares As At 3 May 2013

No	Name Of Shareholders	No. Of Shares	Percentage Holding
1	Koh Poh Seng	59,364,225*	40.16
2	Lau Fook Meng	Nil	Nil
3	Faun Chee Yarn	Nil	Nil
4	Lim Choon Liat	Nil	Nil
5	Tan Kong Ang	Nil	Nil

Save as disclosed, none of the other Directors in office have any interests in the shares of related corporations and subsidiary companies of the Company as at 3 May 2013.

* - Held directly and through nominee companies.

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KPS CONSORTIUM BERHAD
(Company No. 143816 V)
Incorporated in Malaysia

No. of ordinary shares held

PROXY FORM
(Before completing this form please refer to the notes below)

I/We ……………………………………………….… NRIC No./Passport No./ Company No………………………………
(Full name in block letters)

CDS. A/C No ………………………………………… of ..……………………………………………………………………
(Full address)

being a member/members of **KPS CONSORTIUM BERHAD** hereby appoint the following person(s):-

Name of proxy, NRIC No. & Address — ***No. of shares to be represented by proxy***

1. ……………………………………………………………………………………………… ………………………

2. ……………………………………………………………………………………………… ………………………

or failing him/her, the Chairman of the Meeting as *my/our proxy/proxies to attend and vote for *me/us on my/our behalf at the Twenty Seventh Annual General Meeting of the Company to be held at Klang Executive Club, Persiaran Bukit Raja 2, Bandar Baru Klang, 41150 Klang, Selangor Darul Ehsan on Saturday, 22 June 2013 at 11:00 am and at any adjournment thereof to vote as indicated below:-

	FOR	AGAINST
Ordinary Resolution 1 - Re-election of Director, Mr. Lau Fook Meng		
Ordinary Resolution 2 - Approval of Directors' Fees		
Ordinary Resolution 3 - Re-appointment of the retiring auditors, Messrs. SJ Grant Thornton		
Ordinary Resolution 4 - Authority to Issue Shares		
Special Resolution 1 - Proposed amendments to the Articles of Association		

(Please indicate with an "x" in the space provided above on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his/her discretion).

In case of a vote taken by a show of hands, the First-named Proxy shall vote on *my/our behalf.

Dated this……………….day of…………………………2013

…………………………………………………
Signature/Common Seal of shareholder

*** Strike out whichever is not desired.**

Notes:

1. *For the purpose of determining a member who shall be entitled to attend, speak and vote at the Annual General Meeting, the Company shall be requesting the Record of Depositors as at 18 June 2013. Only a depositor whose name appears on the Record of Depositors as at 18 June 2013 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her stead.*
2. *A member shall be entitled to appoint more than one (1) proxy to attend and vote in his place. A proxy needs not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*
3. *Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
4. i) *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 in respect of each securities account it holds with ordinary shares of the company standing to the credit of the said securities account.*
   ii) *Where a member of the Company is an exempt authorized nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.*
5. *If the appointer is a corporation, the proxy form must be executed under its Common Seal or under the hand of its attorney.*
6. *The instrument appointing a proxy and the power of attorney, if any, under which it is signed or a certified copy thereof must be deposited at the Company's Registered Office at Lot 765, Jalan Haji Sirat, Off Jalan Meru, 42100 Klang, Selangor Darul Ehsan not less than 48 hours before the time set for holding the Meeting or any adjournment thereof.*

AFFIX STAMP

KPS CONSORTIUM BERHAD **(143816-V)**
Lot 765, Jalan Haji Sirat
Off Jalan Meru, 42100 Klang
Selangor Darul Ehsan

KPS Consortium Bhd (143816-V)

Lot 765, Jalan Haji Sirat Off Jalan Meru,
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