2012 ANNUAL REPORT

Integrated Logistics Berhad (229690-K)

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Datuk R. Karunakaran
Chairman
Independent Non-Executive Director

Tee Tuan Sem
Executive Director
Chief Executive Officer

Makoto Takahashi
Executive Director

Tai Me Teck
Executive Director

Dato' Haji Wazir bin Haji Muaz
Independent Non-Executive Director

Lee Kay Loon
Independent Non-Executive Director

Wan Azfar bin Dato' Wan Annuar
Non-Independent Non-Executive Director

COMPANY SECRETARY

Amarjit Singh A/L Banta Singh
FCCA, ACIS, CA(M)

REGISTERED OFFICE

Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Tel. No.: 03-2283 6050
Fax. No.: 03-2283 6072

BUSINESS OFFICE

Indera Subang Condominium
Jalan USJ 6/2L
47610 UEP Subang Jaya
Selangor Darul Ehsan
Tel. No.: 03-5631 7377
Fax. No.: 03-5631 6403

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel. No.: 03-7841 8000
Fax. No. 03- 7841 8008

SOLICITORS

Messrs Kadir, Andri & Partners
8th Floor, Menara Safuan
No. 80, Jalan Ampang
50450 Kuala Lumpur

AUDITORS

Messrs Baker Tilly AC (AF001826)
(formerly known as Moore Stephens AC)
Chartered Accountants
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur

STOCK EXCHANGE LISTING

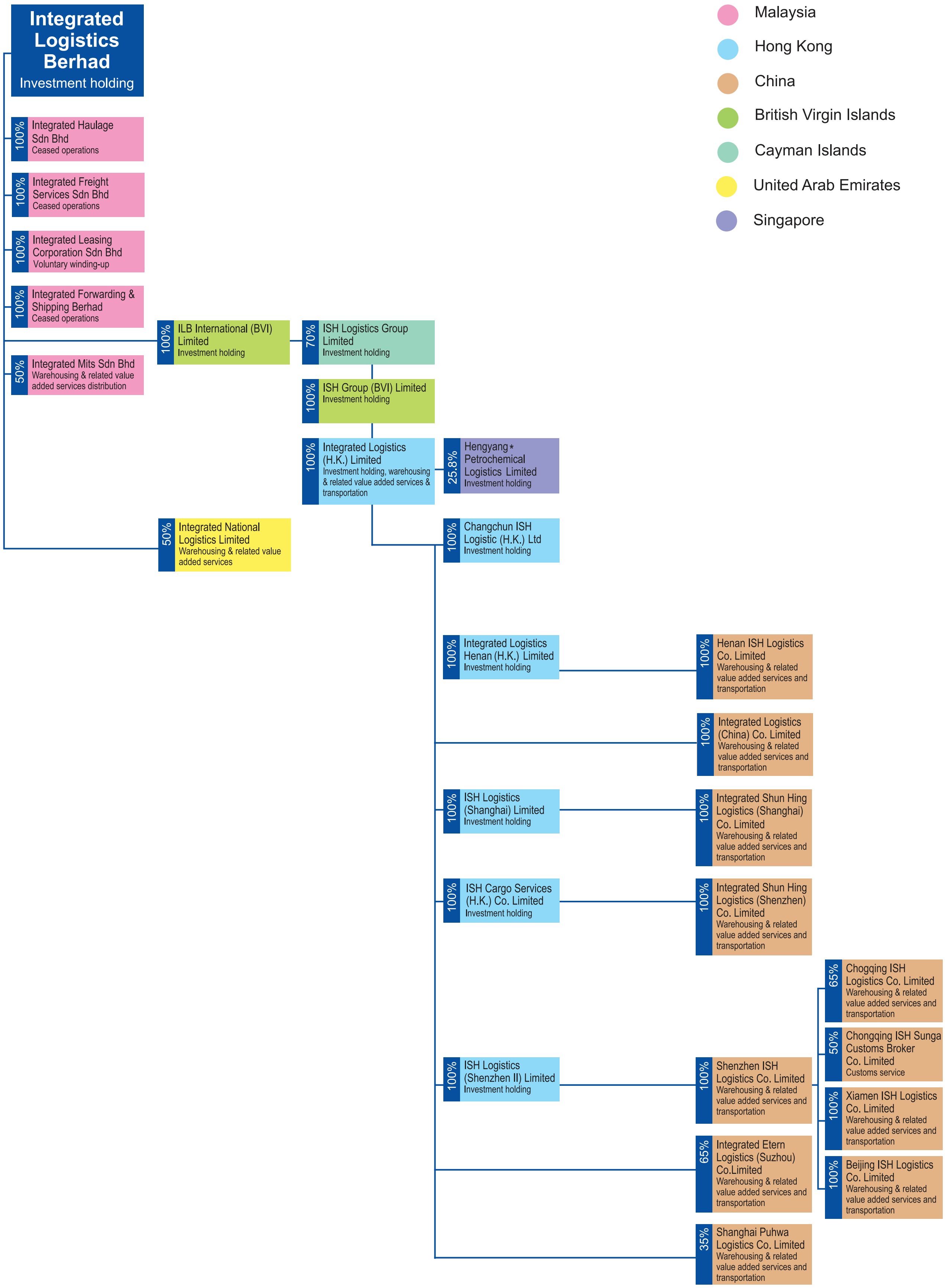
Main Market of Bursa Malaysia Securities Berhad

PRINCIPAL BANKERS

OCBC Bank (Malaysia) Berhad
Menara OCBC
18, Jalan Tun Perak
50050 Kuala Lumpur

CIMB Bank Berhad
CIMB Empire Gallery Subang Jaya
G01, Empire Shopping Gallery
Jalan SS 16/1, Subang Jaya
47500 Petaling Jaya
Selangor Darul Ehsan

CORPORATE STRUCTURE



* Hengyang Petrochemical Logistics Limited is listed on the catalist of the Singapore Exchange Securities Trading Limited.

GROUP FINANCIAL HIGHLIGHTS

	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Revenue	214,241	187,011	178,920	133,774	137,923
Profit before tax	31,757	10,417	23,645	18,542	7,008
Net Profit/(Loss) Attributable to owners of the parent	15,859	(4,121)	18,668	13,002	(102)
Paid-up Capital	197,026	197,026	197,026	197,026	178,026*
Total Assets	776,710	766,792	631,579	644,942	602,252
Equity atlributable to owners of the parent	384,219	375,487	364,098	377,077	354,426
Net Earnings (Loss) Per Share (sen)	8.1	(2.2)	9.8	7.1	(0.06)
Net Assets Per Share After Non-controlling Interests (RM)	1.99	2.02	1.94	2.12	2.13
Gross Dividend (%)	2%	3%	8.5%	5%	5%
Share Dividend (Ratio)	-	-	1 : 20	-	-
Share Price (31 Dec)	0.490	0.790	0.960	0.680	0.905

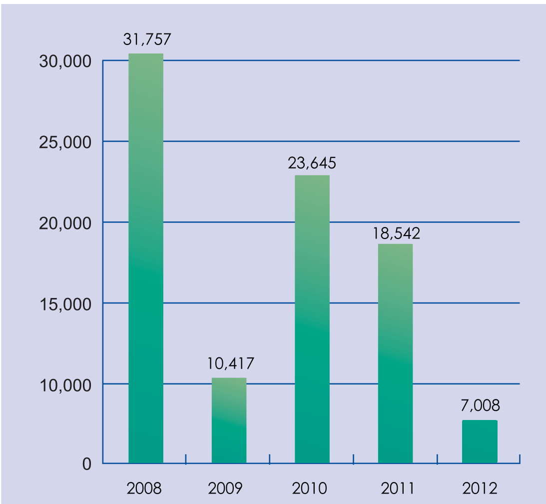
Note:

** On 3rd February 2012, the Company had cancelled 19,000,000 treasury shares held in its Share Buy-Back Accounts and thus the issued share capital of the Company was adjusted accordingly to RM178,025,503 comprising 178,025,503 ordinary shares of RM1.00 each.*

GROUP FINANCIAL HIGHLIGHTS

INCOME STATEMENT (RM'000)

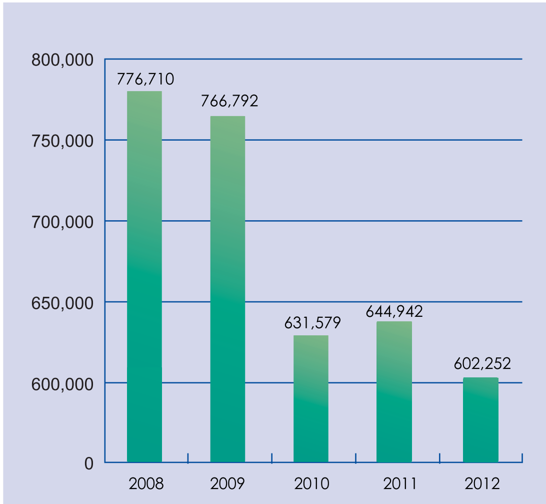
Revenue



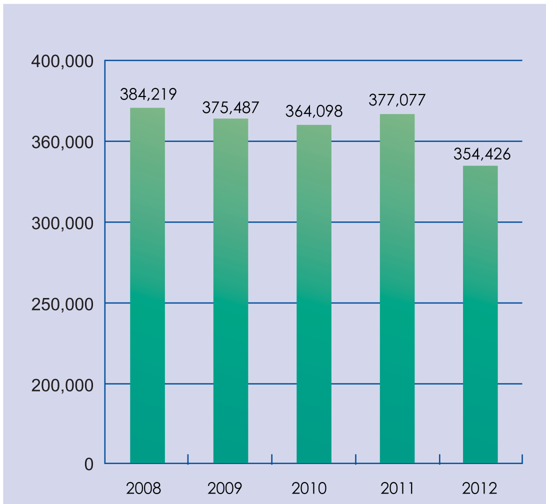
Profit before tax

Net Profit Attributable to owners of the parent

BALANCE SHEET (RM'000)



Total Assets



Equity attributable to owners of the parent

Net Earnings (Loss) Per Share (sen)

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors of Integrated Logistics Berhad (ILB), I am pleased to present the Annual Report for the year 2012, incorporating the Audited Financial Statements of the Group and the Company for the financial year ended 31 December 2012.

CHAIRMAN'S STATEMENT

PERFORMANCE REVIEW

In the last quarter of 2012, the Group's logistics businesses in Dubai and Henan, China have commenced operations. The Group has also completed construction of its Phase 2 logistics warehouse project in Wujiang, China.

The investments in Dubai, Henan and Wujiang in China are projected to contribute positively to the financial position of the Group in 2013.

In addition, the subscription to the Rights Issue of 25.8% associate, Hengyang Petrochemical Logistics Ltd (Hengyang), is expected to generate high margins and potential growth opportunities for the Group in the near future.

Hengyang is one of the leading independent petrochemical logistics groups in China with operations along the Yangtze River, and is listed on the Singapore Stock Exchange's Catalist Board.

The Group recorded a Revenue of RM 137.9 million in 2012 compared with RM 133.8 million in 2011 and a lower pre-tax profit for the year amounting to RM 7.0 Million compared with RM 18.5 Million in the previous financial year. However, after provisions for income tax and non-cantrolling interests, the Group's earnings per share for the year was a loss of 0.06 sen compared to a profit of 7.1 sen previously. Despite the slowdown in the overall economy, the revenue from China operations recorded a 3.0% growth in 2012.

Chairman's Statement

SHARE BUY-BACK

During the financial year ended 31 December 2012, the Company purchased a total of 11,898,900 ordinary shares of RM1.00 each of the issued share capital from the open market at an average price of RM0.972 per share. The total consideration for the share buy-back was RM11,565,184 and was financed by internally generated funds.

On 3 February 2012, the Company cancelled 19,000,000 treasury shares held in its Share Buy-Back Accounts and thus the issued share capital of the Company was adjusted accordingly to RM178,025,503 comprising 178,025,503 ordinary shares of RM1.00 each.

As at 31 December 2012, 11,682,600 ordinary shares of RM1.00 have been retained as treasury shares.

DIVIDENDS

Having reviewed the performance of the Group for the first three quarters of the year, the Board declared an Interim Dividend of 5.0% gross less 25% Malaysian tax which was paid on the 10 December 2012.

CHAIRMAN'S STATEMENT

REVIEW OF OPERATIONS

China

The total revenue of the Group's operations in China increased by 3.0% to RM137.9 million in 2012. The increase in revenue was due mainly to the additional revenues generated from warehouse rental and value added services and transportation income from the Group's operations in Henan and Beijing.

The Henan logistics operations with 75,000 square metres warehouse built-up area commenced operations in December 2012. The Wujiang Phase 2 warehouse with warehouse built-up area of 18,000 square metres was also completed in December 2012 and expected to commence operations in the first quarter of 2013. We forecast gradual growth in the coming years' turnover and profitability of the Group with positive contributions from the additional warehouse capacities in Henan and Wujiang.

Dubai

The central distribution and logistics warehouse facilities in Dubai owned by a jointly controlled entity were completed and commenced operations in October 2012. The Dubai project offers the following facilities:

CHAIRMAN'S STATEMENT

Wu Jiang Warehouse, China

- Fully automated racking and handling system in multi temperature depot with 29 meters height
- 21,000 frozen automated pallet positions
- 21,000 ambient automated pallet positions
- 35,000 dry pallet positions
- 18,000 square meters of mezzanine area for re-work or shelf storage
- 64 loading bays for loading and un-loading.

The Dubai project provides a wide range of high quality warehouse facilities and valued added logistics services catering for customers across the Middle East region.

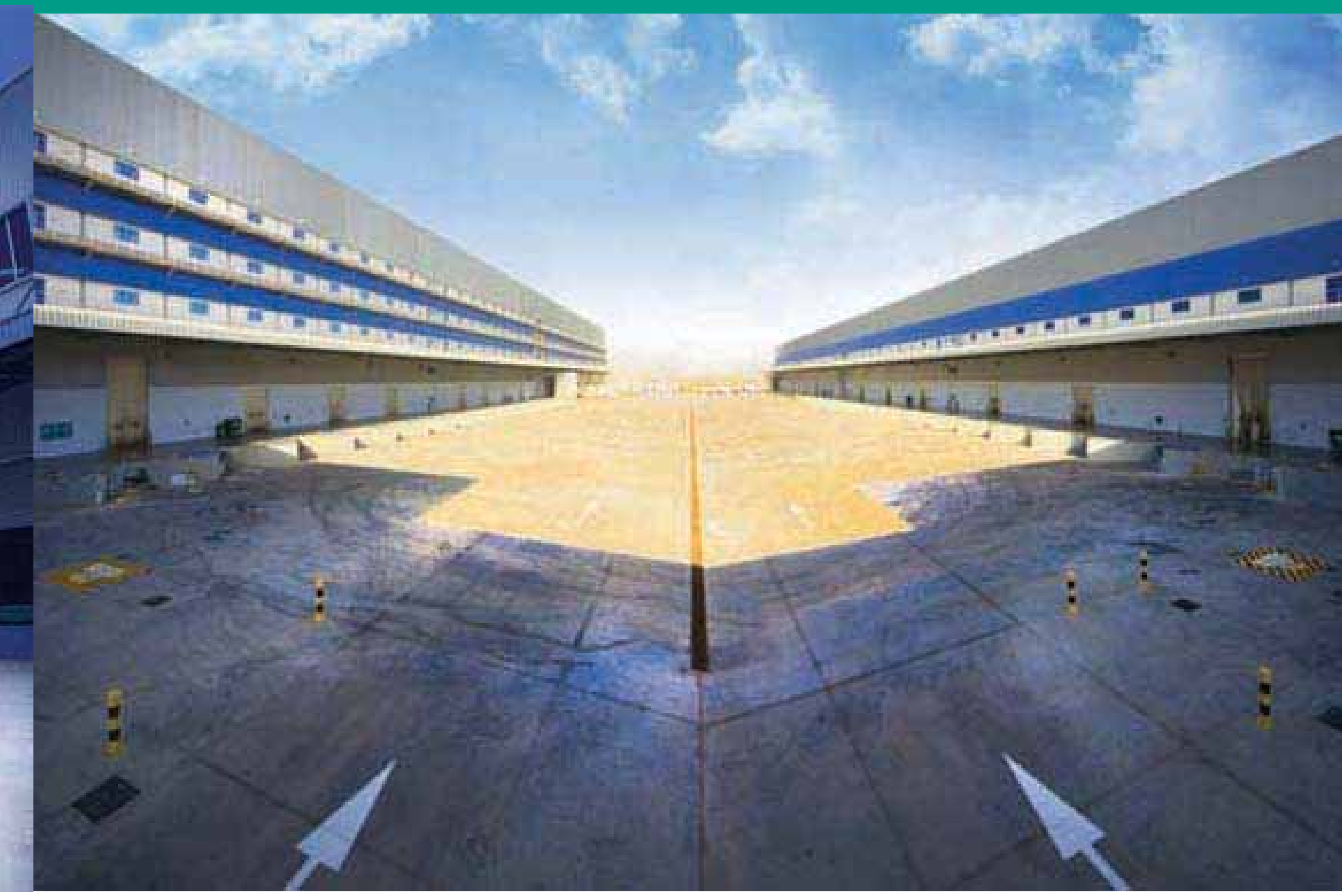
The warehouse facilities achieved 40% occupancy in 4 months since the project commenced operations in October 2012 and the response from existing and potential customers has been very positive.

PROSPECTS

China

China's Gross Domestic Product (GDP) growth in 2013 is projected to increase to 8.4% from 7.5% achieved in 2012. Despite the slight increase in GDP, 2013 is expected to be a challenging year for the Group's China operations due to projected increase in labour costs. The Group has taken several measures including renegotiating with its customers to pass on some of the increasing costs and introduced staff incentive schemes to further improve the operating efficiency of its operations in China.

CHAIRMAN'S STATEMENT



Dubai Warehouse , United Arab Emirate

Dubai

The demand for coldroom warehouses in Dubai has picked up in the second half of 2012. Due to the strategic location of the Group's Dubai project which is in close proximity to Dubai's Jebel Ali Port and the Dubai Cargo Airport coupled with positive response from the customers, the Dubai project is poised to capture the growing demand for logistics services in the Middle East region.

ACKNOWLEDGEMENTS

I wish to express the Board's appreciation to the management and staff of the Group for their continuing dedication, commitment and diligence during the year. Our sincere appreciation is also extended to our valued customers, business associates, shareholders and other stakeholders.

Datuk R. Karunakaran
Chairman

DIRECTORS' PROFILE

Seated, left to right : Datuk R. Karunakaran; Tee Tuan Sem
Standing, left to right : Makoto Takahashi; Dato' Haji Wazir bin Haji Muaz; Wan Azfar bin Dato' Wan Annuar; Lee Kay Loon; Tai Me Teck

Datuk R. Karunakaran

Chairman
Independent Non-Executive Director (Malaysian)

Datuk R. Karunakaran, aged 63, was appointed to the Board on 1 July 2008 as an Independent Non-Executive Director. He graduated from the University of Malaya with a Bachelor of Economics (Accounting) Hons. in 1972. He was formerly the Director General of MIDA and retired in June 2008 after serving 36 years and had held various important and prominent positions. He had also served as Director of MIDA Singapore, Cologne (Germany) and London (England). He was also responsible for co-ordinating the development of the manufacturing and service sectors including promoting domestic and foreign investments in Malaysia.

Datuk Karunakaran is also the Chairman of the Nomination and Remuneration Committees. He also sits as an Independent Non-Executive Director on the Boards of Lion Corporation Berhad, Chemical Company of Malaysia Berhad, IOI Corporation Berhad, Maybank Investment Bank Berhad, Etiqa Insurance Berhad and Maybank (Cambodia) Plc.

Datuk Karunakaran does not have any interest in the securities of the Company and its subsidiaries. He has no family relationships with any other Director and/or major shareholder of the Company.

DIRECTORS' PROFILE

Tee Tuan Sem
Chief Executive Officer
Executive Director (Malaysian)

Mr Tee Tuan Sem, aged 61, the Chief Executive Officer, was appointed to the Board on 9 June 1992. He is a member of the Malaysian Institute of Accountants and a Fellow Member of the Chartered Association of Certified Accountants. He joined Tet O Chong & Co., an established firm of public accountants, in 1976 and joined Integrated Forwarding & Shipping Berhad as Chief Accountant in 1981. He was promoted to the position of Finance Director in 1998 and subsequently appointed as the Chief Executive Officer in 2001. He does not hold any other directorships of public companies.

Mr Tee has a direct interest in 13,595,070 fully paid ordinary shares of RM1-00 each in the Company. He also has an indirect interest in 353,640 fully paid ordinary shares of RM1-00 each in the Company held through his wife, Yang Chiew Bi. He has no family relationship with any other Director and/or major shareholder of the Company.

Makoto Takahashi
Executive Director (Japanese)

Mr Makoto Takahashi, aged 45, Executive Director, was appointed to the Board on 17 September 2001. He holds a Bachelor of Science degree from the University of San Francisco. He has 2 years working experience with a Japanese logistics company in Kobe, Japan and 5 years working experience with a trading company in Hong Kong. He joined ILB in 1998 as General Manager of Sales & Marketing and was subsequently appointed as Executive Director of ILB on 17 September 2001.

Mr Makoto has a direct interest in 4,031,943 fully paid ordinary shares of RM1-00 each in the Company. He does not hold any other directorships of public companies and has no family relationship with any other Director and/or major shareholder of the Company except that he is the son of Dato' Yasuo Takahashi, the Corporate Advisor of the Group.

DIRECTORS' PROFILE

Tai Me Teck
Executive Director (Malaysian)

Mr Tai Me Teck aged 49, Executive Director, was appointed to the Board on the 23 February 2009, He holds a Bachelor of Business Administration (major in accounting) from University of Iowa, United States. He joined Integrated Logistics Berhad in 1989 as Manager of warehouse operations and in 1995 was transferred to oversee the overseas operations. He is responsible for the development of corporate strategies, corporate planning and overall management of the Group of companies in Hong Kong and The People's Republic of China.

Mr Tai has a direct interest in 896,200 fully paid ordinary shares of RM1-00 each in the Company. He does not hold any other directorships of public companies and has no family relationship with any other Director and/or major shareholder of the Company.

Dato' Haji Wazir bin Haji Muaz
Independent Non-Executive Director (Malaysian)

Dato' Haji Wazir bin Haji Muaz, aged 62, was appointed to the Board on 5 November 2007 as an Independent Non-Executive Director. He holds a Masters in Public Administration (M.P.A.) from American University Washington D.C. USA, Ijazah Sarjana Muda Sastera (Kepujian), University Malaya and a Diploma in Textile Technology, Salford College of Technology, England. He was formerly the Deputy Director General of Royal Customs and Excise, Malaysia, and retired in May 2007, after having served for 34 years. During his tenure, he had introduced several changes in the Customs working procedure namely Golden Counter, Pre-clearance and others. He had held various important and prominent positions dealing in all aspects of Customs enforcement.

Dato' Haji Wazir is also a member of the Audit, Nomination and Remuneration Committees and does not hold any other directorships of public companies. He does not have interest in the securities of the Company and its subsidiaries and has no family relationship with any other Director and/or major shareholder of the Company.

DIRECTORS' PROFILE

Lee Kay Loon
Independent Non-Executive Director (Malaysian)

Mr Lee Kay Loon aged 61, was appointed to the Board as an Independent Non-Executive Director on the 1 June 2010. He is a fellow of the Association of Chartered Certified Accountants UK, member of the Malaysian Institute of Accountants and the Malaysian Institute of Chartered Secretaries & Administrators. Mr Lee has vast corporate and financial management experience having worked in a quasi government organisation, a local bank and a life and general insurance company. He has held various senior management positions which included internal auditor, accountant, Director of Finance, Brand and Communication Director and Director of Project Management. Mr Lee retired in 2007 after a career spanning more than 30 years.

Mr Lee is currently the Chairman of the Audit Committee and a member of the Remuneration Committee. He does not hold any directorships of other public companies and does not have any interest in the securities of the Company or its subsidiaries. He has no family relationship with any other Director and/or major shareholder of the Company.

Wan Azfar bin Dato' Wan Annuar
Non-Independent Non-Executive Director (Malaysian)

En Wan Azfar bin Dato' Wan Annuar, aged 63, was appointed to the Board as an Executive Director on 17 September 2001. He resigned as Executive Director on 26March 2003 but remained as a Non-Executive Non-Independent Director. A Naval Officer by training, having been through Britannia Royal College, Dartmouth, United Kingdom and HMS Mercury, Royal Navy's School of Maritime Operations, Petersfield, United Kingdom, he has some 16 years service at sea and ashore. His military appointments included 2 warship commands, staff duties at Ministry of Defence, Kuala Lumpur, Naval Headquarters in Singapore and as Naval Attache at the Malaysian High Commission, London. After leaving the Royal Malaysian Navy, he joined Malayan United Industries Berhad group of companies and pioneered the hotel division.

En Wan Azfar is also a member of the Audit and Nomination Committees and does not hold any other directorships of public companies. He has an indirect interest in 1,100,000 fully paid ordinary shares of RM1-00 each in the Company. He has no family relationship with any other Director and/or major shareholder of the Company.

Notes
1. None of the Directors has entered into any transaction, whether directly or indirectly, which has a conflict of interest with the Company.
2. None of the Directors have any convictions for any offences within the past 10 years other than traffic offences.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors remains committed to subscribe to the principles of good corporate governance that is central to the effective operation of the Company and to ensure the highest standards of accountability and transparency.

As stated in Malaysian Code of Corporate Governance (MCCG), corporate governance is defined as : "The process and structure used to direct and manage the business and affairs of the company towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long-term shareholder value, whilst taking into account the interests of the other stakeholders."

The Board of Directors supports the framework which is designed and constantly being reviewed to promote the best Corporate Governance culture and which assists the Board to discharge its corporate governance responsibilities in line with principles and recommendations as stated in the MCCG in promoting corporate governance through suitable structures, systems, good practises and development of a good corporate governance environment and culture. The Board of Directors will continue promoting existing corporate governance practices and incorporate the principles and recommendations of the MCCG into the existing Corporate Governance framework.

This statement outlines the Group's main corporate governance practises and policies in place, which is in line with the principles and recommendations laid out in the MCCG as belows :

1. Clear Roles and Responsibilities
2. Strengthen Composition
3. Reinforce Independence
4. Foster Commitment
5. Uphold Integrity in Financial reporting
6. Recognise and Manage Risks
7. Ensure Timely and high Quality Disclosure
8. Strengthen Relationship Between Company and Shareholders

The Board of Directors supports the 8 principles and 26 recommendations stated in MCCG 2012 in promoting best corporate governance through structures, systems, processes in self promoting good practises and development of a corporate governance culture and environment. The Board of Directors will continue the existing corporate governance practises and will undertake appropriate action in promoting the principles and recommendations of the MCCG 2012 into the existing Corporate Governance framework.

The Board is pleased to report below on the extent to which the principles and best practices of the Code were applied throughout the financial year ended 31 December 2012.

CLEAR ROLES AND RESPONSIBILITIES

Board Role and Responsibilities

The Company is led by an experienced Board, comprising three (3) Executive Directors, three (3) Independent Non-Executive Directors and one (1) Non-independent Non-Executive Director.

The Board of Directors is primarily responsible for charting and reviewing the strategic direction of the Group, It delegates and monitors the implementation of these directions to the management.

The responsibilities of the Board are inclusive of but not limited to:

CORPORATE GOVERNANCE STATEMENT

CLEAR ROLES AND RESPONSIBILITIES

1. Charting the strategic direction, and setting out short term and long term plans for the Group.
2. Promoting ethical and best corporate governance culture in the Group.
3. Monitoring and reviewing of compliance with internal control policies and risk management systems.
4. Monitoring compliance with relevant laws & regulations and accounting standards within the corporate and business environment.
5. Overseeing and review of business operations within a systematic and controlled environment.
6. Approving and monitoring the annual budget and financial performance of the Group.
7. Appointing and determining the remuneration, duration and relevant appointment terms of the CEO.
8. Assessing the performance of and developing the succession plan for the CEO and other Executive Directors.

The Board composition represents a mix of knowledge, skills, and expertise which assist the Board in effectively discharging its stewardship and responsibilities. The profiles of the members of the Board are set out on pages 12 to 15 of this Annual Report.

The Board had delegated to the CEO and his management team the day to day management of the Group.

The Company has a clear distinction and separation of roles between the Chairman and the CEO, with clear division of responsibilities. The Board of Directors is headed by Datuk R. Karunakaran, an independent non-executive chairman, who has broad exposure and extensive experience in the international trade and investment arena. As Chairman, he plays a vital role in leading and guiding the Board, and also serves as the communication point between the Board and the CEO.

The CEO, Mr Tee Tuan Sem, and his management team is responsible for implementing the plans chartered out and the day to day management of the Group, with clear authority delegated by the Board.

Board Function

The Company is currently led by an experienced Board, comprising three (3) Executive Directors, three (3) Independent Non-Executive Directors and one (1) Non-independent Non-Executive Director.

The independent non-executive directors are considered independent of any business or other relationship or circumstances that could interfere with the execution of their independent judgement and decision making in the best interests of the Company.

Collectively, the Board has a broad range of experiences and skills in the areas of international trade, accounting and finance, law and business. A brief profile of each director is presented on pages 12 to 15 of the Annual Report.

Re-election of Directors – The Company's Articles of Association state that one third of the Directors shall retire from office by rotation at each Annual General Meeting (AGM) and all Directors shall retire from office at least once every three (3) years but shall be eligible to offer themselves for re-election.

The Company also complies with Sections 129(2) and 129(6) of the Companies Act, 1965, which states that a Director who is over 70 years of age shall retire at every AGM and may offer himself for re-appointment to hold office until the company's next AGM.

CORPORATE GOVERNANCE STATEMENT

Board Committees

The Company has 3 Board Committees to assist the Board and they are delegated specific functions. These Board Committees are governed by their Terms of Reference, which are reviewed periodically to ensure they are in line with latest developments and requirements. The three board committees are :-

i. Audit Committee
ii. Nomination Committee
iii. Remuneration Committee

All Committees, have a majority of independent non-executive Directors, and submit their respective reports and minutes to the Board for approval. The responsibilities and functions of the Board committees are set out below.

Audit Committee - To oversee the integrity of financial statements, compliance with relevant accounting standards and the group's risk management and internal controls. The Committee had four (4) meetings in the financial year 2012.

The Audit Committee comprises:-

1. Lee Kay Loon - Chairman - Independent Non-Executive Director
2. Dato' Haji Wazir bin Haji Muaz - Independent Non-Executive Director
3. Wan Azfar bin Dato' Wan Annuar - Non-Independent Non-Executive Director

Nomination Committee - To identify, assess and recommend new nominees to the Board and evaluate annually the performance of all Board members. It assists the board in reviewing the required mix of expertise, skills, experience, qualifications and assesses the effectiveness of the Board as a whole and the contribution of each individual Director. There was one meeting of the Committee in the financial year under review.

The Nomination Committee comprises:-

1. Datuk R. Karunakaran - Chairman - Independent Non-Executive Director
2. Dato' Haji Wazir bin Haji Muaz - Independent Non-Executive Director
3. Wan Azfar bin Dato' Wan Annuar - Non-Independent Non-Executive Director

Remuneration Committee – The Remuneration Committee is responsible for recommending to the Board the policy framework on the terms of employment, remuneration and bonuses or incentives of the Executive Directors. Remuneration of the Non-Executive Directors is decided by the Board as a whole. Individual Directors abstain from deliberations and voting on their own remuneration at the Board and Remuneration Committee meetings. There was one meeting of the Committee in the financial year 2012.

The Remuneration Committee comprises :-

1. Datuk R. Karunakaran - Chairman - Independent Non-Executive Director
2. Dato' Haji Wazir bin Haji Muaz - Independent Non-Executive Director
3. Lee Kay Loon - Independent Non-Executive Director

Board Meetings

The Board meets on a quarterly basis, with additional meetings being convened when necessary to address issues deemed urgent. The Board met on five occasions during the year ended 31 December 2012 and the details of attendance at Board Meetings held during the financial year are set out below.

CORPORATE GOVERNANCE STATEMENT

Date of Meeting	Venue
27 February 2012	Indera Subang Condominium, Ground Floor, Jalan USJ 6/2L, 47610 UEP Subang Jaya, Selangor Darul Ehsan
30 March 2012	Melati 3, Grand Dorsett Subang Hotel, Jalan SS 12/1, 47500 Subang Jaya, Selangor Darul Ehsan
21 May 2012	Indera Subang Condominium, Ground Floor, Jalan USJ 6/2L, 47610 UEP Subang Jaya, Selangor Darul Ehsan
24 August 2012	Indera Subang Condominium, Ground Floor, Jalan USJ 6/2L , 47610 UEP Subang Jaya, Selangor Darul Ehsan
06 November 2012	No. 30, Tao Hua Road, Futian Free Trade Zone, Shenzhen, The People's Republic of China

ATTENDANCE	Number of Meetings Attended	Total Number of Meetings
EXECUTIVE DIRECTORS		
TEE TUAN SEM	5	5
MAKOTO TAKAHASHI	5	5
TAI ME TECK, JASPER	5	5
INDEPENDENT NON-EXECUTIVE DIRECTORS		
DATUK R. KARUNAKARAN	5	5
DATO' HAJI WAZIR BIN HAJI MUAZ	5	5
LEE KAY LOON	5	5
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR		
WAN AZFAR BIN DATO' WAN ANNUAR	5	5

All the Directors have complied with the minimum attendance requirements as stipulated by the Main Board Listing Requirements of Bursa Malaysia Securities Berhad during the financial year.

Supply of Information

The Board has timely access to relevant information pertaining to the Group. Prior to each Board meeting, the Agenda for each Board meeting together with comprehensive management reports, proposal papers and supporting documents, are furnished to all Directors for their perusal at least 3 days in advance of the Board meeting. Directors can obtain further clarifications where necessary from the management and the Secretary in order to be better informed before the Board meeting. Senior management and external advisors may be invited to attend Board Meetings to provide further details, clarifications and/or advise the Board as and when required on matters to be deliberated. Should any of the Directors be unable to attend any Board meeting, he may give his opinion in writing in advance, and such opinion will be considered in the decision making process at the Board meeting.

Board meetings are held at the Company's premises, either in Malaysia or overseas, if deemed necessary, to enable the Board members to better assess the environment at the said offices. During the year under review, the Board visited Integrated Shun Hing Logistics (Shenzhen) Co. Limited's warehouse at Futian Free Trade Zone, Shenzhen, The People's Republic of China. Members of the Board also visited the new warehouse complex at Dubai in the United Arab Emirates.

All matters discussed and resolutions passed at each Board meeting are recorded in the minutes of the Board meeting. These minutes are circulated to all Directors for their perusal and confirmation and any Director can request for further clarification on the minutes prior to their confirmation.

The members of the Board also evaluate business propositions and corporate proposals that require Board approval. The Board is regularly updated and advised on new statutory as well as regulatory requirements relating to the duties and responsibilities of Directors. Further advice can be obtained from the Company Secretary or from external professionals if necessary.

CORPORATE GOVERNANCE STATEMENT

Directors' Code of Ethics

The Board of Directors has always conducted themselves in an ethical manner while executing their duties and functions, and complied with the Company Directors' Code of Ethics recommended by the Companies Commission of Malaysia.

Sustainability

The board of directors regularly review the strategic direction of the Company and the progress of the Company's operations, taking into account changes in the business and political environment and risk factors such as level of competition.

Access to information and Advice

All Directors have unrestricted access to the Company's records and information, and are furnished quarterly financial and operational reports by the Management. In addition, the Audit Committee regularly communicates with the CEO and senior management when carrying out their duties and responsibilities and requests for additional information and clarification as when necessary.

Company Secretary

The Company Secretary is responsible for the secretarial function such as ensuring compliance with all statutory & regulatory requirements, recording the proceedings of all Board and Committee meetings, and proper maintenance of secretarial records.

Corporate Social Responsibility (CSR)

The Group recognises its commitment to contribute positively to the community and society.

STRENGTHEN COMPOSITION

The Company strives to have a Board comprising members with suitable academic & professional qualifications, skills, expertise and wide exposure.

The Nomination Committee is headed by the Chairman, Datuk R. Karunakaran, an Independent Non-Executive Director. All the Committee members are Non-Executive, with a majority being independent.

The Nomination Committee does an annual review of the composition of the Board and makes recommendations to the Board accordingly, with a view to meeting current and future requirements of the Group. The Committee is satisfied with the current size of the Board, and with the mix of qualifications, skills & experience among the Board members. Among other evaluation criteria is the commitment displayed, the depth of contribution, ability to communicate and undertake assignments on behalf of the Board.

The Remuneration Committee is headed by the Chairman, Datuk R. Karunakaran, an Independent Non-Executive Director. His fellow members are both Independent Non-Executive Directors.

The Remuneration Committee reviews the remuneration policy each year with a view to ensuring it is fair and able to attract and retain talent who can add value to the Group. The Non-Executive Directors fees is tabled at the Company's AGM for approval.

CORPORATE GOVERNANCE STATEMENT

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

Particulars	Executive Directors	Non-Executive Directors	Total(RM)
Salaries & other emoluments	3,981,249	-	3,981,249
Fees	60,255	216,000	276,255
Other emoluments	-	117,220	117,220
Total (RM)	4,041,504	333,220	4,374,724

Directors remuneration analysed into bands of RM50,000 is as follows :-

Range of Remuneration *	---------------------------- Number of Directors ----------------------------		
	Executive	Non-Executive Independent	Non-Executive Non-Independent
RM 50,001 to RM 100,000	-	2	1
RM 100,001 to RM 150,000	-	1	-
RM 800,001 to RM 850,000	1	-	-
RM1,150,001 to RM1,200,000	1	-	-
RM2,000,001 to RM2,050,000	1	-	-

** Total remuneration received by the Directors from the Company and its subsidiaries.*

REINFORCE INDEPENDENCE

The Non-Executive Directors are not employees of the Group and do not participate in the day to day management of the Group. Three of the four Non-Executive Directors, including the Chairman, are independent directors and are able to express their views without any constraint. This strengthens the Board which benefits from the independent views expressed before any decisions are taken. The Nomination Committee has reviewed the performance of the independent directors and is satisfied they have been able to discharge their responsibilities in an independent manner.

None of the current independent board members had served the company for more than 9 years as per the recommendations of MCCG 2012. Should the tenure of an independent director exceed 9 years, shareholders approval will be sought at a General Meeting or if the services of the director concerned are still required, the director concerned will be re-designated as a non-independent director.

There is clear separation of powers between the Chairman, who is an independent director and the CEO, and this further enhances the independence of the Board. Should any director have an interest in any matter under deliberation, he is required to disclose his interest and abstain from participating discussions on the matter.

FOSTER COMMITMENT

All the Non-Executive directors have committed sufficient time to carry out their duties for the tenure of their appointments, whether as members of standing Board Committees or whether required to carry out special duties as members of Ad-Hoc Board Committees.

CORPORATE GOVERNANCE STATEMENT

Continuing Development Program

All new appointees to the Board are given an introduction to familiarize themselves with the Group's operations so as to assist them in discharging their duties and responsibilities. They are required to attend the Mandatory Accreditation Programme required by Bursa Malaysia and thereafter to continually upgrade their knowledge and exposure through in-house training programmes as well as courses conducted by external parties. All Directors have completed the Mandatory Accreditation Programme as stipulated by Bursa Malaysia.

During the year, all Board members attended a seminar with topics on "Overview of Malaysian Financial Reporting Standards, Key Elements in Corporate Governance Blue Print and its implications to the Board, Statement on Internal Control and Updates on Main Market Listing Requirements of Bursa Malaysia Securities Berhad" conducted by Moore Stephens AC (now known as Baker Tilly AC).

Other training programmes attended by the Chairman, Datuk R. Karunakaran, during the year were as follows :-

Conducted By	Training programmes
RAM Holdings Berhad	Economic Council Working Group Roundtable Consultation - Discussion on Strategic Packages for Budget 2013 - Stimulating Private Sector Growth
Bursa Malaysia	Half Day Governance Programme - Governance, Risk Management and Compliance (What Directors Should Know)
MSC Malaysia & Digital Malaysia	MSC Malaysia International Advisory Panel (IAP) 2012 Meeting (Chaired by the Prime Minister)
Companies Commission of Malaysia	Highlights of key provisions in the Proposed Companies Bill 2012

UPHOLD INTEGRITY IN FINANCIAL REPORTING

The Board strives to provide true, fair and comprehensive financial reporting of the Group's performance in the audited financial statements and quarterly financial reports together with material disclosures in the notes to accounts, in accordance with the MFRS and Bursa Malaysia requirements.

The Audit Committee exercises professional oversight of the integrity of the financial reports before presenting the financial statements to the Board for approval. The Audit Committee also provides assurance to the Board, with support and clarifications from the external auditors, that all the financial statements and reports presented are in compliance with applicable laws and accounting standards and give a true and fair view of the Group's performance and financial position.

The Board has a formal and transparent relationship with the auditors. The Audit Committee recommends to the Board on the appointment of the external auditors which is subject to the approval of shareholders in a general meeting whilst their remuneration is determined by the Board. The role of the Audit Committee is further set out in the Audit Committee Report.

The Board has private sessions and dialogues through the Audit Committee with the external auditors, in the absence of the executive directors and the management. For the year under review, there were two dialogue sessions with the external auditors where there was an exchange of views in relation to the financial reporting of the Group and other issues needing attention.

CORPORATE GOVERNANCE STATEMENT

RECOGNISE AND MANAGE RISK

Relevant Internal control systems are implemented for the day to day operations of the group. The Internal Audit Department has an independent reporting channel to the Audit Committee and is authorised to conduct independent audits of all the departments and offices within the group and reports the findings to the Audit Committee at the end each quarter.

The Audit Committee reviews, deliberates and decides on the next course of action and evaluates the effectiveness and efficiency of the internal control systems in the organization.

The Internal Control Systems are designed to manage and mitigate rather than eliminate the risk of failure in achieving the company's corporate objectives and safeguarding the company's assets as well as investors interests.

ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

The Board exercises close monitoring of all price sensitive information potentially required to be released to Bursa Malaysia and makes material announcements to Bursa Malaysia in a timely manner as required. In line with best practices, the Board strives to disclose price sensitive information to the public in as soon as praticable through Bursa, the media and the company's website.

Price sensitive information is defined as any information that on becoming generally available would tend to have a material effect on the market price of the Company's listed securities. The Company Secretary is responsible to compile such information for the approval of the board soonest possible and release such information to the market as stipulated by Bursa Malaysia.

Apart from the provisions relating to the "closed period" for dealing in the company's shares, the directors and senior management privy to price sensitive information are prohibited from dealing in the shares of the company until such information is publicly available.

STRENGTHEEN RELATIOSHIP BETWEEN COMPANY AND SHAREHOLDERS

The Annual General Meeting is the principal forum for dialogue and interaction with the shareholders of the company. The Board is committed to provide shareholders with comprehensive timely information about the Group's activities and performance to enable investors make informed decisions. Shareholders are encouraged to attend Annual General Meetings and use the opportunity to ask questions on resolutions being proposed during the meeting and also on the progress, performance and future prospects of the company. The Chairman and Board members, with the assistance of the external auditors, are responsible to respond and provide explanations matters raised.

Information on the Group's activities is provided in the Annual Report and Financial Statements, which are despatched to shareholders. Dialogues are also held by the Group with investment analysts and fund managers to keep them abreast of corporate and financial developments within the Group. The Company also encourages all shareholders and investors to access online the company's Annual report and up to date announcements, which are made available at the Bursa Malaysia website and the company's own website at ***www.ilb.com.my***

Investors and the public who wish to contact the Group on any enquiry, comment or proposal can channel them through e-mail or contact the following persons:-

Name	Contact No.	E-mail address
Amarjit Singh A/L Banta Singh	03-5631 7377	amarjit@ilb.com.my
Eric Tay	03-5631 7377	erictay1243@yahoo.com

CORPORATE GOVERNANCE STATEMENT

OTHER DISCLOSURES

Depository Receipt Programme

The Company did not sponsor any depository receipt programme during the financial year.

Sanctions and/or Penalties

There were no sanctions and/or penalties imposed on the Company & its subsidiaries, directors or management by the relevant regulatory bodies during the financial year.

Profit Estimates, Forecasts and Projections

The Company did not release any profit estimate, forecast or projection for the financial year. There is no variance of 10% or more between the results for the financial year and the unaudited results previously released by the Company.

Profit Guarantee

During the financial year, there was no profit guarantee given by the Company to any party.

Material Contracts

There were no material contracts entered into by the Group which involved directors and/or major shareholders interests during the financial year.

Non-Audit Fees

The amount of non-audit fees paid to external auditors for the financial year ended 31 December 2012 was RM8,600.

Share Buy-Back

During the financial year ended 31 December 2012, the Company purchased a total of 11,898,900 ordinary shares of RM1-00 each of the issued share capital from the open market at an average price of RM0.972 per share. The total consideration for the share buy-back was RM11,565,184 and was financed by internally generated funds.

On 3 February 2012, the Company had cancelled 19,000,000 treasury shares held in its Share Buy-Back Accounts and thus the issued share capital of the Company was adjusted accordingly to RM178,025,503 comprising 178,025,503 ordinary shares of RM1-00 each.

As at 31 December 2012 the total number of shares retained as treasury shares was 11,682,600 ordinary shares of RM1-00 each.

CORPORATE GOVERNANCE STATEMENT

Information on the shares purchased by the Company during the financial year ended 31 December 2012 is as follows:

Month	No. of Shares Purchased	Purchase Price Per Share (RM)		Average Cost Per Share	Total Consideration
		Lowest	Highest	(RM)	(RM)
January 2012	627,900	0.680	0.710	0.710	445,924.52
April 2012	151,600	0.730	0.740	0.738	111,808.28
May 2012	628,600	0.840	0.935	0.899	565,257.82
June 2012	444,000	0.835	0.890	0.876	388,910.25
July 2012	338,800	0.820	0.880	0.868	294,079.30
August 2012	48,100	0.840	0.860	0.856	41,194.18
September 2012	2,256,000	0.900	0.960	0.942	2,125,131.86
October 2012	717,200	0.915	0.945	0.935	670,335.69
November 2012	2,614,300	0.920	1.070	1.050	2,745,156.44
December 2012	4,072,400	0.965	1.050	1.026	4,177,385.82
Total	**11,898,900**			**0.972**	**11,565,184.16**

STATEMENT ON COMPLIANCE WITH THE REQUIREMENTS OF BURSA MALAYSIA IN RELATION TO APPLICATION OF PRINCIPLES AND ADOPTION OF BEST PRACTICES LAID DOWN IN THE MALAYSIAN CODE OF CORPORATE GOVERNANCE 2012 (MCCG)

The board is pleased to report to its shareholders that the Group has complied with and shall remain committed to attaining the highest possible standards through the continuous adoption of the principles and best practises of the MCCG and all other applicable laws.

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

AUDIT COMMITTEE REPORT

Composition and Attendance

The Audit Committee comprises the following members and details of attendance at meetings held during the financial year ended 31 December 2012 are as follows :-

Composition of the Committee	Attendance at Committee meetings
Lee Kay Loon (Chairman / Independent Non-Executive Director)	4 out of 4 meetings
Dato' Haji Wazir bin Haji Muaz (Member / Independent Non-Executive Director)	4 out of 4 meetings
Wan Azfar bin Dato' Wan Annuar (Member / Non-Independent Non-Executive Director)	4 out of 4 meetings

TERMS OF REFERENCE

1.0 OBJECTIVES

The primary objective of the Audit Committee is to assist the Board of Directors in fulfilling its fiduciary responsibilities relating to the corporate accounting and reporting practices of the Company and its subsidiary companies. In addition, the Audit Committee shall :-

a) Promote integrity and accountability of the operation within the group towards safeguard the rights and interests of shareholders and investors.

b) Oversee and appraise the quality of the audit conducted by the Company's external Auditors.

c) Improve the group operations and business efficiency, strengthen public confidence in the accuracy of accounting and audit function, and transparency in the Group's reported financial results.

d) Maintain through regularly scheduled meetings, a direct line of communication between the Board of Directors and the external Auditors as well as the Internal Auditors.

e) Ensure the independence of the external and internal audit functions.

f) Determine the adequacy of the Group's administrative, operating and accounting controls.

2.0 COMPOSITION

The Audit Committee shall be appointed by the Board of Directors from amongst their members and shall be composed of at least three (3) and not more than five (5) members who shall:-

a) be Non-Executive Directors of the Company, a majority of which are independent.

b) not comprise persons having a relationship which, in the opinion of the Board of Directors, would interfere with the exercise of independent judgment in carrying out the functions of the Committee.

One member of the committee members shall be appointed Chairman by the Board of Directors. In the absence of such an appointment, one of the independent members shall be elected as Chairman by the committee members.

AUDIT COMMITTEE REPORT

Where the composition of the Board Audit Committee is reduced to less than three members for any reason, the Board shall within three months of the event appoint such number of new members as may be required to make up the minimum number of three members.

At least one member of the Committee must meet the criteria set by the Main Market Listing Requirements of Bursa Malaysia:

a) must be a member of the Malaysian Institute of Accountants or
b) if not a member of the Malaysian Institute of Accountants, must have at least three years' working experience, and:

   (i) must have passed the examination specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or

   (ii) must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.

An assessment shall be conducted on the members of Audit committee by the Board to determine whether the committee has carried out its duties and responsibilities in accordance to its terms of reference.

No alternate directors shall be appointed to the Audit Committee.

3.0 AUTHORITY

The Audit Committee is authorised by the Board of Directors to investigate any activity within its terms of reference. It has free access to all information and documents it requires from all employees, the group's properties, books, accounts, records and other information of the group in whatever form for the purpose of discharging its function and responsibilities.

The Audit Committee is to have direct communication channels with the external auditors and internal audit functions or activities, and to obtain outside legal or other independent professional advice, as it considers necessary.

The Audit Committee is authorised to approve the appointment of head of Internal Audit.

4.0 DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the Audit Committee shall be :-

a) To review : -

- the financial statement and annual reports prior to recommendation of acceptance or otherwise to the Board of Directors.
- the Group's quarterly results prior to recommendation of acceptance or otherwise to the Board of Directors.
- the compliance with and adequacy of the guidelines and procedures established to monitor recurrent related party transactions.
- the planning, scope and area of internal audit and external audit and their respective audit findings.
- the adequacy and effectiveness of the systems of internal control and the risk management function of the group

b) To consider the appointment of the external Auditors, head of internal audit and their remuneration.

c) To meet both the external and internal auditors in the absence of the executive directors, the CEO and senior management at least twice a year to discuss issues or reservations arising from the audits and any other matters that the auditors may wish to present for the attention of the audit committee, where necessary.

d) To report to the Board of Directors of its compliance with laws and regulations, related party transactions, code of ethics, material activities, significant results and findings from internal and external audit, internal control, corporate governance and risk management functions.

e) To undertake such other responsibilities as may be agreed to by the Board of Directors.

5.0 MEETINGS

The Audit Committee shall meet at least four times a year.

In addition, the chairperson shall convene a meeting of the Committee if requested to do so by any member, the management or the internal or external Auditors to consider any matter within the scope and responsibilities of the Committee.

6.0 ATTENDANCE

a) Meetings shall be attended by the Chief Executive Officer, the Head of Internal Audit, and a representative of the external Auditors.

b) Other participants may be invited from time to time to attend the meetings.

7.0 QUORUM

A quorum shall consist of two members, with the majority being independent non-executive directors.

8.0 SECRETARY

The Secretary of the committee shall be the Company Secretary, who shall be responsible to draw up the agenda for each meeting for the Committee chairman's approval. The said agenda shall be forwarded to all members of the committee at least 3 days before each meeting together with all relevant documentations.

All minutes of audit committee meetings shall be distributed, confirmed and signed by the chairman of the meeting at the next meeting, of which the said signed minutes shall be kept in a minutes book at registered office of the company under the custody of the Company Secretary.

The minutes shall be available for inspection by the members of the board, the external auditors and any other persons deemed appropriate by the chairman of the committee.

3.0 MEETINGS

The Audit Committee met four times during the Financial Year in accordance with the requirements of the Audit Committee's Terms of Reference.

The Internal Auditor and the Company Secretary who is also the secretary to the Audit Committee were in attendance during the meetings. The Chief Executive Officer, Executive Directors and other officers were also invited to attend the meetings to deliberate on relevant matters as and when required.

After each meeting, the Chairman of the Audit Committee submits reports on the matters deliberated, rectifications required and relevant recommendations based on the issues discussed during the committee meetings to the attention of Board of Directors for their information and further actions.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

Risk Management

- Reviewed and deliberated the risk management audit conducted on the Group's China operations. The risk management coverage included management procedures, improvements in ISO, Safety, Health and Environmental (SHE) training requirements, electrical systems safety evaluation and review & improvement in the Standard Operating Procedures (SOP).

Internal Audit

- Review and approved the Group Internal Audit Structure, Budget, Annual Audit Plan, Internal Audit Resources and audits conducted based on significance by risk levels.

- Quarterly review of Internal Audit Report covering both internal and external risk management, corporate governance, effectiveness and efficiency of operations, Safety, Health and Environment (SHE) aspects as well as compliance with laws and regulations.

- Reviewed and assessed on the adequacy and efficiency of corrective actions taken by the management on outstanding Internal Audit issues raised in previous reports.

- Deliberated the results of ad-hoc investigations and appropriate actions taken to rectify the weaknesses.

- Reviewed and approved the appointment of external consultant for internal audit functions.

- Reviewed the Terms of Reference of the Audit Committee

External Audit

- Reviewed and approved the External Auditors audit plan and its scope of audit works.

- Deliberated the results of the annual audit report and made neccessary reports and recommendations to the Board of Directors.

- Assessed the performance of the External Auditors and recommended their re-appointment and remuneration to the Board of Directors.

- Two meetings with the External Auditors, without the presence of the executive directors and management to discuss matters affecting the audit and the Audit Committee duties.

AUDIT COMMITTEE REPORT

Financial Results

- Reviewed the quarterly and annual financial statements of the Company and the Group, with recommendation to the Board for approval.

- Reviewed and deliberated on the implementation of Malaysian Financial Reporting Stardards (MFRS) on the financial reporting system within the Group.

Related Party Transaction

- Reviewed the related party transactions during the period

- Reviewed the system to identify, monitor and meet disclosure requirements of all related party transactions within the Group.

Annual Statutory Reporting

- Reviewed and recommended to the Board for approval the Statement on Corporate Governance, Statement of Internal Control and Audit Committee Reports.

Others

- Visited the Group's operations at Futian Free Trade Zone, Shenzhen, China to have better awareness of the operations of the Company.

- Conducted private meetings with key management stationed at the Shenzhen operations office to better understand operations and areas needing improvement.

- Reviewed all legal cases in progress and deliberated on the risk and liabilities to be recognised in the financial statements.

RISK MANAGEMENT AND INTERNAL CONTROL REVIEWS

During the financial year under review, the Audit Committee had reviewed a total of 8 reports covering assignments and audits implemented within the Group.

Further advice, recommendations and corrective action towards the best practises were given to the management as well as deadlines to complete the tasks and continuous compliance of such best practices. The Group Internal Auditor is to report to the Audit Committee on the action taken on advice given.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

BOARD RESPONSIBILITY

The Board of Directors is responsible for the adequacy and effectiveness of the Group's Risk Management and Internal Control System. The Board recognises the importance of good corporate governance and is committed to maintaining a sound system of internal control and risk management. This includes the establishment of an appropriate control environment and risk management framework, processes and structures and continually reviewing the adequacy and integrity of the said systems to safeguard shareholders' investment and the Group's assets. The Board is pleased to provide the following statement, which outlines the nature and scope of risk management and internal control of the Group during the year.

The system of risk management and internal control covers risk management, finance, operations, management information systems and compliance with relevant laws, both local and foreign, all other regulations, policies and procedures.

Whilst acknowledging its responsibilities, the Board is aware of the limitations that are inherent in any systems of internal control and risk management, such systems being designed to manage, rather than eliminate, the risk that may impede the achievement of the Group's business objectives. Accordingly, it can only provide a reasonable combination of preventive, detective and corrective measures but not absolute assurance against material misstatement or losses, fraud or breaches of laws or regulations.

The Group's risk management and internal control framework is an ongoing process, and has been in place for identifying, evaluating and managing significant risks faced or potentially to be encountered by the Group. The process is regularly reviewed by the Board.

The implementation of the risk management and internal control system within the Group inclusive of design, operation, identification, assessment, mitigation and control of risks, are operated with the assistance of the Management throughout the period. The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer that the Group's risk management and internal control system is operating adequately and effectively in all material aspects, based on the risk management and internal control system of the Group.

The Board is of the view that the Group's risk management and internal control framework and systems is in place for identifying, evaluating and managing significant risks faced or potentially to be encountered by the Group. The key features of the internal control systems which are operated with the assistance of the Management are described under the following headings:-

Risk Management Framework

The Group has an embedded process for the identification, evaluation, reporting, treatment, monitoring and reviewing of the major strategic, business and operation risks within the Group, covering both wholly and partially owned subsidiaries as well as joint ventures and associated companies. Both the Audit Committee and Board of Directors review the effectiveness of the risk management function and deliberate on the risk management and internal control frameworks, functions, processes and reports on a regular basis.

For the period under review, the Audit Committee is assisted by the internal control division and the operation staff from various divisions to effectively embed risk management and control into the corporate culture, processes and structures within the Group. The framework is continually monitored to ensure it is responsive to the changes in the business environment and clearly communicated to all levels.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

Risk Appetite and Risk Management Processes

The development and documentation of risk appetite and risk management processes is in progress and the Board will report on the status of the said development in due course.

Internal Control Structure

The Group has an established internal control structure and is committed to evaluating, enhancing and maintaining the structure to ensure effective control over the Group's business operations and to safeguard the value and security of the Group's assets. There is a clearly defined operating structure with lines of responsibilities and delegated authority in place to assist the Board to maintain a proper control environment. The control structure and environment are supported by the following activities:-

- **Organisation Structure**

  The organization structure clearly outlines the authority, responsibility, segregation of duties and accountability to support the Group in achieving its strategies and operational objectives.

- **Group Policies and Procedures**

  The Group has defined procedures and controls to ensure the reporting of complete and accurate financial information. These procedures and controls include obtaining authority for major transactions and ensuring compliance with laws and regulations that have significant financial implications. Procedures are also in place to ensure that assets are subject to proper physical controls and compliance to health and safety requirements

  The policies and procedures are also reviewed on a regular basis to ensure relevance and effectiveness.

- **Management Information System**

  The Board recognizes the importance of information and communication technologies to promote effective and efficient business operations, timely and accurate communications to enhance the business interests of the Group.

  The major information and communication technologies used by the Group are :

  1. Warehouse Management System (WMS) - supported with state of the art Exceed 3.7 system, optimizing the import and export operations with full electronic execution, improvement in shelving efficiency, optimization of space usage, cargo accuracy, monitoring of work processes and visibility of inventory, replenishment efficiency and supply chain visibility.

  2. Transportation Management System (TMS) - a modern IT integrated customers' transportation system developed in-house, ensuring optimal processing automation, cargo loading rationalization and cargo-in-transit visibility.

  3. Forwarding Management System (FMS) - a modern IT integrated customers' transportation system developed in-house managing the forwarding process which covers shipment bookings, documentation, import export tracking, inspection, quarantine and customs declaration tracing, quotation management, report analysis, incident alert and invoicing.

  4. Integrated Management System (IMS) - for the centralization of all purchase orders and consolidation of all logistics operation information from transportation and warehousing to distribution and eventually customs declarations.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

- **Quarterly Budget versus Actual Financial Reporting**

  There is a comprehensive budgeting system with an annual budget approved by the respective Boards of the operating subsidiaries prior to the commencement of the financial year. Management accounts containing actual operation results versus forecasts results for the year are prepared and reported to the Board on a quarterly basis. These reports are reviewed and explanations obtained for variances before the Quarterly Results are approved for release to Bursa Malaysia for announcement to the public.

- **Audit Committee**

  The Audit Committee comprises non-executive directors, with a majority being independent directors, and provides direction and oversight over the internal audit function to enhance its independence. The Committee meets each quarter to review internal audit findings, discuss risk management issues and ensures that weaknesses and issues highlighted are appropriately addressed by the management.

- **Internal Audit**

  An annual risk based internal audit plan is reviewed and approved by the Audit Committee at the beginning of the year. The objectives of the said audit plan are to ensure, through regular internal audit reviews, that the Group's policies and procedures are being complied with in order to provide assurance on the adequacy and effectiveness of the Group's system of internal controls. Follow-up reviews and deliberation of internal audit reports are carried out to ensure that appropriate actions are taken to address internal control weaknesses highlighted. Other internal audit assignments also include customers on-site warehouse operations audits, adhoc appraisals, investigations as and when requested by the Board or Management.

  The Group Internal Audit Division has an independent status in the Group and reports functionally to the Board through the Audit Committee. The Internal Audit Division is also approved by the Audit Committee to outsource internal audit assignments to facilitate the transfer of internal audit knowledge and coverage in areas where technical skills and resources are not available internally.

- **Operational Monitoring and Controls**

  The monitoring and control procedures, which are incorporated into day to day operational procedures, are regularly reviewed by the Executive Director responsible for reporting to the Board. These are supplemented by comprehensive and independent reviews undertaken by the internal audit function on the controls in operation in each individual business and independently report to the Audit Committee of the outcome and findings. Regular reports are produced for senior management to assess the impact of control issues and recommend appropriate actions.

- **Control Environment**

  The Group has in place a proper control environment which emphasizes on quality and performance of the group's employees through the development and implementation of human resource policies and programmes designed to enhance the effectiveness and efficiency of the individual and the organisation.

  The Board believes that a sound internal control system reduces, but cannot eliminate, the possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

  Annual training and appraisal systems are also implemented for the employees at all levels within the group to ensure continuity and frequent update of the control culture in their day to day working environment.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

Conclusion

During the year, the Internal Audit Division has performed its duties in accordance with its annual audit plan covering management, operational and financial audit of various subsidiaries to ensure proper internal control systems are in place. In addition, the Internal Audit Division also conducted compliance audits on the Groups' Recurrent Related Party Transactions (RRPT's) where applicable.

For the financial year under review, some weaknesses in internal control were detected. After due and careful inquiry and based on the subsequent rectification actions and assurances provided, the Board is satisfied that all necessary actions and enhancements in internal control systems have been addressed accordingly and weaknesses highlighted have not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's Annual Report.

This statement is made in accordance with the resolution of the Board of Directors dated 25 February 2013.

STATEMENT OF DIRECTORS RESPONSIBILITIES IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

The Directors are required by the Companies Act, 1965 ("the Act") to prepare financial statements for each financial year which gives a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and the results and cash flow of the Group and of the Company for the financial year. As required by the Act and the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad, the financial statements have been prepared in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Act.

In preparing those financial statements, the Company's Directors have:

- adopted suitable accounting policies and applied them consistently;
- made judgements and estimates that are prudent and reasonable;
- ensured applicable approved accounting standards have been followed.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act, 1965. The Directors are also responsible for the assets of the Company and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CONTENTS

DIRECTORS' REPORT

The directors have pleasure in submitting their report and 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 subsidiaries are disclosed in Note 12 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS	Group RM	Company RM
Profit for the financial year	1,437,429	392,687
Profit attributable to shareholders :-		
Owners of the parent	(102,235)	
Non-controlling interests	1,539,664	
	1,437,429	

DIVIDENDS

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

	RM
In respect of the financial year ended 31 December 2011:- First and final dividend of 5.0% per ordinary share less tax at 25% declared on 27 February 2012 and paid on 20 April 2012	6,660,510
In respect of the financial year ended 31 December 2012:- dividend of 5.0% per ordinary share less tax at 25% declared on 6 November 2012 and paid on 10 December 2012	6,487,849

The directors do not recommend the payment of any final dividend in respect of the current financial year.

RESERVES AND PROVISIONS

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

DIRECTORS' REPORT

BAD AND DOUBTFUL DEBTS

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of provisions for doubtful debts and have satisfied themselves that all known bad debts had been written off and that no provision for doubtful debts was necessary.

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

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

In the opinion of the directors:-

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

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

ISSUE OF SHARES AND DEBENTURES

The Company did not issue any shares or debentures during the financial year.

TREASURY SHARES

During the financial year, the Company repurchased 11,898,900 of its issued ordinary shares from the open market at an average price of RM0.972 per share. The total consideration paid for the shares repurchased including transaction costs was RM11,565,184. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

On 3 February 2012, the Company had cancelled a total of 19,000,000 ordinary shares of RM1.00 each held as treasury shares and thus the issued share capital of the Company was adjusted accordingly to RM178,025,503 comprising 178,025,503 ordinary shares of RM1.00 each.

As at 31 December 2012, the Company held as treasury shares a total of 11,682,600 ordinary shares of its 178,025,503 issued ordinary shares. Such treasury shares are held at a carrying amount of RM11,413,477 and further relevant details are disclosed in Note 25 to the financial statements.

DIRECTORS OF THE COMPANY

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

DATO' HAJI WAZIR BIN HAJI MUAZ
DATUK KAROWNAKARAN @ KARUNAKARAN
LEE KAY LOON
MAKOTO TAKAHASHI
TAI ME TECK
TEE TUAN SEM
WAN AZFAR BIN DATO' WAN ANNUAR

DIRECTORS' REPORT

DIRECTORS' INTERESTS

The directors who are in office at the end of the financial year have the following interests in the ordinary shares of the Company during the financial year:-

	Number of Ordinary Shares of RM1/- Each			
	At 1.1.2012	Bought	Sold	At 31.12.2012
Direct Interest				
Makoto Takahashi	3,711,943	300,000	-	4,011,943
Tai Me Teck	466,200	430,000	-	986,200
Indirect Interest				
Being shares held through nominees, persons connected to Directors and corporations in which the Directors are interested				
Tee Tuan Sem *#	9,743,710	4,205,000	-	13,948,710
Wan Azfar Bin Dato' Wan Annuar #	306,884	1,100,000	(306,884)	1,100,000

** held through spouse of the director*
 # held through corporation in which the director is interested

By virtue of the interests in the Company and pursuant to Section 6A of the Companies Act, 1965, none of the directors in office at the end of the financial year are deemed interested in shares in the subsidiaries in which the Company has an interest.

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full time employee of the Company as shown in Note 6 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

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

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Details of significant events during the financial year are disclosed in Note 45 to the financial statements.

AUDITORS

The auditors, Messrs. Baker Tilly AC, have expressed their willingness to continue in the office.

Signed on behalf of the Board in accordance with a resolution by the Board of Directors dated [date].

TEE TUAN SEM **MAKOTO TAKAHASHI**

STATEMENT BY DIRECTORS

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

We, the undersigned, being two of the directors of Integrated Logistics Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements as set out on pages 10 to 96 are drawn up in accordance with the 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.

The supplementary information set out on page 97 has been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and presented based on the format as prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance with a resolution by the Board of Directors dated 6 March 2012.

TEE TUAN SEM **MAKOTO TAKAHASHI**

STATUTORY DECLARATION

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

I, Tee Tuan Sem, being the director primarily responsible for the financial management of the Company, do solemnly and sincerely declare that, to the best of my knowledge and belief, the financial statements as set out on pages 10 to 96 and the supplementary information as set out on page 97 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 at
Kuala Lumpur in the Federal Territory
on 6 March 2013

TEE TUAN SEM

Before me
TENGKU FARIDDUDIN BIN TENGKU SUNAIMAN
Commissioner of Oaths (W533)
Kuala Lumpur

INDEPENDENT AUDITORS REPORT TO THE MEMBERS

Report on the Financial Statements

We have audited the financial statements of Integrated Logistics Berhad, which comprise the statements of financial position as at 31 December 2012 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 44 to 131.

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 the 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 controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 controls relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements 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 the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

INDEPENDENT AUDITORS REPORT TO THE MEMBERS

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 Companies Act, 1965 in Malaysia to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Companies Act, 1965 in Malaysia.

b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 12 to the financial statements.

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

d) The auditors' reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Companies Act, 1965 in Malaysia.

Other Reporting Responsibilities

The supplementary information set out on page 97 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 the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

As stated in Note 2 to the financial statements, Integrated Logistics Berhad adopted the Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by the 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 statements of comprehensive income, statements of changes in equity and statements of cash flows for the financial year ended 31 December 2011 and its 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 at 31 December 2012 and the 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 contents of this report.

BAKER TILLY AC
AF 001826
Chartered Accountants

DATO' CHONG KWONG CHIN, DIMP., JP
707/04/14 (J/PH)
Chartered Accountant

Kuala Lumpur
Date: 6 march 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	2012 RM	2011 RM
Revenue	4	137,923,320	133,774,088
Direct operating costs		(107,952,855)	(103,511,306)
Gross profit		29,970,465	30,262,782
Other income		9,591,877	18,455,496
Administrative costs		(23,907,164)	(26,281,601)
Other costs		(112,988)	(1,075,813)
		(24,020,152)	(27,357,414)
Profit from operations		15,542,190	21,360,864
Finance costs	5	(4,352,985)	(3,995,073)
Share of results of associates		603,319	2,118,001
Share of results of jointly controlled entities		(4,784,503)	(941,624)
Profit before tax	6	7,008,021	18,542,168
Tax expence	7	(5,570,592)	(3,735,552)
Profit for the financial year		1,437,429	14,806,616
Attributable to:-			
Owners of the parent		(102,235)	13,001,608
Non-controlling interests		1,539,664	1,805,008
Profit for the financial year		1,437,429	14,806,616

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (cont'd)

	Note	2012 RM	2011 RM
Profit for the financial year		1,437,429	14,806,616
Foreign currency translation differences		(14,461,791)	23,839,482
Fair value adjustment of available-for-sale financial assets		(153,689)	68,458
Other comprehensive income for the financial year, net of tax		(14,615,480)	23,907,940
Total comprehensive income for the financial year		(13,178,051)	38,714,556
Total comprehensive income attributable to:			
Owners of the parent		(12,082,586)	30,891,272
Non-controlling interests		(1,095,465)	7,823,284
Total comprehensive income for the financial year		(13,178,051)	38,714,556
(Loss)/Earnings per share attributable to owners of the parent (sen)	8		
Basic		(0.058)	7.114

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	Note	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
ASSETS				
Non-current assets				
Property, plant and equipment	9	267,778,343	249,911,078	180,929,547
Land use rights	10	70,308,537	109,193,159	127,331,443
Capital work-in-progress	11	18,168,264	907,772	38,939,177
Interest in associates	13	71,680,219	61,747,937	59,135,801
Interest in jointly controlled entities	14	42,192,781	48,567,088	27,809,252
Other investments	15	1,485,464	1,325,269	1,124,151
Amount owing by a jointly controlled entity	18	29,973,600	12,973,500	20,131,676
		501,587,208	484,625,803	455,401,047
Current assets				
Receivables	16	53,000,837	53,673,228	45,973,859
Tax assets	19	452,856	736,390	1,390,971
Cash and cash equivalents	20	47,211,159	105,906,525	128,813,050
		100,664,852	160,316,143	176,177,880
TOTAL ASSETS		602,252,060	644,941,946	631,578,927

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012 (cont'd)

	Note	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
EQUITY AND LIABILITIES				
Share Capital	25	178,025,503	197,025,503	197,025,503
Share premium	26	27,609,598	44,086,331	44,086,331
Treasury shares	25	(11,413,477)	(16,325,026)	(8,485,620)
Retained earnings	26	73,553,464	85,741,194	85,418,939
Other reserves	26	86,650,728	66,549,432	46,052,680
Equity attributable to owners of the parent		354,425,816	377,077,434	364,097,833
Non-controlling interests		77,197,328	71,436,457	58,826,292
Total Equity		431,623,144	448,513,891	422,924,125
Liabilities				
Non-current liabilities	23	34,381,344	58,033,117	64,927,525
Loans and borrowings	33	35,479,096	52,387,537	42,727,113
Unsecured loan from a corporate shareholder	34	6,031,992	1,772,291	1,753,598
Government grant received in advance	24	24,347,619	14,004,942	13,523,103
Deferred tax liabilities		100,240,051	126,197,887	122,931,339
Current liabilities				
Payables	21	31,306,723	30,463,965	21,101,124
Amount owing to an associate	22	-	-	211,501
Loans and borrowings	23	22,026,111	37,828,766	52,527,432
Unsecured loan from a corporate shareholder	33	15,065,955	-	-
Taxation		1,990,076	1,937,437	2,690,890
Dividend payable to non-controlling interests		-	-	9,192,516
		77,388,865	70,230,168	85,723,463
Total Liabilities		170,628,916	196,428,055	208,654,802
TOTAL EQUITY AND LIABILITIES		602,252,060	644,941,946	631,678,927

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	Equity, total	Equity attributable to owners of the parent total	Share capital	Share premium	Treasury shares	Retained earnings	Other reserves, total	Asset revaluation reserve	Statutory reserve fund	Foreign exchange translation reserve	Fair value reserve	Capital reserve	Non-controlling interests
				Non-distributable			Distributable	Non-distributable						
		RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
At 1.1.2011		422,924,125	364,097,833	197,025,503	44,086,331	(8,485,620)	85,418,939	46,052,680	38,689,210	13,096,303	(5,970,582)	232,477	5,272	58,826,292
Comprehensive Income														
Profit for the financial year		14,806,616	13,001,608	-	-	-	13,001,608	-	-	-	-	-	-	1,805,008
Other comprehensive income														
Foreign currency translation differences		23,839,482	17,823,906	-	-	-	-	17,823,906	-	432,760	17,391,146	-	-	6,015,576
Fair value adjustment of available-for-sale financial assets		68,458	65,758	-	-	-	-	65,758	-	-	-	65,758	-	2,700
Total other comprehensive income for the financial year		23,907,940	17,889,664	-	-	-	-	17,889,664	-	432,760	17,391,146	65,758	-	6,018,276
Total comprehensive income for the financial year		38,714,556	30,891,272	-	-	-	13,001,608	17,889,664	-	432,760	17,391,146	65,758	-	7,823,284
Balance carried down		461,638,681	394,989,105	197,025,503	44,086,331	(8,485,620)	98,420,547	63,942,344	38,689,210	13,529,063	11,420,564	298,235	5,272	66,649,576

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (cont'd)

	Note	Equity, total RM	Equity attributable to owners of the parent total RM	Share capital RM	Share premium RM	Treasury shares RM	Retained earnings RM	Other reserves, total RM	Asset revaluation reserve RM	Statutory reserve fund RM	Foreign exchange translation reserve RM	Fair value reserve RM	Capital reserve RM	Non-controlling interests RM
				← Non-distributable		→	Distributable	←	Non-distributable				→	
Balance brought down		461,638,681	394,989,105	197,025,503	44,086,331	(8,485,620)	98,420,547	63,942,344	38,689,210	13,529,063	11,420,564	298,235	5,272	66,649,576
Transactions with owners														
Transfer to statutory reserve fund		-	-	-	-	-	(1,264,315)	1,264,315	-	1,264,315	-	-	-	-
Purchase of treasury shares	25	(7,839,406)	(7,839,406)	-	-	(7,839,406)	-	-	-	-	-	-	-	-
Realisation of revaluation surplus on sale of property, plant and equipment		-	-	-	-	-	427,056	(427,056)	(427,056)	-	-	-	-	-
In respect of an associate disposed	13	1,769,829	1,769,829	-	-	-	-	1,769,829	-	-	1,775,101	-	(5,272)	-
Dividends on ordinary shares	35	(4,876,158)	(4,876,158)	-	-	-	(4,876,158)	-	-	-	-	-	-	-
Special dividends on ordinary shares	35	(6,965,936)	(6,965,936)	-	-	-	(6,965,936)	-	-	-	-	-	-	-
Capital contribution by non-controlling interests in a subsidiary		4,786,881	-	-	-	-	-	-	-	-	-	-	-	4,786,881
Total transactions with owners		(13,124,790)	(17,911,671)	-	-	(7,839,406)	(12,679,353)	2,607,088	(427,056)	1,264,315	1,775,101	-	(5,272)	4,786,881
At 31.12.2011		448,513,891	377,077,434	197,025,503	44,086,331	(16,325,026)	85,741,194	66,549,432	38,262,154	14,793,378	13,195,665	298,235	-	71,436,457

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (cont'd)

				Non-distributable			Distributable	Non-distributable						
	Note	Equity, total RM	Equity attributable to owners of the parent total RM	Share capital RM	Share premium RM	Treasury shares RM	Retained earnings RM	Other reserves, total RM	Asset revaluation reserve RM	Statutory reserve fund RM	Foreign exchange translation reserve RM	Fair value reserve RM	Capital reserve RM	Non-controlling interests RM
At 31.12.2011		448,513,891	377,077,434	197,025,503	44,086,331	(16,325,026)	85,741,194	66,549,432	38,262,154	14,793,378	13,195,665	298,235	-	71,436,457
Comprehensive Income														
Profit for the financial year		1,437,429	(102,235)	-	-	-	(102,235)	-	-	-	-	-	-	1,539,664
Other comprehensive income														
Foreign currency translation differences		(14,461,791)	(11,916,542)	-	-	-	-	(11,916,542)	-	(541,096)	(11,375,446)	-	-	(2,545,249)
Fair value adjustment of available-for-sale financial assets		(153,689)	(63,809)	-	-	-	-	(63,809)	-	-	-	(63,809)	-	(89,880)
Total other comprehensive income for the financial year		(14,615,480)	(11,980,351)	-	-	-	-	(11,980,351)	-	(541,096)	(11,375,446)	(63,809)	-	(2,635,129)
Total comprehensive income for the financial year		(13,178,051)	(12,082,586)	-	-	-	(102,235)	(11,980,351)	-	(541,096)	(11,375,446)	(63,809)	-	(1,095,465)
Balance carried down		435,335,840	364,994,848	197,025,503	44,086,331	(16,325,026)	85,638,959	54,569,081	38,262,154	14,252,282	1,820,219	234,426	-	70,340,992

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (cont'd)

	Note	Equity, total RM	Equity attributable to owners of the parent total RM	Share capital RM	Share premium RM	Treasury shares RM	Retained earnings RM	Other reserves, total RM	Asset revaluation reserve RM	Statutory reserve fund RM	Foreign exchange translation reserve RM	Fair value reserve RM	Capital reserve RM	Non-controlling interests RM
				Non-distributable			Distributable		Non-distributable					
Balance brought down		435,335,840	364,994,848	197,025,503	44,086,331	(16,325,026)	85,638,959	54,569,081	38,262,154	14,252,282	1,820,219	234,426	-	70,340,992
Transactions with owners														
Transfer to statutory reserve fund		-	-	-	-	-	(1,163,677)	1,163,677	-	1,163,677	-	-	-	-
Transfer on disposal of subsidiaries		-	-	-	-	-	2,226,541	(2,226,541)	-	(40,788)	(2,185,753)	-	-	-
Purchase of treasury shares	25	(11,565,184)	(11,565,184)	-	-	(11,565,184)	-	-	-	-	-	-	-	-
Cancellation of treasury shares	25	-	-	(19,000,000)	(16,476,733)	16,476,733	-	19,000,000	-	-	-	-	19,000,000	-
Revaluation increase on land and warehouse buildings		20,302,394	14,144,511	-	-	-	-	14,144,511	14,211,859	-	(67,348)	-	-	6,157,883
Dividends on ordinary shares	35	(13,148,359)	(13,148,359)	-	-	-	(13,148,359)	-	-	-	-	-	-	-
Dividends paid to non-controlling interests		(3,550,500)	-	-	-	-	-	-	-	-	-	-	-	(3,550,500)
Capital contribution by non-controlling shareholder		4,248,953	-	-	-	-	-	-	-	-	-	-	-	4,248,953
Total transactions with owners		(3,712,696)	(10,569,032)	(19,000,000)	(16,476,733)	4,911,549	(12,085,495)	32,081,647	14,211,859	1,122,889	(2,253,101)	-	19,000,000	6,856,336
At 31.12.2012		431,623,144	354,425,816	178,025,503	27,609,598	(11,413,477)	73,553,464	86,650,728	52,474,013	15,375,171	(432,882)	234,426	19,000,000	77,197,328

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	2012 RM	2011 RM
Cash Flows from Operating Activities			
Profit before tax		7,008,021	18,542,168
Adjustments for:-			
Impairment loss on investment in associates		-	946,581
Depreciation of property, plant and equipment		9,245,568	7,650,765
Amortisation of land use rights		1,772,454	2,306,541
Bad debts written off		150,344	-
Deposits written off		5,100	-
Loss/(Gain) on disposal of property, plant and equipment		78,406	(8,891,991)
Loss on disposal of associates	13	-	792,614
Gain on disposal of subsidiaries	12	(2,028,236)	(4,214,417)
Property, plant and equipment written off		-	9,402
Provision for/(Reversal of) employee benefits		404	(36,120)
Reversal of impairment loss on receivables		-	(53,125)
Capital work-in-progress written off		148,649	-
Waiver of debts by associates		-	(211,501)
Waiver of debts by creditors		-	(20,670)
Share of profits of associates		(603,319)	(2,118,001)
Share of losses of jointly controlled entities		4,784,503	941,624
Unrealised loss/(gain) on foreign exchange		13,679	(32,165)
(Reversal of)/Provision for land penalty		(3,483,172)	3,490,976
Government grant income		(91,576)	(36,041)
Interest revenue		(1,887,630)	(1,509,816)
Interest expense		4,352,985	3,995,073
Operating profit before working capital changes		19,466,180	21,551,897
Decrease/(Increase) in trade and other receivables		516,947	(7,646,244)
Increase in trade and other payables		4,333,330	7,551,336
Cash from operations		24,316,457	21,456,989
Government grant received		4,492,573	-
Tax refund		-	775,371
Interest paid		(4,350,525)	(3,590,770)
Tax paid		(4,972,381)	(4,607,913)
Net cash from operating activities carried down		19,486,124	14,033,677

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (cont'd)

	Note	2012 RM	2011 RM
Net cash from operating activities brought down		19,486,124	14,033,677
Cash Flows from Investing Activities			
Acquisition of other investments		(350,000)	-
Effect of disposal of a subsidiaries, net of cash disposed	12	35,920,613	27,587,275
Proceeds from disposal of property, plant and equipment		148,346	16,921,936
Proceeds from disposal of investment in associates	13	-	1,000,000
Additional investment in associates		(11,061,583)	-
Capital work-in-progress incurred	11	(17,438,564)	(25,802,402)
Purchase of property, plant and equipment	9	(5,055,465)	(5,434,796)
Advances to jointly controlled entities		(17,871,042)	(12,718,431)
Capital repayment from associates		-	19,200
Capital contribution by non-controlling shareholder		4,248,953	4,786,881
Interest received		1,887,630	1,509,816
Net cash (used in)/from investing activities		(9,571,112)	7,869,479
Cash Flows from Financing Activities			
Dividends paid		(13,148,359)	(11,842,094)
Dividends paid to non-controlling interests		(3,550,500)	-
Interest paid		-	(110,900)
Payments to hire purchase payables		-	(401,437)
Repayments of revolving credit		-	(20,000,000)
Proceeds from unsecured loan		-	1,840,050
Repayments of unsecured loan		-	(3,307,359)
Treasury shares repurchased		(11,565,184)	(7,839,406)
Proceeds from term loans		2,267,242	28,537,110
Repayments of term loans		(38,345,756)	(34,450,618)
Net cash used in financing activities		(64,342,557)	(47,574,654)
Net change in cash and cash equivalents		(54,427,545)	(25,671,498)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (cont'd)

	Note	2012 RM	2011 RM
Net change in cash and cash equivalents		(54,427,545)	(25,671,498)
Effects of exchange rate changes on cash and cash equivalents		(4,267,821)	2,764,973
Cash and cash equivalents at beginning of the financial year		105,906,525	128,813,050
Cash and cash equivalents at end of the financial year	20	47,211,159	105,906,525

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	2012 RM	2011 RM
Revenue	4	7,043,400	12,600,000
Other income		4,596,305	28,775,633
		11 639 705	41,375,633
Administrative costs		(4,819,917)	(3,985,987)
Other costs		(6,103,267)	(18,795,964)
		(10,923,184)	(22,781,951)
Profit from operations		716,521	18,593,682
Finance costs	5	-	(111,116)
Profit before tax	6	716,521	18,482,566
Tax expense	7	(323,834)	(2,996,950)
Profit for the financial year		392,687	15,485,616
Foreign currency translation differences		(4,608)	4,125
Fair value adjustment of available-for-sale financial assets		145,911	59,460
Other comprehensive income for the financial year, net of tax		141,303	63,585
Total comprehensive income for the financial year		533,990	15,549,201

The annexed notes fo rm an integral part of, and should be read in conjunction with, these financial statemerts.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	Note	31.12.2012 RM	31.12.2011 RM (Restated)	1.1.2011 RM (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	9	823,590	1,145,549	9,235,458
Subsidiaries	12	40,937,547	41,678,067	65,290,645
Interest in associates	13	11,007,500	11,007,500	11,030,285
Interest in jointly controlled entities	14	55,040,976	55,596,623	34,716,902
Other investments	15	626,240	134,937	71,352
Amount owing by subsidiaries	17	82,336,985	101,780,222	96,438,277
Amount owing by a jointly controlled entity	18	29,973,600	12,973,500	20,131,676
		220,746,438	224,316,398	236,914,595
Current assets				
Receivables	16	1,253,191	863,765	5,905,965
Amount owing by subsidiaries	17	13,807,500	-	-
Tax assets	19	420,216	703,750	1,366,871
Cash and cash equivalents	20	10,155,232	44,220,703	71,068,590
		25,636,139	45,788,218	78,341,426
TOTAL ASSETS		246,382,577	270,104,616	315,256,021

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012 (cont'd)

	Note	31. 12 2012 RM	31.12.2011 RM (Restated)	1.1.2011 RM (Restated)
EQUITY AND LIABILITIES				
Equity attributable to the owners of the parent				
Share capital	25	178,025,503	197,025,503	197,025,503
Share premium	26	27,609,598	44,086,331	44,086,331
Treasury shares	25	(11,413,477)	(16,325,026)	(8,485,620)
Retained earnings	26	30,101,118	42,856,790	39,213,268
Other reserves	26	19,218,240	76,937	13,352
Total Equity		243,540,982	267,720,535	271,852,834
Liabilities				
Non-current liabilities				
Loans and borrowings	23	-	-	242,066
Deferred tax liabities	24	6,400	23,100	76,900
		6,400	23,100	318,966
Current liabilities				
Payables	21	1,823,195	1,348,981	2,366,704
Amount owing to subsidiaries	17	1,012,000	1,012,000	20,346,645
Amount owing to an associate	22	-	-	211,501
Loans and borrowings	23	-	-	20,159,371
		2,835,195	2,360,981	43,084,221
Total Liabilities		2,841,595	2,384,081	43,403,187
TOTAL EQUITY AND LIABILITIES		246,382,577	270,104,616	315 256 021

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

			Non-distributable			Distributable	Non-distributable		
	Note	Equity, total RM	Share capital RM	Share premium RM	Treasury shares RM	Retained earnings RM	Other reserves, total RM	Foreign exchange translation exchange RM	Fair value reserve RM
At 1.1.2011		271,852,834	197,025,503	44,086,331	(8,485,620)	39,213,268	13,352	(6,084)	19,436
Comprehensive income									
Profit for the financial year		15,485,616	-	-	-	15,485,616	-	-	-
Other comprehensive income									
Foreign currency translation differences		4,125	-	-	-	-	4,125	4,125	-
Fair value adjustment of available-for-sale financial assets		59,460	-	-	-	-	59,460	-	59 460
Total other comprehensive income for the financial year		63,585	-	-	-	-	63,585	4,125	59,460
Total comprehensive income for the financial year		15,549,201	-	-	-	15,485,616	63,585	4,125	59,460
Transactions with owners									
Dividends on ordinary shares	35	(4,876,158)	-	-	-	(4,876,158)	-	-	-
Special dividends on ordinary shares	35	(6,965,936)	-	-	-	(6,965,936)	-	-	-
Purchase of treasury shares	25	(7,839,406)	-	-	(7,839,406)	-	-	-	-
Total transactions with owners		(19,681,500)	-	-	(7,839,406)	(11,842,094)	-	-	-
At 31.12.2011		267,720,535	197,025,503	44,086,331	(16,325,026)	42,856,790	76 937	(1,959)	78 896

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (cont'd)

	Note	Equity, total RM	Share capital RM	Share premium RM	Treasury shares RM	Retained earnings RM	Other reserves, total RM	Foreign exchange translation exchange RM	Capital reserve RM	Fair value reserve RM
			← Non-distributable →			Distributable	← Non-distributable →			
At 31.12.2011		267,720,535	197,025,503	44 086,331	(16,325,026)	42,856,790	76,937	(1,959)	-	78,896
Comprehensive income										
Profit for the financial year		392,687	-	-	-	392,687	-	-	-	-
Other comprehensive income										
Foreign currency translation differences		(4,608)	-	-	-	-	(4,608)	(4,608)	-	-
Fair value adjustment of available-for-sale financial assets		145,911	-	-	-	-	145,911	-	-	145,911
Total other comprehensive income for the financial year		141,303	-	-	-	-	141,303	(4,608)	-	145,911
Total comprehensive income for the financial year		533,990	-	-	-	392,687	141,303	(4,608)	-	145,911
Transactions with owners										
Dividends on ordinary shares	35	(13,148,359)	-	-	-	(13,148,359)	-	-	-	-
Purchase of treasury shares	25	(11,565,184)	-	-	(11,565,184)	-	-	-	-	-
Cancellation of treasury shares	25	-	(19,000,000)	(16,476,733)	16,476,733	-	19,000,000	-	19 000,000	-
Total transactions with owners		(24,713,543)	(19,000,000)	(16,476,733)	4,911,549	(13,148,359)	19,000,000	-	19,000,000	-
At 31.12.2012		243,540,982	178,025,503	27,609,598	(11,413,477)	30,101,118	19,218,240	(6,567)	19,000,000	224,807

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

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	2012 RM	2011 RM
Cash Flows from Operating Activities			
Profit before tax		716,521	18,482,566
Adjustments for:-			
Depreciation of property, plant and equipment		345 708	312,750
Gain on disposal of property, plant and equipment		-	(8,863,809)
Gain on disposal of associates	13	-	(977,215)
Impairment loss on investment in subsidiaries		45,000	18,666,730
Provision for/(Reversal of) employee benefits		404	(36,120)
Unrealised loss/(gain) on foreign exchange		5,958,958	(4,855,040)
Waiver of debts by subsidiaries		-	(9,949,517)
Waiver of debts by associates		-	(211,501)
Dividend revenue		(7,043,400)	(12,600,000)
Interest revenue		(4,004,928)	(3,533,951)
Interest expense		-	111,116
Operating loss before working capital changes		(3,981,737)	(3,453,991)
(Increase)/Decrease in other receivables		(615,259)	5,042,200
Increase/(Decrease) in other payables		473,808	(981,603)
Cash (used in)/from operations		(4,123,188)	606,606
Interest paid		-	(216)
Tax paid		(57,000)	(13,000)
Tax refund		-	775,371
Net cash (used in)/from operating activities carried down		(4,180,188)	1,368,761

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (cont'd)

	Note	2012 RM	2011 RM
Net cash (used in)/from operating activities brought down		(4,180,188)	1,368,761
Cash Flows from Investing Activities			
Acquisition of a subsidiary		-	(2)
Acquisition of other investment		(350,000)	-
Advances to subsidiaries		-	(4,116,000)
Advances to jointly controlled entities		(17,871,042)	(12,718,431)
Repayments from subsidiaries		2,038,400	7,539,666
Purchase of property, plant and equipment	9	(23,749)	(252,786)
Proceeds from disposal of property, plant and equipment		-	16 893 754
Proceeds from disposal of associates	13	-	1,000,000
Dividend received		7,043,400	9,450,000
Interest received		4,004,928	3 533 951
Net cash (used in)/from investing activities		(5,158,063)	21,330,152
Cash Flows from Financing Activities			
Repayments to subsidiaries		-	(9,385,128)
Dividend paid		(13,148,359)	(11,842,094)
Interest paid		-	(110,900)
Payments to hire purchase payables		-	(401,437)
Repayments of revolving credit		-	(20,000,000)
Treasury shares repurchased		(11,565,184)	(7,839,406)
Net cash used in financing activities		(24,713,543)	(49,578,965)
Net change in cash and cash equivalents		(34,051,794)	(26,880,052)
Effects of exchange rate changes on cash and cash equivalents		(13,677)	32,165
Cash and cash equivalents at beginning of the finanical year		44,220,703	71,068,590
Cash and cash equivalents at end of the financial year	20	10,155,232	44,220,703

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

1. CORPORATE INFORMATION

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

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

The registered office is located at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur and the principal place of business is located at Indera Subang Condominium, Ground Floor, Club House, Jalan USJ 6/2L, 47610 UEP Subang Jaya, Selangor Darul Ehsan.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors dated 6 March 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

The financial statements of the Group and of the Company have been prepared under the historical cost basis, except as disclosed in the significant accounting policies in Note 2.2.

The financial statements of the Group and of the Company for the financial year ended 31 December 2012 are the first set of financial statements prepared in accordance with the MFRSs, including MFRS 1 'First-time adoption of MFRSs'. In the previous financial year, the financial statements of the Group and the Company were prepared in accordance with the Financial Reporting Standards ("FRSs") in Malaysia.

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting period. It also requires Directors to exercise their judgment in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 New, Revised and Amendments/Improvements to Accounting Standards and IC Int

a) Explanation of Transition to MFRSs

In conjunction with the planned convergence of FRSs with International Financial Reporting Standards as issued by the International Accounting Standards Board on 1 January 2012, the Malaysian Accounting Standards Board ("MASB") had on 19 November 2011 issued a new MASB approved accounting standards, MFRSs ("MFRSs Framework") for application in the annual periods beginning on or after 1 January 2012.

The MFRSs Framework is mandatory for adoption by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities subject to the application of MFRS 141 Agriculture and/or IC Int 15 Agreements for the Construction of Real Estate ("Transitioning Entities"). The Transitioning Entities are given an option to defer adoption of the MFRSs framework to financial periods beginning on or after 1 January 2014. Transitioning Entities also includes those entities that consolidate or equity account or proportionately consolidate another entity that has chosen to continue to apply the FRSs framework for annual periods beginning on or after 1 January 2012.

Accordingly, the Group and the Company which are not the Transitioning Entities have adopted the MFRSs framework including MFRS 1 First-time adoption of MFRSs for the current financial year ended 31 December 2012.

MFRS 1 requires comparative information to be restated as if the requirements of MFRSs effective for annual periods beginning on or after 1 January 2012 have always been applied, except when MFRS 1 allows certain elective exemptions from such full retrospective application or prohibits retrospective application of some aspects of MFRSs.

The Group and the Company have consistently applied the same accounting policies in its opening MFRSs statement of financial position as at 1 January 2011 (date of transition) and throughout all years presented, as if these policies had always been in effect.

As at 31 December 2011, all FRSs issued under the existing FRSs framework are equivalent to the MFRSs issued under MFRSs framework except for differences in relation to the transitional provisions, the adoption of MFRS 141 Agriculture and IC Int 15 Agreements for the Construction of Real Estate as well as differences in effective dates contained in certain of the existing FRSs.

The adoption of the MFRSs for the current financial year did not result in any changes in accounting policies and material adjustments to the Group's and the Company's statements of financial position, statements of comprehensive income and statements of cash flows which are reported in accordance with the previous FRSs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 New, Revised and Amendments/Improvements to Accounting Standards and IC Int (cont'd)

b) New, revised, amendments/improvement to accounting standards and IC Int that are issued, but not yet effective and have not been early adopted

The Group and the Company have not adopted the following new and revised MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group and the Company:-

		Effective for financial periods beginning on or after
New MFRSs		
MFRS 9	Financial Instruments	1 January 2015
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
Revised MFRSs		
MFRS 119	Employee Benefits	1 January 2013
MFRS 127	Separate Financial Statements	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures	1 January 2013
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of Financial Reporting Standards	1 January 2013
MFRS 7	Financial Instruments: Disclosures	1 January 2013
MFRS 10	Consolidated Financial Statements	1 January 2013 and 1 January 2014
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013 and 1 January 2014
MFRS 101	Presentation of Financial Statements	1 July 2012 and 1 January 2013
MFRS 116	Property, Plant and Equipment	1 January 2013
MFRS 127	Separate Financial Statements	1 January 2014
MFRS 132	Financial Instruments: Presentation	1 January 2013 and 1 January 2014
MFRS 134	Interim Financial Reporting	1 January 2013
New IC Int		
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to IC Int		
IC Int 2	Members' Shares in Co-operative Entities & Similar Instruments	1 January 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 New, Revised and Amendments/Improvements to Accounting Standards and IC Int (cont'd)

b) New, revised, amendments/improvement to accounting standards and IC Int that are issued, but not yet effective and have not been early adopted (cont'd)

A brief discussion on the above significant new and revised MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int are summarised below. Due to the complexity of these new standards, the financial effects of their adoption are currently still being assessed by the Group and the Company.

MFRS 9 Financial Instruments

MFRS 9 specifies how an entity should classify and measure financial assets and financial liabilities.

This standard requires all financial assets to be classified based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial asset. Financial assets are to be initially measured at fair value. Subsequent to initial recognition, depending on the business model under which these assets are acquired, they will be measured at either fair value or at amortised cost.

In respect of the financial liabilities, the requirements are generally similar to the former MFRS 139. However, this standard requires that for financial liabilities designated as at fair value through profit or loss, changes in fair value attributable to the credit risk of that liability are to be presented in other comprehensive income, whereas the remaining amount of the change in fair value will be presented in the profit or loss.

MFRS 10 Consolidated Financial Statements and MFRS 127 Separate Financial Statements (Revised)

MFRS 10 replaces the consolidation part of the former MFRS 127 Consolidated and Separate Financial Statements. The revised MFRS 127 will deal only with accounting for investment in subsidiaries, joint ventures and associates in the separate financial statements of an investor and requires the entity to account for such investments either at cost, or in accordance with MFRS 9.

MFRS 10 brings about convergence between MFRS 127 and IC Int 12 Consolidation-Special Purpose Entities, which interprets the requirements of MFRS 10 in relation to special purpose entities. MFRS 10 introduces a new single control model to identify a parent-subsidiary relationship by specifying that "an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee". It provides guidance on situations when control is difficult to assess such as those involving potential voting rights, or in circumstances involving agency relationships, or where the investor has control over specific assets of the entity, or where the investee entity is designed in such a manner where voting rights are not the dominant factor in determining control.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 New, Revised and Amendments/Improvements to Accounting Standards and IC Int (cont'd)

b) New, revised, amendments/improvement to accounting standards and IC Int that are issued, but not yet effective and have not been early adopted (cont'd)

MFRS 11 Joint Arrangements

MFRS 11 supersedes the former MFRS 131 Interests in Joint Ventures. Under MFRS 11, an entity accounts for its interest in a jointly controlled entity based on the type of joint arrangement, as determined based on an assessment of its rights and obligations arising from the arrangement. There are two types of joint arrangement namely joint venture or joint operation as specified in this new standard. A joint venture recognises its interest in the joint venture as an investment and account for it using the equity method. The proportionate consolidation method is disallowed in such joint arrangement. A joint operator accounts for the assets, liabilities, revenue and expenses related to its interest directly.

MFRS 12 Disclosures of Interests in Other Entities

MFRS 12 is a single disclosure standard for interests in subsidiaries, joint ventures, associates and unconsolidated structured entities. The disclosure requirements in this MFRS are aimed at providing standardised and comparable information that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's interests in other entities, and the effects of those interests on its financial position, financial performance and cash flows.

MFRS 13 Fair Value Measurement

MFRS 13 defines fair value and sets out a framework for measuring fair value, and the disclosure requirements about fair value. This standard is intended to address the inconsistencies in the requirements for measuring fair value across different accounting standards. As defined in this standard, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

MFRS 128 Investments in Associates and Joint Ventures (Revised)

This revised MFRS 128 incorporates the requirements for accounting for joint ventures into the same accounting standard as that for accounting for investments in associates, as the equity method was applicable for both investments in joint ventures and associates. However, the revised MFRS 128 exempts the investor from applying equity accounting where the investment in the associate or joint venture is held indirectly via venture capital organisations or mutual funds and similar entities. In such cases, the entity shall measure the investment at fair value through profit or loss, in accordance with MFRS 9.

Amendments to MFRS10, MFRS12 and MFRS127 Investment Entities

These amendments introduce an exception to consolidation for investment entities. Investment entities are entities whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. The amendments require investment entities to measure particular subsidiaries at fair value through profit or loss in accordance with MFRS 139 Financial Instruments: Recognition and Measurement instead of consolidating them. In addition, the amendments also introduce new disclosure requirements related to investment entities in MFRS 12 Disclosure of Interests in Other Entities and MFRS 127 Separate Financial Statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Basis of consolidation

The consolidated financial statements incorporate the audited financial statements of the company and all of its subsidiaries which are disclosed in Note 12 made up to the end of the financial year. The financial statements of the Company and its subsidiaries are all drawn up to the same reporting date.

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

Subsidiaries are consolidated using the acquisition method, from the date of acquisition being the date on which the Company obtains control and continue to be consolidated until the date that such control ceases. The assets, liabilities and contingent liabilities assumed from a subsidiary are measured at their fair values at the date of acquisition and these values are reflected in the consolidated financial statements. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Transactions with non-controlling interests

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

2.5 Foreign currency

a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

b) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in Ringgit Malaysia using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies at the reporting date are translated to the functional currencies at the exchange rates on the reporting date. Non-monetary items denominated in foreign currencies are not retranslated at the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.5 Foreign currency (cont'd)

c) Foreign Operations Denominated in Functional Currencies other than Ringgit Malaysia

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

(i) Assets and liabilities for each reporting date presented are translated at the closing rate prevailing at the reporting date;

(ii) Income and expenses are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and

(iii) All resulting exchange differences are taken to other comprehensive income.

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations are recognised in profit or loss in the Company's separate financial statements or the individual financial statements of the foreign operation, as appropriate.

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

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

Upon disposal of a foreign subsidiary, the cumulative amount of translation differences at the date of disposal of the subsidiary is taken to the consolidated profit or loss.

2.6 Subsidiaries

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

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses, unless the investments are classified as held for sale (or included in a disposal group that is classified as held for sale). Acquisition related costs are recognised as expenses in the period in which the costs are incurred. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.7 Associates

An associate is an entity in which the Group exercises influence, but which it does not control, generally accompanying a shareholding of between 20% and 50% of the voting rights, and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not the power to exercise control over these policies.

Investments in associate are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated statement of financial position at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in profit or loss. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes. The Group's investment in associates includes goodwill identified on acquisition.

In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

2.8 Jointly controlled entities

The Group has interests in joint ventures which are jointly controlled entities. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

Investments in jointly controlled entities are accounted for in the consolidated financial statements using the equity method of accounting as described in Note 2.7.

In the Company's separate financial statements, investments in jointly controlled entities are stated at cost less impairment losses.

On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is included in profit or loss.